

EPL Intermediate, Inc. Operating income decreased 17.3%
2008-05-08

EPL Intermediate, Inc. Announces Results for the 13 Weeks Ended March 31, 2008

EPL Intermediate, Inc. ('El Pollo Loco' or the 'Company'), parent company of El Pollo Loco, Inc., today reported results for the 13 weeks ended March 31, 2008.

El Pollo Loco reported operating revenues for the 13-week period ended March 31, 2008 of \$71.2 million, which is an increase of \$4.4 million, or 6.5%, over operating revenues for the 13-week period ended March 31, 2007 of \$66.8 million. Operating revenues include both sales at company-owned stores and franchise revenues. Increases in company-operated restaurant revenue are attributed to growth in new company-operated restaurants and increases in same-store sales.

Same-store sales for the system (includes both company and franchise locations) increased 1.8% in the first quarter of 2008. Restaurants enter the comparable restaurant base for same-store sales the first full week after that restaurant's 15-month anniversary.

Operating income decreased \$1.4 million, or 17.3%, to \$6.4 million for the first 13 weeks of 2008 from \$7.8 million for the first 13 weeks of 2007. Items impacting the comparison of operating income include:

an increase in product cost of \$2.4 million, or 12.5%, to \$21.6 million for the first 13 weeks of 2008 from \$19.2 million for the first 13 weeks of 2007. These costs were 32.6% as a percentage of restaurant revenue for the first quarter of 2008 compared to 30.7% for the same period of 2007. The 1.9% increase in the first 13 weeks of 2008 resulted primarily from increased commodity costs and heavier promotional discounting.

an increase in payroll and benefit expenses of \$1.4 million, or 8.4%, to \$17.7 million for the first 13 weeks of 2008 from \$16.3 million for the same period in 2007. As a percentage of restaurant revenue, these costs increased 0.6% to 26.7% for the first 13 weeks of 2008 from 26.1% for the same period of 2007. This increase is primarily attributed to the California minimum wage increase effective January 1, 2008 and higher spending on manager training.

a 0.9% increase in restaurant other operating expense (includes utilities, repair and maintenance, advertising, property taxes, occupancy and other operating expenses) as a percentage of restaurant revenue, resulting primarily from a 0.4% increase in occupancy costs as a percentage of revenue and a 0.2% increase in utilities as a percentage of revenue due to higher gas prices in the current period. Also contributing to the increase was a 0.1% increase in advertising expense as a percentage of revenue. Advertising expense each quarter may be above or below our planned annual rate of 4% of revenue, depending on the timing of marketing promotions and the relative weights and prices of media spending.

Interest expense, net of interest income, decreased \$0.1 million, or 2.1%, to \$7.2 million for the first 13 weeks of 2008 from \$7.3 million for the first 13 weeks of 2007. Average debt balances for the first 13 weeks of 2008 decreased to \$256.8 million compared to \$260.8 million for the first 13 weeks of 2007.

Our provision for income taxes consisted of an income tax benefit of \$0.3 million in the first 13 weeks of 2008 compared to income tax expense of \$0.2 million in the first 13 weeks of 2007.

As a result of the factors cited above, there was a net loss for the 13 weeks ended March 31, 2008 of \$0.5 million compared to net income of \$0.2 million for the same 13 weeks of 2007.

Commenting on results for the first 13 weeks of 2008, Stephen E. Carley, president and CEO of El Pollo Loco, Inc., said, 'Consumers are being affected by the economy more dramatically this year as they struggle with the sustained effect of soaring gasoline costs, rising food prices, declining home values and the prospect of a recession. At the same time, restaurant companies are tackling record increases in commodity costs. Despite the convergence of these challenges, we are pleased to continue to deliver positive system-wide same-store sales growth.'

Focusing on the Company's approach in reaching consumers in a challenging economy, Carley explained, 'We are focused on building sales at both lunch and dinner by providing value to our guests and fresh, flavorful food featuring our signature flame-grilled chicken that they cannot find anywhere else,' Carley said. 'The debut of our Queso Crunch Burrito during the first quarter of 2008 generated impressive response and drove traffic at lunch, while our family meal promotion helped sustain family meal sales in a tough economic environment.'

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