

Shells Seafood Restaurants First Quarter Revenues Decreased 20.4%

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Shells Seafood Restaurants, Inc. Reports First Quarter 2008 Results

Shells Seafood Restaurants, Inc. (BULLETIN BOARD: SHLL) today reported financial results for its first quarter ended March 30, 2008.

Key metrics for the first quarter of 2008, compared to the first quarter of 2007:

Revenues decreased 20.4% to \$10.7 million.

Comparable restaurant sales decreased 15.6%.

Net income of \$120,000, was \$85,000 better than the first quarter of 2007. Excluding non-recurring items, net income of \$263,000, compared to a net loss of \$11,000.

Earnings per share diluted of \$0.00, same as the first quarter of 2007. Excluding non-recurring items, earnings per share diluted of \$0.01, compared to a net loss per share of \$0.00.

Marc Bernstein, newly-appointed CEO, commented, "The first quarter of 2008 continued to be challenging for both Shells and most casual dining restaurants within Florida, generally due to an increasingly difficult economy. Although first quarter sales continued to decline, we diligently reduced our operating and administrative expenses in the midst of a broad range of externally driven cost increases. As a result, we achieved an improvement in net income in comparison to the first quarter of last year." Bernstein further added, "Our efforts going forward are fully focused on providing our guests with compelling offerings of great food at very favorable price points. Our mission is to drive guest traffic and sales, while holding expenses in-line. We are taking immediate action toward repositioning Shells as a relevant brand to overcome this economic downturn and re-establish ourselves for future long-term success."

Operating Results

Revenues for the first quarter of 2008 decreased 20.4% to \$10,697,000 from \$13,435,000 in the first quarter of 2007, predominantly due to a 15.6% decrease in same store sales and, to a lesser extent, the second and fourth quarter 2007 dispositions of two under performing restaurants. As of the end of the first quarter of 2008, we had 23 restaurants in operation, compared to 25 restaurants at the end of the first quarter of 2007.

Restaurant operating costs, consisting of food and beverage costs, labor, other operating costs and depreciation expense, were \$9,475,000, or 89.2% of restaurant sales, in the first quarter of 2008, compared to \$12,273,000, or 91.6% of restaurant sales, in the first quarter of 2007. The 2.4% decrease in restaurant operating costs, as a percentage of restaurant sales, primarily resulted from a 2.2% reduction in food and beverage costs, reflecting our menu repositioning implemented at the beginning of the first quarter of 2008.

General & administrative expenses were \$946,000, or 8.8% of revenues, in the first quarter of 2008 compared to \$1,025,000, or 7.6% of revenues, in the first quarter of 2007. Exclusive of \$143,000 in non-recurring severance expenses recognized in the first quarter of 2008, general & administrative expenses were \$803,000, or 7.5% of revenues. The reduction from the comparable period last year was mostly due to a reduction in salaries, bonuses and related expenses of \$104,000 and a reduction in stock option expense of \$44,000.

Income from operations in the first quarter of 2008 of \$276,000 was \$139,000 better than the income from operations in the comparable period of 2007. Excluding the non-recurring item in the first quarter of 2008, income from operations of \$419,000 was \$282,000 better than the comparable period of 2007.

Net income in the first quarter of 2008 was \$120,000, or \$0.00 per diluted share based upon 25.4 million diluted common shares outstanding, compared to net income in the first quarter of 2007 of \$35,000, or \$0.00 per diluted share based upon 25.5 million diluted common shares outstanding. As adjusted for non-recurring items as summarized in the ensuing financial tables, net income in the first quarter of 2008 was \$263,000, or \$0.01 per diluted share, compared to a net loss in the first quarter of 2007 of \$11,000, or \$0.00 per share.

The Company manages and operates 23 full-service, neighborhood seafood restaurants in Florida under the name "Shells".

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