

Mexican Restaurants, Inc. Announces 2008 First Quarter Operating Results

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For the Company's 2008 first quarter ended March 30, 2008, the Company reported net income of \$75,517 or \$0.02 per diluted share, compared with a net loss of \$69,544 or \$0.02 per diluted share for the first quarter of fiscal year 2007.

The Company's revenues for the first quarter of fiscal year 2008 decreased \$87,008 or 0.4% to \$20.4 million compared with \$20.5 million for the same quarter in fiscal year 2007. Restaurant sales for first quarter 2008 decreased \$83,345 or 0.4% to \$20.2 million compared with \$20.3 million for the first quarter of fiscal year 2007. The decrease in restaurant revenue reflects the sale of one Casa Olé restaurant in June of 2007 and the six week closure of another Casa Olé restaurant that was extensively damaged by fire, the impact of which was partially offset by an increase in same-store sales. For the first quarter ended March 30, 2008, Company-owned same-restaurant sales increased approximately 1.2% and franchised-owned same-restaurant sales, as reported by franchisees, increased approximately 3.3% over the same quarter in fiscal 2007.

Commenting on the Company's first quarter results, Curt Glowacki, Chief Executive Officer, stated, 'I am very pleased that same-store sales were positive for the third consecutive quarter, and continue to be positive in the second quarter of fiscal year 2008. These trends are contrary to national casual-dining industry trends.'

Mr. Glowacki added, 'The first quarter represented continued progress in returning the Company to acceptable results. In March of fiscal 2008, we selectively raised menu prices across most of our concepts, and although cost of sales increased 30 basis points to 28.6% compared with the first quarter one year ago, it improved 40 basis points compared with the fourth quarter of fiscal year 2007. As we have stated before, if commodity prices continue to rise, we will continue to selectively raise menu prices to the extent we believe we can do so without risking a decline in customer counts and traffic. Together, labor and restaurant operating expenses improved 190 basis points compared with the first quarter one year ago. General and administrative expenses, however, increased approximately \$190,000 compared with the first quarter in fiscal year 2007. Costs related to the development of the Mission Burrito concept contributed approximately 40% of the increase, and legal, Sarbanes Oxley 404, banking fees and stock-based compensation expense accounted for the remainder of the increase.'

Mr. Glowacki concluded, 'We continue to be very excited about our Company's growth plans for Mission Burrito, our fast casual entry into the high growth quick serve burrito category. During the first quarter of fiscal 2008, we opened the third Mission Burrito restaurant - our new prototype - in Katy, Texas. Sales have exceeded our expectations. The fourth Mission Burrito restaurant, which is under construction, will open in May of fiscal 2008. Currently, four additional Mission Burrito restaurants are under various stages of development, two of which we believe we can open before the end of fiscal year 2008.'

Mexican Restaurants, Inc. operates and franchises 78 Mexican restaurants. The current system includes 59 Company-operated restaurants, 18 franchisee operated restaurants and one licensed restaurant.

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