

## Kona Grill Restaurant sales increased 4.5% to \$20.2 million

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### Kona Grill Reports Second Quarter Results

Kona Grill, Inc. (Nasdaq: KONA), an American grill and sushi bar, today reported results for its second quarter ended June 30, 2008.

Highlights for the second quarter of 2008 include:

Opened restaurant in Gilbert, AZ

Restaurant sales increased 4.5% to \$20.2 million

Same-store sales decreased 5.6%

Restaurant operating profit margin of 18.2%

Net loss of (\$0.5) million, or (\$0.08) per diluted share

'Our second quarter 2008 results reflect the challenging consumer environment which continues to affect both our industry and the economy in general. While we have lowered our outlook for the remainder of the year in view of current market conditions, we remain focused on superior execution at our restaurants, as well as managing operating costs,' said Marcus E. Jundt, Chief Executive Officer of Kona Grill.

### **Second Quarter Financial Results**

Restaurant sales increased 4.5% to \$20.2 million from \$19.3 million during the same quarter last year. The increase in restaurant sales during the second quarter reflects additional revenue from three stores opened since November 2007, partially offset by an overall reduction in guest traffic. Restaurant sales reflect a 5.6% decrease in same-store sales due to the broadening of economic weakness in multiple states. In the second quarter of 2007, same-store sales increased 5.0%.

Average weekly sales for the 12 restaurants in the comparable base were \$89,955 during the second quarter of 2008, compared to \$95,256 in the prior year period. Average weekly sales for restaurants not in the comparable base that were open for the entire second quarter of 2008 were \$76,659, versus \$82,815 last year.

Net loss for the second quarter of 2008 was (\$0.5) million, or (\$0.08) per diluted share, based upon 6.6 million diluted shares, compared to net income of \$0.3 million, or \$0.05 per diluted share for the same period last year, based upon 6.2 million diluted shares.

During the second quarter of 2008, the Company repurchased 116,200 shares of common stock at a total cost of \$1.0 million, as part of its previously announced 600,000 share repurchase program. Additional repurchases may be made at management's discretion in the open market in compliance with applicable securities laws and other legal requirements and are subject to market conditions, share price, available cash and other factors.

### **Financial Guidance**

For the third quarter of 2008, the Company forecasts sales of \$19.5 million to \$20.5 million and a net loss of (\$0.6) million to (\$0.9) million, or a net loss per diluted share of (\$0.09) to \$(0.13).

For fiscal year 2008, the Company is revising its guidance to sales of \$80 million to \$82 million and a net loss of (\$2.8) million to (\$3.8) million, or (\$0.43) to (\$0.58) per diluted share. The Company anticipates opening three new restaurants in the second half of 2008, including West Palm Beach, FL, Phoenix, AZ, and Richmond, VA.

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