

The Steak n Shake Company Reports Fiscal 2008 Third Quarter Results

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Total revenues for the fiscal 2008 third quarter decreased 6.1% to \$144.3 million compared to \$153.6 million in the comparable period last year.

The Steak n Shake Company (NYSE:SNS) announced its results for the fiscal 2008 third quarter ended July 2, 2008.

Selected results from the fiscal third quarter 2008:

Total revenues of \$144.3 million

General and administrative expense reduction of \$2.0 million or 16.0%

Debt reduction of \$20.4 million

Cash flow from operations of \$9.7 million

Fiscal Third Quarter 2008 Results

Total revenues for the fiscal 2008 third quarter decreased 6.1% to \$144.3 million compared to \$153.6 million in the comparable period last year. During the third quarter, same-store sales declined by 5.8%. The Net loss for the fiscal 2008 third quarter was \$9.8 million, or \$0.35 per diluted share. These figures compare to net earnings of \$0.1 million, or \$0.00 per diluted share in the third quarter of the prior year. Current third quarter results included \$14.1 million (\$8.7 million, or \$0.31 per diluted share, net of tax) of non-cash impairment charges, which include \$4.8 million related to a group of 12 stores that we plan to close in the fourth quarter of fiscal 2008, and \$8.8 million related to 18 restaurants that were impaired because the carrying values of their underlying assets were more than the expected future cash flows. An additional \$0.5 million related to three stores involved in a sale-leaseback whose net book values exceeded their fair values. We completed 10 sale-leasebacks generating \$14.8 million in proceeds, which were applied to paying down the line of credit. As a result, the Company now owns 154 properties, both land and building. Total debt under our credit facilities at the end of the third quarter was \$27.0 million.

Our cash flow from operations in the third quarter was \$9.7 million. Our capital expenditures were \$4.7 million, which included the rollout of the point of sale system, recent store openings, and maintenance. In the fourth quarter capital spending will be largely limited to maintenance capital expenditures.

We are presently undergoing a comprehensive examination of the company and are in the process of implementing a restructuring program. We are intent on maximizing cash flows and are therefore undertaking many initiatives such as the following:

Closing underperforming locations

Reducing general and administrative expenses further

Shortening hours of operation in many locations

Tax planning to recover a substantial amount of taxes paid in fiscal 2006

Limiting capital spending to maintenance - no new Company store openings

In addition, we are working with a sense of urgency to revive our operations. We believe the lack of store-level execution in recent years has significantly contributed to a decline in our guest count. In addition to the downturn in sales in the third fiscal quarter, the Company experienced deterioration in operating margins because of aggressive discounting, increases in commodity prices, and minimum wage rates. We will continue to take action to manage our costs while concurrently investing in our future by improving unit economics. We are managing the business with the goal of increasing the per-share value in order to create substantial and sustainable shareholder wealth.

In the upcoming shareholder letter, we will provide an update on expected savings in general and administrative for fiscal 2009. We believe cost inefficiencies are besetting the organization, therefore, we are carefully examining the Company's cost structure.

Sardar Biglari, Chairman and Chief Executive Officer, stated, "In my view, our poor performance is not the result of poor economic conditions. Much of our operating shortfall, I believe, is the result of our own lack of execution. As a company that began in the midst of the Great Depression, we have a deep heritage from one of the great American brands and are fortunate to have attracted committed and passionate employees, benefits that we believe will allow us once again to become a thriving chain."

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