

Shells Seafood Restaurants, Inc. Second Quarter 2008 Revenues decreased 22.0%

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Shells Seafood Restaurants, Inc. Reports Second Quarter 2008 Results

Shells Seafood Restaurants, Inc. (BULLETIN BOARD: SHLL) today reported financial results for its second quarter ended June 29, 2008.

Key metrics -

Second quarter of 2008 compared to the second quarter of 2007:

Revenues decreased 22.0% to \$9.0 million.

Comparable restaurant sales decreased 18.1%.

Net loss of \$667,000, compared to net loss of \$1,152,000. Excluding non-recurring items, net loss of \$807,000, compared to \$628,000.

Net loss per share of \$0.03, compared to net loss per share of \$0.06. Excluding non-recurring items, net loss per share of \$0.03, compared to net loss per share of \$0.03.

First 26-weeks of 2008 compared to the first 26-weeks of 2007:

Revenues decreased 21.1% to \$19.6 million.

Comparable restaurant sales decreased 16.8%.

Net loss of \$548,000, compared to a net loss of \$1,117,000. Excluding non-recurring items, net loss of \$545,000, compared to a net loss of \$639,000.

Net loss per share of \$0.02, compared to a net loss per share of \$0.06. Excluding non-recurring items, net loss per share of \$0.02, compared to a net loss per share of \$0.03.

Marc Bernstein, CEO, commented, "We have been greatly challenged by declining guest traffic and increasing external cost pressures." Bernstein added, "We have worked diligently during the second quarter to further reduce both the operating and administrative cost structure of Shells. Our efforts were also heavily focused on implementing the most dramatic menu overhaul in the history of Shells. Our new menu, which we introduced in early July, included both a roll back of prices as well as a broadening of offerings. The menu has been designed to greatly improve our price positioning in light of the current difficult economic environment. We believe our menu price proposition and broadened offerings have created a compelling value statement to our guests." Bernstein additionally stated, "On August 1st, we introduced and opened our first Rock Beach Grill, which was through the conversion of an existing Shells restaurant located in Pembroke Pines, Florida. We are very excited about the prospects of this new brand."

Operating Results

Revenues for the second quarter of 2008 decreased 22.0% to \$9.0 million from \$11.5 million in the second quarter of 2007, primarily as a result of an 18.1% decrease in same store sales and dispositions of two underperforming restaurants in 2007. As of the end of the second quarter of 2008, the Company had 23 restaurants in operation, compared to 24 restaurants at the end of the second quarter of 2007.

Restaurant operating costs, consisting of food and beverage costs, labor, other operating costs, depreciation expense and provision for impairment of assets, were \$8.9 million, or 99.7% of sales, in the second quarter of 2008, compared to \$11.7 million, or 102.2% of sales, in the second quarter of 2007. Excluding the non-recurring insurance premium refunds of \$105,000 in the second quarter of 2008 and a provision for impairment of assets of \$610,000 in the second quarter of 2007, restaurant operating costs were \$9.0 million, or 100.9% of sales, in the second quarter of 2008, compared to \$11.1 million, or 96.8% of sales, in the second quarter of 2007. The 4.1% increase in restaurant operating costs, adjusted for non-recurring items, as a percentage of sales was mostly a result of a loss of operating leverage as reflected by the reduction in sales volume.

General and administrative expenses were \$641,000, or 7.2% of revenues, in the second quarter of 2008 compared to \$917,000, or 8.0% of revenues, in the second quarter of 2007. Excluding a non-recurring severance expense adjustment of \$35,000 in 2008, general and administrative expenses were \$676,000, or 7.6% of revenues, in the second quarter of 2008. The favorable variance in dollars and as a percentage of revenues primarily reflected a general reduction in overhead expenditures.

Loss from operations for the second quarter of 2008 was \$548,000, compared to a loss of \$1,110,000 in the second quarter of 2007. Excluding non-recurring items as summarized in the financial tables below, the loss from operations for the second quarter of 2008 was \$688,000, compared to a loss of \$500,000 in the second quarter of 2007. Loss from operations for the first 26-weeks of 2008 was \$272,000, compared to a loss of \$973,000 for the comparable period in 2007. Excluding

non-recurring items as summarized in the financial tables below, the loss from operations was \$269,000 for the first 26-weeks of 2008, compared to a loss of \$324,000 in the comparable period of 2007.

The net loss for the second quarter of 2008 was \$667,000, or \$0.03 per share, based upon 23.9 million common shares outstanding, compared to a net loss in the second quarter of 2007 of \$1,152,000, or \$0.06 per share, based upon 20.1 million shares outstanding. As adjusted for non-recurring items as summarized in the financial tables below, the net loss for the second quarter of 2008 was \$807,000, or \$0.03 per share, compared to a net loss in the second quarter of 2007 of \$628,000, or \$0.03 per share.

The net loss for the first 26-weeks of 2008 was \$548,000, or \$0.02 per share, based upon 23.7 million common shares outstanding, compared to a net loss in the first 26-weeks of 2007 of \$1,117,000, or \$0.06 per share, based upon 18.9 million diluted shares outstanding. As adjusted for non-recurring items as summarized in the ensuing financial tables, the net loss for the first 26-weeks of 2008 was \$545,000, or \$0.02 per share, compared to a net loss in the first 26-weeks of 2007 of \$639,000, or \$0.03 per share.

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