

## Red Robin Gourmet Burgers Reports Earnings for the Fiscal Second Quarter 2008

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Updates Earnings Guidance for Fiscal Year 2008 and Announces Additional \$50 Million Stock Repurchase Authorization

Red Robin Gourmet Burgers, Inc., (NASDAQ: RRGB), a casual dining restaurant chain focused on serving an innovative selection of high-quality gourmet burgers in a family-friendly atmosphere, today reported financial results for the twelve and twenty-eight weeks ended July 13, 2008, and updated the Company's earnings guidance for fiscal year 2008. The Company also announced that its board of directors authorized the repurchase of up to an additional \$50 million of the Company's common stock.

### Financial and Operational Highlights

Highlights for the twelve weeks ended July 13, 2008, compared to the twelve weeks ended July 15, 2007, are as follows:

Total revenues increased 15.6% to \$206.4 million.

Restaurant revenue increased 16.0% to \$202.9 million.

Company-owned comparable restaurant sales decreased 0.4%.

Restaurant-level operating profit increased 8.2% to \$37.8 million.

GAAP diluted earnings per share were \$0.49, which includes a \$0.03 charge for reacquired franchise costs and related acquisition integration expenses, vs. \$0.29 in the second quarter a year ago, which included a \$0.07 charge for reacquired franchise costs, a \$0.01 charge for acquisition related integration expenses and a \$0.07 charge for legal settlement expense.

A total of 11 new Red Robin(R) restaurants, eight company-owned and three franchised locations, were opened during the second quarter 2008.

The Company completed its acquisitions of 15 existing Red Robin franchised restaurants from three franchise partners.

The Company completed the previously announced \$50 million stock buyback of 8.9% of the Company's outstanding shares.

Highlights for the twenty-eight weeks ended July 13, 2008, compared to the twenty-eight weeks ended July 15, 2007, are as follows:

Total revenues increased 18.2% to \$462.0 million.

Restaurant revenue increased 18.8% to \$453.8 million.

Company-owned comparable restaurant sales increased 2.0%.

Restaurant-level operating profit increased 11.8% to \$85.7 million.

GAAP diluted earnings per share were \$0.91, which includes a \$0.03 charge for reacquired franchise costs and related acquisition integration expenses, vs. \$0.74 in the same period last year, which included a \$0.07 charge for reacquired franchise costs, a \$0.01 charge for acquisition related integration expenses and a \$0.07 charge for legal settlement expense.

A total of 21 new Red Robin restaurants, 17 company-owned and four franchised locations were opened during the twenty-eight week period.

As of the end of the fiscal second quarter of 2008, total restaurants exceeded 400 locations, with 281 company-owned and 123 franchised Red Robin(R) restaurants.

'The second quarter clearly was challenging for the casual dining industry as a whole due to the difficult economic environment, and for Red Robin specifically as we lapped our first and very successful national advertising campaign a year ago. Despite disappointing sales trends, we were pleased with our overall performance in the second quarter as we achieved revenue growth, controlled our spending and continued strengthening the Red Robin brand. As we look ahead for the remainder of the year and into 2009, we remain concerned about the macroeconomic factors impacting the casual dining industry. While we believe our branding efforts and restaurant initiatives are making a positive impact on our performance, they are being overshadowed by industry headwinds. Thus we have reduced our sales expectations for the balance of 2008 to account for these uncertainties, and we are taking a measured approach for our 2009 development as we seek to deploy our capital in the most effective way,' said Dennis B. Mullen, chairman and chief executive officer.

### Stock Repurchases

On June 11, 2008, the Company completed a \$50 million repurchase of approximately 1.5 million shares of its common stock, reducing outstanding shares by 8.9%. The Company's board of directors recently authorized the repurchase of up to an additional \$50 million of the Company's common stock. Stock repurchases may be made from time to time in open market transactions and through privately negotiated transactions through December 31, 2010.

## Fiscal Second Quarter 2008 Results

Comparable restaurant sales decreased 0.4% for company-owned restaurants in the fiscal second quarter of 2008 compared to an increase of 3.1% in the fiscal second quarter of 2007, driven by a 4.0% increase in the average guest check, which was more than offset by a 4.4% decrease in guest counts. Average weekly comparable sales for company-owned restaurants were \$64,842 for the 207 comparable restaurants in the fiscal second quarter of 2008, compared to \$65,553 for the 162 comparable restaurants in the fiscal second quarter of 2007. Average weekly sales for the 43 non-comparable company-owned restaurants were \$56,233 in the fiscal second quarter of 2008, compared to \$59,979 for the 50 non-comparable restaurants in the fiscal second quarter a year ago.

Total Company revenues, which include company-owned restaurant sales and franchise royalties and fees, increased 15.6% to \$206.4 million in the fiscal second quarter of 2008, versus \$178.6 million last year. Franchise royalties and fees decreased 7.4% to \$3.4 million in the fiscal second quarter of 2008 compared to \$3.7 million in the same period a year ago. Franchise royalties in the fiscal second quarter 2007 included \$816,000 from royalties attributed to the 15 existing restaurants in Wisconsin, Minnesota, Indiana and New Jersey that were acquired by the Company in the second quarter 2008, and royalties on 17 California restaurants acquired in the second quarter a year ago.

For the fiscal second quarter of 2008, the Company's U.S. franchise restaurant sales of \$74.9 million were lower compared to \$88.1 million in the prior year period, primarily as a result of franchise restaurants acquired by the company since the second quarter of 2007. Comparable sales in the fiscal second quarter of 2008 for franchise restaurants in the U.S. decreased 1.5% and for franchise restaurants in Canada increased 4.5% over the fiscal second quarter of 2007. Average weekly comparable sales for the U.S. franchised restaurants were \$58,353 from the 87 comparable restaurants in the fiscal second quarter of 2008, compared to \$58,481 for the 86 comparable restaurants in the fiscal second quarter of 2007. Average weekly sales in the fiscal second quarter of 2008 for the Company's 18 comparable franchise restaurants in Canada were C\$53,829 versus C\$51,495 in the same period last year. Canadian results are in Canadian dollars.

Restaurant-level operating profit margins at company-owned restaurants were 18.6% in the fiscal second quarter of 2008 compared to 20.0% in the fiscal second quarter of 2007. Fiscal second quarter 2008 restaurant-level operating profit margins were negatively impacted primarily by higher food and beverage costs and increased operating costs, which includes a 50 basis point year-over-year increase in contributions to the Company's national advertising fund, as well as increased occupancy costs, which were partially offset by labor cost improvements.

The Company's restaurant-level operating profit metric does not represent income from operations or net income calculated in accordance with generally accepted accounting principles ("GAAP"). Schedule I of this earnings release reconciles restaurant-level operating profit to income from operations and net income for all periods presented.

General and administrative expense was \$14.5 million in the fiscal second quarter of 2008 and \$14.0 million in the fiscal second quarter of 2007, which were 7.0% and 7.9% of total revenue, respectively. Included in the second quarter 2007 general and administrative expense was \$1.0 million, or about 0.6% of total revenue, of accrued performance-based bonus expense for which there is no comparable expense accrued in the second quarter of 2008.

Reacquired franchise and other acquisition costs in the fiscal second quarter of 2008 represented one-time pre-tax charges of \$0.5 million. Reacquired franchise and other acquisition costs in the fiscal second quarter of 2007 represented one-time pre-tax charges of \$1.6 million.

Net interest expense was \$1.8 million in the fiscal second quarter of 2008 and \$1.9 million in the fiscal second quarter of 2007. The decrease is primarily from a lower average interest rate of 3.7% compared to 5.9% in the prior year offset by additional borrowings under the Company's credit facilities related to the franchise acquisitions and share repurchases during the second quarter 2008.

In the fiscal second quarter of 2008, the Company realized a reduction in the effective tax rate to 27.8% compared to 29.4% for the second quarter of 2007.

Net income for the fiscal second quarter of 2008 was \$7.9 million, or \$0.49 per diluted share, as compared to net income of \$4.9 million, or \$0.29 per diluted share, in the fiscal second quarter of 2007. Net income for the second quarter of 2008 included a \$0.03 per diluted share charge for reacquired franchise costs and acquisition related integration expenses. Net income for the fiscal second quarter of 2007 included a \$0.07 per diluted share charge for reacquired franchise costs, a \$0.01 per diluted share charge related to the integration of the 2007 acquisitions, and a \$0.07 charge for legal settlement expense.

Schedule II of this earnings release reconciles the impact on the net income and diluted earnings per share as reported on a GAAP basis in the fiscal second quarter of 2008 and 2007 to adjusted amounts excluding certain acquisition costs and legal settlement.

## Year to Date Results

Comparable restaurant sales increased 2.0% for company-owned restaurants in the twenty-eight weeks ended July 13, 2008, over the year ago comparable period, driven by a 4.2% increase in the average guest check, which was offset by a 2.2% decrease in guest counts. Comparable sales in the twenty-eight week period for franchise restaurants in the U.S. increased 1.6% and franchise restaurants in Canada increased 5.7%, over the year ago comparable period.

Total Company revenues, which include company-owned restaurant sales and franchise royalties and fees, increased 18.2% to \$462.0 million for the twenty-eight weeks ended July 13, 2008, compared to \$390.9 million for the twenty-eight weeks ended July 15, 2007. Average weekly comparable sales for company-owned restaurants were \$64,674 in the first twenty-eight weeks of 2008 compared to \$64,232 in the first twenty-eight weeks a year ago. Average weekly non-comparable

sales in the first twenty-eight weeks of 2008 were \$55,633 compared to \$56,483 in the first twenty-eight weeks a year ago. The Company's franchise royalties and fees decreased 9.6% to \$8.1 million compared to \$8.9 million in the comparable period a year ago. Franchise royalties in the twenty-eight weeks ended July 15, 2007 included \$1.9 million from royalties attributed to the 2008 acquired restaurants in Wisconsin, Minnesota, Indiana and New Jersey, and from the 2007 acquired restaurants in California.

For the twenty-eight weeks ended July 13, 2008, Red Robin's franchise system reported a decrease in total U.S. franchise restaurant sales of 10.1%, to \$180.8 million, compared to \$201.1 million in the twenty-eight weeks ended July 15, 2007. The decline is primarily attributed to the acquisition of franchise restaurants by the company since the second quarter of 2007. Average weekly sales for Red Robin's comparable franchise restaurants were \$57,442 in the U.S. versus \$57,512 for the comparable period last year, and C\$52,019 in Canada versus C\$48,760 for the comparable period last year. Canadian results are in Canadian dollars.

Restaurant-level operating profit margin was 18.9% for the first twenty-eight weeks of fiscal 2008 compared to 20.1% for the comparable period of 2007. Year-to-date restaurant-level operating profit margins were negatively impacted by higher food and beverage costs and increased operating costs, which includes a 50 basis point year-over-year increase in contributions to the Company's national advertising fund, as well as increased occupancy costs, partially offset by labor cost improvements.

The Company's restaurant-level operating profit metric does not represent income from operations or net income calculated in accordance with generally accepted accounting principles ('GAAP'). Schedule I of this earnings release reconciles restaurant-level operating profit to income from operations and net income for all periods presented.

General and administrative expense was \$36.9 million for the first twenty-eight weeks of 2008 compared to \$33.0 million for the same period of 2007, which were 8.0% and 8.4% of total revenue, respectively. Included in the general and administrative expense in the first twenty-eight weeks of 2007 was approximately \$2.5 million, or about 0.6% of revenue, of accrued performance-based bonus expense compared to \$1.7 million, or 0.3% of total revenue, accrued in the general and administrative expense in the first twenty-eight weeks of 2008.

Net interest expense was \$4.1 million in the first twenty-eight weeks of 2008 compared to \$4.2 million in the same period last year. The decrease is primarily from a lower average interest rate of 4.4% compared to 6.3% in the prior year offset by additional borrowings under the Company's credit facilities related to the franchise acquisitions and share repurchases during the second quarter 2008.

In the first twenty-eight weeks of fiscal 2008, the Company realized a reduction in the effective tax rate to 29% compared to 31% for same period in 2007.

Net income for the twenty-eight weeks ended July 13, 2008, was \$15.2 million or \$0.91 per diluted share, compared to net income of \$12.4 million or \$0.74 per diluted share in the prior year period. Net income for the first twenty-eight weeks of 2008 included \$0.03 per diluted share charge for reacquired franchise costs and acquisition integration expenses. Net income for the first twenty-eight weeks of 2007 included a one-time charge of \$0.07 per diluted share relating to reacquired franchise costs, general and administrative expenses of \$0.01 per diluted share related to the integration of the acquisition and legal settlement expenses of \$0.07 per diluted share.

Schedule II of this earnings release reconciles the impact on the net income and diluted earnings per share as reported on a GAAP basis year to date through the fiscal second quarter of 2008 and 2007 to adjusted amounts excluding certain acquisition costs and legal settlement expenses.

## Outlook

For the fiscal third quarter of 2008, which is a twelve week quarter, the Company expects to open nine to 10 new company-owned restaurants with the franchisees opening two to three new franchised restaurants. Two new company-owned and two new franchised restaurants have already opened during the fiscal third quarter of 2008 and 14 new company-owned and six new franchise restaurants are currently under construction. In fiscal 2008, the Company plans to open 30 to 32 new company-owned restaurants, while franchisees are expected to open between nine and 11 new restaurants.

For the 2008 fiscal year, which is a 52-week year, the Company now expects revenues of \$888 million to \$894 million and net income of \$1.87 to \$2.02 per diluted share on a GAAP basis. These updated projected fiscal year 2008 results are also based upon certain assumptions, including an expected comparable restaurant sales increase of approximately 1% to 2%. The fiscal year 2008 financial guidance includes \$0.03 per diluted share for franchise acquisition-related expenses in the second quarter of 2008, the impact from the acquisitions of 15 Red Robin franchised restaurants, including acquisition-related expenses, as well as the effect of completed stock repurchases.

The Company expects to develop between 17 and 20 new company-owned restaurants in 2009.

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