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Ark Restaurants Corp. (ARKR) Q1 2025 Earnings Call Transcript

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Ark Restaurants Corp. (NASDAQ:[ARKR](#)) Q1 2025 Earnings Conference Call February 11, 2025 11:00 AM ET

Company Participants

Christopher Love - Secretary

Anthony Sirica - Chief Financial Officer

Michael Weinstein - Chairman & Chief Executive Officer

Conference Call Participants

Jeffrey Kaminski - JJK Consulting

Operator

Greetings, and welcome to the Ark Restaurants First Quarter 2025 Results Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

It is now my pleasure to introduce your host, Christopher Love, Secretary for Ark Restaurants. Thank you, sir. You may begin.

Christopher Love

Thank you, operator. Good morning, and thank you for joining us on our conference call for the first quarter ended December 28, 2024. My name is Christopher Love, and I am the Secretary of Ark Restaurants. With me on the call today is Michael Weinstein, our Chairman and CEO; Anthony Sirica, our CFO; and Jennifer Jordan, our co-COO.

For those of you who have not yet obtained a copy of our press release, it was issued over the newswires yesterday and is available on our website. To review the full text of that press release along with the associated financial tables, please go to our homepage at www.arkrestaurants.com.

Before we begin, however, I'd like to read the safe harbor statement. I need to remind everyone that part of our discussion this morning will include forward-looking statements and that these statements are not guarantees of future performance and therefore, undue reliance should not be placed on them. We refer everyone to our filings with the Securities and Exchange Commission for a more detailed discussion of the risks that may have a direct bearing on our operating results, performance and financial condition.

I'll now turn the call over to Anthony, our CFO.

Anthony Sirica

Good morning, everyone.

So, a couple of items related to the income statement, I just wanted to make sure I clarified for everyone. As we had discussed on last quarter's call, the Tampa Food Court, we were bought out of by the landlord. We closed the operation on December 15. We received the buyout payment on December 19 of \$5.5 million. So, that's included in our cash balances at quarter-end. Of that amount, approximately \$1.9 million will be distributed to the minority partners of that business that will happen within the next couple of weeks. Included in our P&L is a gain of \$5.2 million related to that transaction. In addition, we had some residual losses related to the closure of Rio Grande of \$146,000, which again we had discussed last quarter's call. That was closed on January 3 permanently, and we're in the process of vacating the space.

With respect to the balance sheet, our cash balance is \$13.1 million at the end of the quarter. As I said, \$1.9 million of that is spoken for, is owed to the minority shareholders of the Tampa operation. Our debt is \$4.7 million. We didn't have any further issues with our goodwill or right of use assets or long-lived assets this quarter. We're currently working on a new banking agreement. Our current facility expires on May 31. Obviously, the Bryant Park situation is gumming up that process a little bit. Michael will talk about that. And there are some minor decreases in the right of use assets and the related lease liabilities for the removal of Tampa and Hollywood -- I'm sorry, Tampa and Rio upon closure. Other than that, the balance sheet remains very stable.

That's all that I have. I'll turn it over to Michael.

Michael Weinstein

Hi, everybody.

So, not much different going on here in terms of operations of -- with sales and the inflated expenses that we're experiencing, especially in payroll and insurance premiums, just down the line, everything is more expensive. We remain steadfast in not raising prices. We think that will serve us well in the end. We believe demand will come back at some point. We do not want the reputation of not offering quality value equation.

So, what we're seeing is sales, again, in Alabama are continue to be very good. Sales in Vegas are decent. The New York properties, Bryant Park and Robert do well with events. A la carte business is probably a little bit soft, but not much soft. Washington, DC, we have demand problems. And Florida depending upon weather, if the weather is good right now, we seem to be exceeding last year, significantly, by the way, but that may be pent-up demand from a lot of bad weather in Florida, in general.

So, the outlook for EBITDA in the restaurants and let's not -- let's hold off on Bryant Park, but away from Bryant Park, we've gone on a mission to try to figure out how to combine functions and, over the years, we've had people who are now not as important to the operations as they once were, as we've matured. So, we've begun to, for the first time in the company's history, revamp schedules and payrolls and personnel to try to make us more efficient given the current levels of demand. That's an ongoing process. It will start to show up in operating profits, I think, this quarter and going into next quarter.

We have excellent new managers and general managers in both Las Vegas and Sequoia. We signed a new lease in Las Vegas about two years ago, which made the rents requiring -- to make the rents make sense, we require a kick in revenues in Vegas. We're starting to see that. We're running ahead of last year. We need to do about 10% to 12% more business to justify the new rents. I think we'll get there. We're more efficient also in Vegas on a payroll basis than we were last year.

Sequoia, Washington, DC, has remained a huge problem for demand for us, but we're told that's true everywhere. The product is really good. The manager who we hired has 26 years of experience in Washington, DC. I think she'll be a tremendously helpful and increasing demand. So, we'll wait and see on that.

All in all, we're just -- margins have been squeezed. We're trying to pick the margins up by being more efficient in payroll, hopefully driving some more revenue.

The easy one to talk about of the two elephants in the room, Meadowlands and Bryant Park. Meadowlands, again, we think we're the most likely site for gaming, a casino license in the north of New Jersey, but New Jersey will not move until New York State starts to issue licenses for downstate casinos, meaning Manhattan or Queens or The Bronx. Two of those licenses, if there -- we suspect will be issued to Aqueduct and to Yonkers. We believe that once they're issued, it will take a matter of months for those to become fully operational casinos because the facilities are already built.

For the third license and there are several developers vying for those, that will take some time. But we think the implementation of casino licenses at Yonkers and Aqueduct will force Jersey to make a decision that they have to do something and the North Atlantic City has been dying for years. And I think this would really be a death knell and Jersey will wake up and issue a license in the North. We suspect that New York State will issue licenses sometime later this year. So, we also expect that that will generate a referendum to allow -- that is a referendum voted on by the public to allow for casino gaming in the North. So, that's Meadowlands.

Bryant Park, if we follow the headlines, the Bryant Park Corporation has said they want to go forward with somebody other than us. That deal has not been signed yet. It requires a positive okay from the Parks Department and New York Public Library. We've hired a whole team of experts and we feel that we have a decent chance of retaining the operation of that facility. It will take months to know, but we really believe we're still in the game. We think the whole request for proposal process was flawed. And the thing that we don't understand is that the new license to operate would be issued to a company that has limited hospitality experience. We've been usually successful, and their minimum rent proposal is \$1 million less than us. So, it just doesn't sound like it's a logical business arrangement and we're looking into it, and hopefully, we will see something that starts to move this back into our direction.

So, with that, any questions, I'm happy to answer.

Question-and-Answer Session

Operator

Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Jeffrey Kaminski with JJK Consulting. Please proceed with your question.

Jeffrey Kaminski

Good morning, everyone.

Anthony Sirica

Hey, Jeff.

Jeffrey Kaminski

Hi, Anthony. With respect to Bryant Park and the process, I guess, you folks found out about the lease and the other party through -- if I'm reading the tea leaves properly, through some sort of public hearing or public meeting. So, my question is, are they more of these scheduled and can the public actually attend? And as a shareholder, I have invested interest in what happens to Bryant Park as do other shareholders of Ark. What's preventing us as a member of the public and a New York resident from attending such a hearing?

Michael Weinstein

There's nothing preventing you to go to public sessions. The community board session is a public session. The announcement of his -- the Bryant Park Corporation selection was made at a subcommittee of the community board meeting, it's this parks and recreation subcommittee of the community board. And it was a public forum.

There was a lot of robust conversation about it regarding the process and regarding the affordability of the selection of the new restaurant tour. We're reasonably priced. We don't think this selection of Seaport Entertainment Group and their licensing agreement -- proposed licensing agreement with Jean-Georges speaks well of affordability for the public. So, there was a large discussion about that.

But the community board [indiscernible] advisory position in this, the sign-offs they need to get a deal done with any operator has to come from the City Parks Department and from the Public Library. And they have not even proposed a change in operators to either one of those two organizations. So -- go ahead.

Jeffrey Kaminski

Are comments from the public welcome? Are these folks between shareholders and some of your employees?

Michael Weinstein

You're breaking up.

Jeffrey Kaminski

I'm sorry. I've asked...

Michael Weinstein

We had 25 employees at the community board meeting. We have 250 employees at Bryant Park Corporation who are in danger of losing their jobs. Literally, 40% of those employees have been with us for 25 years or more. So, that constituency is also important in this process.

Jeffrey Kaminski

Right. And were any of them able to speak at the meeting? And if I attended the next meeting as a shareholder, would I have an opportunity to make a statement or...

Michael Weinstein

You would have a minute to two minutes to speak.

Jeffrey Kaminski

Okay. Thank you.

Michael Weinstein

You're welcome.

Operator

[Operator Instructions] Our next question comes from the line of [Ravi Desai] (ph), a private investor. Please proceed with your question.

Unidentified Analyst

Hey, Michael. How are you?

Michael Weinstein

Good, Ravi. Thank you.

Unidentified Analyst

I had a question. Moving forward as you guys think down the road six months, 12 months, just wanted to get a sense of how you guys are thinking about the capital allocation on dividends or buybacks, or if you guys have any other ideas outside of the strategic acquisitions that you're looking for down South?

Michael Weinstein

So, that's a complicated question because it really depends upon the outcome of Bryant Park certainly with regard to dividends. Right now, without the cash flow that would be attendant to an operation at Bryant Park, we would not be a payer of dividends. That also is a question regarding buybacks. I think that same thought process is applicable. I don't think we're going to be aggressively buying stock unless we know what's going on with Bryant Park, number one, as a company. There may be people we're aligned with who may want to take an interest in the stock, but without Bryant Park, it's very hard to make these decisions.

In terms of expanding the business, we have some nice opportunities we think that don't require tremendous amount of capital or where we would have partnerships with other organizations that the CS is an important part of the process to establish some new operations. So, we're looking at that. It's sort of paralyzing in one respect for our balance sheet and income statement to have this issue with Bryant Park. But on the other hand, we're actively engaged and trying to find areas where we can expand sensibly.

Hope that answers your question.

Unidentified Analyst

Got it. Yeah, that does. That's helpful there. So, we'll see how the Bryant Park shakes out, and good luck with that. I think it -- I hope it falls in your guys' favor.

Michael Weinstein

Thank you.

Operator

[Operator Instructions] Mr. Weinstein, it appears we have no further questions at this time. I'd like to turn the floor back over to you for closing comments.

Michael Weinstein

All right. Thank you all for your interest and we'll see you next quarter.

Anthony Sirica

Thank you. Bye-bye.

Operator

Ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation, and have a wonderful day.

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