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Aug. 13, 2024 2:43 PM ET | **Ark Restaurants Corp. (ARKR) Stock**

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Ark Restaurants Corp. (NASDAQ:[ARKR](#)) Q3 2024 Earnings Conference Call August 13, 2024 11:00 AM ET

Company Participants

Christopher Love - Secretary

Anthony Sirica - Chief Financial Officer

Michael Weinstein - Chairman & Chief Executive Officer

Conference Call Participants

Bruce Geller - Geller Ventures

Operator

Greetings, and welcome to the Ark Restaurants Third Quarter 2024 Results Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation [Operator Instructions]. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Mr. Christopher Love, Secretary for Ark Restaurants. Thank you. You may begin.

Christopher Love

Thank you, operator. Good morning, and thank you for joining us on our conference call for the third quarter ended June 29, 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 Sam Weinstein and Jennifer Jordan, our joint co-COOs.

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. A couple of things I wanted to touch on before Michael provides his commentary. We ended the quarter with \$11.5 million of cash and \$5.7 million of debt. All of our debt is current now. We have three more quarterly payments of \$435,000 due in September, December and February. And then on June 1, we have balloon payments of \$4.4 million. We'll be meeting with the bank to discuss a new credit agreement over the next month or two.

The other item of note is the impairment charge that we took on the Sequoia restaurant. We continue to look at the performance of the restaurant and it was lower than expected. So with that, was considered a triggering event. We then engaged an independent third party to do a market rent study. And based on that and a discounted cash flow analysis, we had an impairment charge of \$2.5 million, which was broken up between long-lived assets, I think, \$939,000 and the right-of-use asset of \$1.5 million.

We will continue to monitor that as we go forward based on revised projections, we hope things get better. And I think other than that, the rest of the balance sheet was relatively stable compared to the prior quarter and year-end.

So, Michael?

Michael Weinstein

Hi, everybody. So obviously, we're struggling with sales here. I think, if you remove the Gallagher's close down from last year and the amount of business we did in Gallagher's this year, just try to compare apples-to-apples, we're down just slightly 3% in comp sales. The problem isn't just comp sales, obviously. The problem is payrolls, which -- while they're not going up any more in terms of trying to find qualified people for jobs, it's still hard for us to find people that fulfill the responsibilities we need them to fill it at the management level. Legislation in various venues where we operate has increased minimum wage. Insurance costs are substantially higher and other things that -- other than food and beverage, pricing, other things are also going up. So the combination of lackluster sales and expenses responding to inflationary pressures squeeze gross margins.

I'm not displeased with the \$3.3 million result giving that scenario. Again, we haven't raised prices as aggressively as other companies. I think that has stood us well. I think it will continue to put in a better position as we come out of this lackluster period for restaurant sales.

The -- if I go by venue, the thing that hurt us most are the full-service restaurants in Florida. They were down substantially in headcounts. Vegas was all right, Alabama has been just great for us. New York has been good, driven by a lot of events in Bryant Park and Robert. Washington Sequoia has been a little difficult. We can point to the whole Washington D.C. area seems to be suffering from just a lot of bad influences in the city. We have competition there, obviously, from other waterfront sites. We're spending a lot of time, now trying to figure out what have been a menu might be for Sequoia more affordable. And we're doing that with all our restaurants. But basically, Sequoia is probably the one restaurant in the company that needs a refresh and menu and maybe even in branding.

We have lots of opportunities in terms of acquisitions that have been put in front of us in the last 3 months. We're following up on those. We also have lots of responsibilities in terms of refurbishing costs in Las Vegas, contractual when we signed a new lease. So given the sort of the lackluster sales that seem to be continuing right now and the cash flow that's required to progress our company with new development and refurbishing in Vegas, we decided to eliminate the dividend for the moment just to preserve cash. That also sort of segue ways into the conversation about Bryant Park. We had still not -- or the park has still not issued any judgment on whether or not we will continue with the new lease or if they're going to award it to somebody else, it's just been radio silence. There are always rumors, but we're not paying attention to those. So we just think with the uncertainty of Bryant Park and what our responsibilities are, that eliminating dividend for this quarter is a wise move.

In relation to the Meadowlands, again, New York State has not moved on their casino applications. As we stated before, New Jersey is reluctant to do anything unless they see activity in downstate casinos in New York -- some New York City casinos. So, that's been kind of quiet, even though we'd really believe we're going to be a licensee at some point.

With that, like to entertain any questions.

Question-and-Answer Session

Operator

Thank you. At this time, we'll be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Jeffery [indiscernible] with JJK Consultants. Please proceed with your question.

Unidentified Analyst

Good morning, guys. Once again, on the call, Michael, you're highlighting specifically weakness in Florida, which -- asked. And although the industry has played with same challenges, payroll and insurance costs, et cetera, et cetera. In Florida, in particular, it's a pretty robust market there as discussed, their restaurants or changes being made.

And I have a question that I really would like an answer to because in the past, you discussed what is our strategy going forward. The answer is always and consistently been, we're always on the lookout to buy, acquire properties and fold it into the portfolio. Okay. That maintains -- you are still maintaining that, but you have a weakness in a big market and a market that's generally flourishing.

And I would like to hear something about the strategy in Florida, how you're going to change things around? Because there's never any discussion on these calls about what Ark is going to do with the current existing properties, and how we're going to move revenues forward?

And so I'd like to put that out there because this has been a very frustrating investment today and the news is being worse not better. And I'd like to hear what the vision is for the company in the immediate future?

Michael Weinstein

So, Jeff, you broke up a few times during that question, but I think I get the gist of it, and I hope I'm answering it correctly. So, first of all, when -- we've been looking at several businesses over the last 12 months in Florida, well-established either companies or one-offs. And we're looking at numbers and every deal has fallen in part because numbers are deteriorating in those restaurants.

When we talk to brokers in Florida, they will tell you, everybody is down 15% to 20%. If you look at a city like Delaware, which was very, very hot for a while, probably still is hot. The vacancies in restaurant spaces are coming up every day because they were getting top rents when things are hot and now business has slowed down and restaurants cash flow have been squeezed, and they can't afford the rent.

Our strategy is to try to buy institutions with good management. In every case, we -- in Florida, we think we've accomplished that. And if maybe this doesn't satisfy what you're looking for. But in my world, the way I look at things is there are years in which you make more money than you deserve to and there are years in which you just -- for circumstances outside of your performance, you don't make the money that you would like to make.

Right now, the latter is true. We think that we have great locations in Florida. One of the disadvantages of those locations, by the way, is that they're all on the water and wind insurance and property insurance have gone through the roof in those properties, and that's squeezing our margins.

But from a performance level, if you look at the reviews of the restaurants, for the most part, they're excellent. Every once in a while, we see that our revenues are creeping up above last year, but that doesn't mean that the headcounts are because there have been some price increases. But in general, Florida has not been as good for us this past 18 months as it had been in the past. It doesn't mean

Unidentified Analyst

Michael, let me interrupt for a second. I apologize. Perhaps that's where I broke up before. I recognize that your strategy continues to be acquiring property where you think you could buy it at the right price and make some money. Let's put that aside for now, that's not happened recently, it may happen, hopefully it may not happen at all. What is the strategy of the current properties and turning them around, menu changes, happy hours, entertainment, things that drives new people.

Michael Weinstein

Jeff, you're making the assumption that these things aren't doing well. They're performing well. They're all making money. They're just not making as much money as they used to make. And that's a function of three things. Number one, traffic is not as strong as it used to be, in general, for all full-service restaurants down there.

Now you can point to the three or four hot restaurants in every market where you can't get a reservation after 5 o'clock or before 11 o'clock, that will always exist. Our restaurants are not that, all right? They're not doing bottle service. There are no DJs -- we're not that. So these restaurants are performing well at the level of sales that presently exist.

So it's a question of three things. Number one, are they profitable? Yes. They had strong reputations and strong brand identity in the past, and now do they? Yes, all right? The problem is traffic and the problem is increased expenses. And the problem is my reluctance. My reluctance as I read my customers to raise prices to make up for the squeeze on gross margins.

And honestly, you can look at analogies that not necessarily appropriate, but McDonald's is struggling because they raised prices beyond where the customer can absorb. Starbucks is having problems. There are a lot of people that are having problems, trying to figure out pricing in relation to the current economic circumstances.

So given that these restaurants -- hold on, given that these restaurants are profitable, and that we think they're performing well with their menu execution and service execution and the fact that they're all in great locations, we're prepared to stand there and accept less in terms of cash flow, because we don't think they need change it. Did they all look at menus and try to be more efficient and bring on new product to entice customers. Yes. But are we going to rip them apart and start rollover again? No.

And if you look at -- we have one good laboratory that is very, very telling, Las Vegas. We're in a building in Las Vegas. We're in a building in Hollywood, all right, that are major casinos, and they all have full service restaurants and they have our fast food cost, all right? Our food costs are going through the roof in terms of sales. I mean I think we're up 10%, 12%, 13%. Anthony, is that?

Anthony Sirica

Hollywood, yes.

Michael Weinstein

And Hollywood every single week, maybe even more, all right? And the restaurants according to Hard Rock are suffering, the full service restaurants. Why they suffering? Because people can't afford them right now. All right. So they're switching to fast food, so our benefit to switch into fast food. I would tell you, our product is so good there that they closed their coffee shop. Because the coffee shop wasn't getting any traffic because our breakfast place all days. There is a line every morning to get there. There was no line at the coffee shop, because it got a little bit too expensive.

In Vegas, the Village Streets is doing extremely well, but we can be down in every single restaurant but the Village Streets is doing great. It's telling where the customers pocket book is right now. They're sort of being stingy. And so that period of time in which they will continue to be stingy, we will not see the sales that we were used to prior to that, all right. But it doesn't mean we rip apart everything.

Unidentified Analyst

Okay. Well, just to respond to what you said. I was not referring to restaurants in Florida that you need to have a reservation, you can't get a reservation between 5:00 and 9:00 talking about the restaurants that discussed in the past. The El Camino is part top-down. I know you know the group that that owns Ke'e Grill and Henry's in Lauderdale, Boca and West Palm. These are all places that they're happy hour is blooming 4:00 or 5:00 in the afternoon. They're capitalizing on the work-from-home crowd. So that they get out, they leave home and they go to the bar at 4:00, 5:00 o'clock, they stay for dinner. That's what I'm referring to. And since this is a shareholder earnings call, just to remind you, the stock is going to trade near pandemic or COVID lows, it's 11 as we speak. And you've continued the dividend that has already been cut in half. You referenced McDonald's Starbucks. The hospitality group has been under pressure, but most are way above pandemic growths. And we are now going to test that role and eliminate the dividend. So I'm talking to you as a shareholder not as a patron of your restaurant.

Michael Weinstein

I sympathize with it. I'm certainly aware of it. It represents a significant part of my net worth. And certainly, I don't like seeing the stock at 11% or 12%, down from 20% a year ago. It doesn't make me happy. I feel like the company is maybe a little too conservative in the deals we looked at and passed on. But that is always in the past, held us in good stead. And one of reasons I'm happy that Jennifer and Sam are on board as they see things from a different point of view. And that's been helpful in sort of the way we're looking at things going forward.

But that's where we are. It's not a lack of effort on the restaurants to perform. Nobody is falling down on the job. We just haven't found new things to do that meet with our former criteria. One of the things we're beginning -- so, when I said to you before, the deals we look like, like -- look at seem to fall apart in part, because the numbers of the restaurants we're looking at are also falling apart and so -- and go ahead.

Anthony Sirica

So what's happened on almost every deal we've looked at in the last year, they're pricing the numbers off of 2023. And then we look at the 2024 year-to-date comps to last year and they're down 20% on sales and EBITDA. So they're trying to price it off of 2023 income, saying we want three or four times \$1 million. They want \$4 million, then we look at the numbers for the six months ended, and they're down 20%, 25%. And they don't want to take 20%, 25% less. So we're not going to overpay either.

The other thing we are doing at a couple of properties in Florida, we're working on initiative to expand our event business down there, the way we have a substantial event business in New York and D.C. and we have people in corporate working on expanding the even business at -- particular at the Blue Moon and JB's right now because that's a very profitable end of the business.

Michael Weinstein

One of the other things we've seen, Jeff, just to hopefully argue for my premise that people are squeezed right now with the disposal income. We We're doing the same sales or a little bit less or a little bit more right now, the last four or five or eight weeks -- maybe eight weeks at Rustic, all right? We were down 10%, 12% consistently at Rustic.

I would say the product at Rustic for what we wanted to be is always a 5-star product. It's just great. And -- but what they're seeing is their headcounts in the weeks before the last few weeks, their headcounts were the same, but people were sharing dishes. [indiscernible] at Rustic £1.8 pounds to £pound serving, it's \$135. People used to get that for themselves, but now people are sharing.

So we just think the customer is having a difficult time at our price points. It -- this may not resonate with everybody. I don't know how many people on the call are familiar with NELLO's in New York. I go there once in a while because it's convenient to my house, and it's a great restaurant. It used to be -- you couldn't get in there. I can walk in any day now in their empty tables. And that's a price point where the argument used to be that if you're paying \$125 a person fee, those people could afford it and they're not going to cut back.

Well, guess what, they're cutting back. So it's the environment you're living in right now. Will it come back? Yes. I can't predict when, but it will come back and sales will increase and margins will expand, and we'll be in good shape with the restaurants we have. The restaurants we would like to have future acquisitions. People are starting finally to be more reasonable on pricing. It's no longer [indiscernible] it's a little blip, and we still want 2023 pricing. People or sellers are beginning to realize that they've got to sell it on current numbers, not on pre-current numbers. So hopefully, that will help us.

Operator

Thank you. Mr. Weinstein, I'm showing no other questions at this time. I'll turn the floor back to you -- I'm sorry, we do have one other question. We have a question coming from the line of Bruce Geller with Geller Ventures. Please proceed with your question.

Bruce Geller

Hey, good morning, gentlemen.

Michael Weinstein

Hey, how are you?

Bruce Geller

Good. Thanks. You discussed the pressures on both sales and costs. Based on the macro environment, it's hard to see much relief on either side of those at the moment. So I'm curious kind of adding on to the previous line of questioning, what additional self-help measures can you put into place to address this environment? Because it's just waiting for the environment to get better isn't going to be enough.

Michael Weinstein

Yes. So Bruce, with -- one thing we're doing is we're -- stand what, six weeks away from opening up Lucky Pay [ph]. We've never done brands. We're looking to do brands, any brand Lucky Pay. The -- that would be new for us, but it's something we're very excited about. And when we look in the marketplace, there's nothing like what we're doing. And we think that's expandable, and we have some further interest beyond New York, New York, if it's successful to expand in the Las Vegas area, almost immediately.

So there's interest in what we're doing. We're also looking -- one of the things we're looking at right now is a small brand in the South that's for sale. They have some issues with some of their leases. They're trying to correct that, speaking to the landlords. We can buy that at a very reasonable price, and we think we could do a better job than the current owners, the current owners think we could we could do a better job than them. And we could buy it at a fair price. And again, it's another brand that may be expandable. So those are the two things we're looking at. There are other things we're looking at. But those are the two that are in the forefront.

We've been looking at automation. We will probably have a test within the next four months of a burger-making machine that will save us some labor. We've looked at robotic janitors and dishwashers. And we're very active in trying to find ways to save on labor.

The problem with that is that the robotic janitors -- no, excuse me, the dishwashing robot that we looked at, which was sensational -- I mean, it was really sensational, but the company didn't have enough orders and enough capital to sustain their business plan. So they closed.

Even the burger maker that we've been looking at -- I mean, they've sold 15 units in Korea, I think. They're coming here; they have established support here, but it's a young company.

And one of the things you've got to make sure of is you're not changing your line, your cooking line, and winding up with a machine that has no maintenance support. So -- but we're looking at this stuff.

The biggest -- the biggest area that we have problems with, honestly, is dishwashing. Dishwashers are hard to find at the hourly cost that we're prepared to pay. And so the turnover is great, and if we can find something that can alleviate labor, we would do it. As long as we know that the equipment is supported by the manufacturer.

So it's not like we're not looking at stuff to try and impact it. We have insurance -- we have conversations that are mammothly long with our insurance brokers. We just switched health insurance companies and created some savings in doing that. Property insurance and wind insurance in Florida that you're lucky to get insured -- it's crazy.

The only reason we're insured is because we stayed with one company forever, and they're sort of acknowledging our relationship by writing the insurance. But I have restaurants calling me, honestly, asking how to get insurance. They can't find insurance. So I can't do anything about those premiums. It's very, very frustrating.

Anthony Sirica

We are looking at other costs or cutting other costs. We've worked on driving safety initiatives at the restaurants to keep workers' comp claims down, which has actually been pretty effective in the last two years.

And our premiums have gone down. And we just received a big refund on workers' comp for the prior year based on their audit. I mean, we're doing -- we're looking at every line item to see where we could save money.

Bruce Geller

What about other strategies to drive revenue in the existing restaurants?

Michael Weinstein

So one of the things we've never been good at, and we're changing is our approach to social media. It will take a little while, but we're becoming more active in social media. But it's hard to delineate this cause and effect. We don't advertise. We've tried advertising in the past. It doesn't work for us, because we're advertising one-offs essentially. So you're spending a lot of money in the market to try to get people to drive to a single unit instead of many units the same brand.

So advertising is it effective. Social media could be effective. This is not -- I don't want to -- I know this sounds defensive, but this is not a company that's fallen apart. I mean every unit we have is basically profitable. It's just making less money than it used to make -- go ahead.

Bruce Geller

No, I was going to say on that. No, I'm really surprised and just don't understand the thought behind suspending the dividend here. I mean shareholders have gotten very little return from the company over the past few years, and that was one minor source of return and the company is sitting here with net cash and you're saying, you're confident in the future, and but suspending a dividend like that is a sign of really low confidence. So it's really a disconnect. And I'm pretty disappointed to hear about this. So, I'd love for you to elaborate more on it.

Michael Weinstein

So we have \$4 million or \$5 million of refurbishing costs that we are -- are responsible for in Las Vegas by -- when we signed the new lease that was part of the deal. So we've redone Gallagher's, we're in the process redoing the food court. I don't think what we're doing in the food court and the building of LUCKY PIG in the food court, will inhibit revenues in the food court.

I mean, as one unit closes in the food court, people will gravitate to other units. So I don't think that will have an impact. But it may have an impact when we do American next year. So we're not -- we're in the process of finalizing designs for Americas refurbishing and we may be close to a period of time there, and that will again impact cash flow from America why we're closed, and we'll be spending money there as well. So that's one issue.

We're looking at two acquisitions right now that will not be inexpensive. So that's another reason to try to preserve cash. And then the question becomes what happens with Bryant Park? I mean, they can make a decision tomorrow or next week or it could drag another four months. But who knows where they are on this. And communication has not been great. The process has been not transparent.

So if tomorrow morning, we find out that we don't -- we're not awarded this thing. I don't want to be sitting paying out \$3 million plus a year with that uncertainty. So that's the thinking behind it. The thinking behind it is to preserve cash for the company, so that it could expand, take care of its obligations in Las Vegas and pay for things that will expand our cash flow. And that's what we're trying to do.

Bruce Geller

Yes. But some of these are things that haven't happened yet. Like Bryant Park, we just don't know, an acquisition hasn't happened. We just don't know. You've been talking about potential acquisitions for quite some time. I could see maybe...

Michael Weinstein

Every one of them, and there have been four or five of them that we've been close to. And what's happening is the numbers have been falling apart. Just like everybody else's numbers have been 40 part, and the seller doesn't want to adjust price, and we're not going to overpay.

Bruce Geller

No. I totally understand it totally understand and respect that. My point was...

Michael Weinstein

For Bruce, right now, what we're finally seeing is sellers that are reasonable because they see their business falling apart. They don't want to operate in this environment for whatever reason, and/or they have other pressures on other deals that they may own and they're prepared to take three times or four times current cash flow projections, not past, and this is the first time we're really seeing that. So we think we may be able to secure some additional properties. So that's the reason for the dividend Decision.

Anthony Sirica

There was a board level decision. I mean, this was the quarter to side. .

Michael Weinstein

Yes.

Bruce Geller

Yes. I just feel like it was preemptive cut as opposed to cutting it at a point where some of these items you're discussing as possibilities are definitive. It's also a little discouraging to see the -- you have a lot of spending obligations, it sounds like, but it's like you're spending a lot of money to kind of stay in the same place. You make a lot of these investments, but...

Michael Weinstein

I don't disagree with those optics. I don't disagree with the optics. You're right. But that's not what's going on here. Internally, we really are trying to progress the business. But the optics, you're absolutely right. It doesn't look like we're doing anything. In truth, working to try to capture more cash flow. .

Bruce Geller

Well, it's not that it doesn't look like you're not doing anything. It looks like you're spending on some of these obligations, but it's not bringing the company forward. Your results remain the same or even a little worse. And...

Michael Weinstein

No, it works. But Bruce...

Bruce Geller

And so the capital is being spent, but there's no visible return on those investments. I mean, Sequoia is a great example. You spent a ton of capital to completely redo that restaurant when you sign a new lease, and it hasn't gone well and now you've taken a write-down there.

Michael Weinstein

It has not worked out.

Bruce Geller

In the past, you've purchased other real estate in some of these deals. I'm just curious, I'm looking at the stock with the current enterprise value in 30s. What would be a ballpark estimate if you had to estimate what is the value of the underlying real estate you own? Some of these properties in great waterfront locations, I'm just curious what kind of underlying real estate value there is, is in a company that Enterprise value less than \$40 million?

Michael Weinstein

The value of owning the properties would be on a sale leaseback. That's the value. If you want to look at them as development site. We haven't included that there's any value to them because we've never investigated them as a development site.

There are hotels all around Rustic. We own that property. It's a big piece of property. Maybe somebody would like to do a hotel, but we've never investigated. The only value to us would be in terms of the sales leaseback if we wanted to use that to finance additional expansion. So, I can't tell you what the value of those properties.

Operator

Thank you. Our next question comes from the line of Walter [indiscernible] with -- I'm sorry, Private Investor. Please proceed with your question.

Unidentified Analyst

Thank you. I'm hoping you can elaborate more on the Bryant Park lease piece. If you can share some information on the impact either top line and/or bottom line if the lease is not renewed?

And given the historical New York presence of Ark from an SG&A standpoint and the move south, including real estate acquisitions and future investments, which I'm supportive of, I think it's been smart given the challenge of operating in New York. Is there something transformational you would do if that's not picked up? What's the hit on the top and bottom-line? And would you relocate, move back office? You've got a lot of back office there from a business from 20 years ago that's clearly shifting south. I'd love to hear more about your plans.

Michael Weinstein

All right. That's a good question. So the cash flow from Bryant Park is substantial. We would -- first of all, at the restaurant level, there's something just shy of 300 people who work for us there when the business is going full out, meaning all the cafes are open and everything.

We did for ourselves study of the people who work there and is probably going on too much -- and I'm sorry, but of the 25 people who manage front of the house -- and who are General Managers essentially for the back of the house or front in house operations, of those 25 people, 19 have been with us for over 25 years in Bryant Park and other operations in Ark.

Four of them have been with us for 15 years or more, and the rest have all been with us over five years. The service people, tipped employees have an average working time with the company for over 11 years. So, that's extraordinarily painful if we would have to terminate those jobs.

And we had a discussion yesterday, I think, what are not legal responsibilities, but what are our ethical responsibilities if we don't get that and how do we take care of these people because we're not expanding in New York, and therefore, what can we offer them to sort of help them over the next few months while they're looking for other jobs. The event planning department in New York would essentially be guided because we be left with the only event space that we would be left with will be Robert and that probably requires one person in the office instead of six.

So it would be very painful and the net result would be after you get rid of all of that overhead and probably other things unrelated to the direct operation of the restaurant that we would save on, you may have a \$3.5 million, \$4 million hit to EBITDA. Anthony is shaking his head like I gave the right number, which is unusual. He used to sit and said [indiscernible] but it would be a \$3.5 million to \$4 million hit.

So that also was part of our thinking by eliminating the dividend, how do we make up that \$3.5 million, \$4 million. And not that I'm saying that the dividend is -- the reason for the cut is that. We don't know that. We've heard nothing nor has anybody else, I believe. But the -- so -- and New York is a very hostile environment to work in. Construction costs are unreasonably high rents are reasonably high even in this environment.

And the legislature is every year with fighting we have our own lobbyists. I think we've been effective. But the next shoe to drop is going to be elimination of the tip credit and a higher minimum wage for tipped employees. And Bryant Park alone, that would cost us close to \$1 million in additional payroll. So we don't have those problems in Florida. We have those problems in Las Vegas because they've legislated higher minimum wages.

But we -- in Florida and Alabama, we don't have those problems. We have those problems in Washington, D.C. with legislated higher minimum wages for tipped employees. Our complaint has always been, hey, we have waiters and waitresses at Bryant Park that make \$3,000 to \$4,000 a week in tips. Why am I -- why you eliminating the tip credit. So yes, you're right. New York is hostile. What -- we're aggressively trying to expand our business in the South. There will probably come a point where the overhead in New York does not make as much sense, not that we're all going to move to the south, but there's something to be said that we can be more efficient with general corporate overhead.

Honestly, I think we're pretty efficient now for what we have. But one of the big unknowns for us and it's not a hail married by any means, but we've been dealing with the Meadowlands for five or six years now, thinking that we're going to get licensed, because New York is going to move forward.

We have a state legislature in New Jersey, that's seems to be as amenable as they've ever been to give me a license to four casino in the north, and the Meadowlands is the, I would tell you, the only location where they give it, because all the environmental work has been done, we could be open literally in a month and a half with the first phase of the casino. I think everybody is aware of that.

We just -- there seems to be a reluctance to do an amendment which needs to be voted on by the public for a casino license in the North. Unless they don't feel the boat would be successful unless New York State is moving down, casinos seeing those downstairs. So we still pursue that. That's where we are. Bryant Park would have a significant impact on our EBITDA, if we don't have it.

Unidentified Analyst

Thank you for detail [ph] and that was helpful. And it was very helpful. And also while certainly Meadowlands would be attractive if New Jersey can move forward and not seem to protect be concerned about Atlantic City as much as competing with New York. I do hope that, that comes to fruition, but that maybe years away may never happen.

You could expand -- tip credits have been an issue for a long time. We've seen a huge tipped employee cost increasing greater than 50% in a lot of these markets. In Florida, there seems to be some movement there, not there seems to be there has been movement there as well. Have you looked at investing in other jurisdictions that are more favorable? And for those where you have a presence, is there something you can do with administrative fee, service charge, other elements to make up for some of the huge increase in front of house expense tied to minimum wage?

And then finally, on the real estate piece, like the prior investor mentioned, that's a big part of the strategy I support, are the properties -- are you on leased land or do you own fee simple rights on all of the properties from a standpoint of enterprise value where it's not just a leasehold tenancy, but you have the land rights as well?

Michael Weinstein

The only properties where we own the land are the two properties in Alabama, the Rustic Inn and Shuckers, on those. And the Shuckers property is a restaurant that used to be in a hotel that -- the hotel portion -- well, the restaurant portion sits in four commercial condos which we own. Then there are a 62 one-bedroom apartments with two exceptions that are 2 bedroom apartments. And what used to be a Ramada Hotel that has been converted into these apartments. We own 13 of those apartments as well. We bought most of those apartments in the 200,000 to 250,000 -- well, \$180,000 to \$250,000 range. They're now trading at \$400,000. We've tested the market with one just to see where we are, then we would draw it. But I think safely, you can get out of those 13 apartments probably in the \$350,000 area. One of the problems with selling those departments now and why we withdrew the test to find out what they will work is Florida passed that lower after the building collapsed which required significant assessments in all condos to upgrade to the new building standards. So...

Anthony Sirica

It's on the beach.

Michael Weinstein

Yes, we're on the beach. So I think each one of those units now, we're spending \$40,000, \$50,000, some number like that and assessments to upgrade the new building code. So that has temporarily closed down transactions for apartments and buildings that are on the beach pretty much.

Unidentified Analyst

And options for service charge or other fees, have you tested that in markets where you have a clientele, full-service clientele that may be more receptive to that model, where you've seen an inflation, say, from tipped credit wage a few years ago now to march towards \$15.

Michael Weinstein

Yes. We really haven't. We don't get a lot of activity shown from other states. Maybe once or twice a year, we see something that we start to investigate, but we don't see a lot of activity.

Unidentified Analyst

Thank you for the clarity.

Operator

Thank you. Gentlemen, we have a follow-up from the line of Jeffrey Kaminski [ph] with JJK Consultants. Please proceed with your question.

Unidentified Analyst

Michael, just a follow-up to Bruce's comment earlier, you kind of asked the same question that I did, he used a different terminology. So I'll repeat this. He asked about self-help measures that can be undertaken to stem loss and drive traffic, et cetera, et cetera. There wasn't any real answer regarding changing the menu, adding craft cocktails or any of that. You did mention the [indiscernible], so I'm just curious what are your projections in terms of revenue based on the footage, square footage and the property? And how quickly do you think it is successful that you'll be able to scale this to any meaningful enterprise that would actually contribute revenues to the company.

Michael Weinstein

So the question is coming a little muffled. Anthony, you can [indiscernible] got me with.

Anthony Sirica

[indiscernible] projection and scalability of success.

Michael Weinstein

Yes. The scalability on Lucky Pig, we would move very quickly. I mean the outlet...

Anthony Sirica

In Vegas is small, right?

Michael Weinstein

Yes. Yes.

Anthony Sirica

It's a counter basically. It's a test -- we're going to the concept there.

Michael Weinstein

But we think the menu is very attractive. We have another casino that we think we could go into immediately with the bigger space. And we would be very aggressive about testing it in different markets. So that's one of the reasons we want the capital.

Unidentified Analyst

Mike, a follow-up to the Meadowlands. Did the decision out of Nashville County the other day or I guess they're approving casino that was the Nashville Coliseum in Nashville County. There's something like that if it should proceed and they build out. I think...

Michael Weinstein

Jeff, all of that helps. We just got to get Jersey to do a referendum at a time when they think it will pass. They're not trying to do a referendum, the public has to vote on this and has to be clear reasons why the public will vote positively for it. The clearest reason is people going outside of Bergen County and going across the bridge to gamble as opposed to staying in New Jersey. That's what we need. We need that evidence.

And the last time they tried to do a referendum, it was -- the referendum was messy. It did not specifically say what the state would use the money for. It even didn't make clear that the state wasn't investing any money in it that this would be an investment by a company without the help -- without any state aid. So they've got to get very specific about the referendum, and they have to be clear that this is going to benefit the state of New Jersey. And the easiest way when you speak to the legislatures or the governor, which I do not have conversations with, but my partners do is to demonstrate people leaving New Jersey to gamble in another state.

Unidentified Analyst

Thank you

Michael Weinstein

You're welcome.

Operator

Mr. Weinstein, there are no other questions. I'll turn the floor back to you for final comments.

Michael Weinstein

Thank you. See you all next quarter.

Anthony Sirica

Thank you, everyone.

Operator

Thank you. This concludes today's conference call. You may disconnect your lines at this time. Thank you for your participation.

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