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RAVE Restaurant Group, Inc. (RAVE) Brandon Solano on Q2 2020 Results - Earnings Call Transcript

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RAVE Restaurant Group, Inc. (NASDAQ:[RAVE](#)) Q2 2020 Earnings Conference Call February 12, 2020 5:30 PM ET

Company Participants

Debbie Lanning - Assistant Controller

Brandon Solano - Chief Executive Officer

Conference Call Participants

Operator

Good day and welcome to the RAVE Restaurant Reports Second Quarter 2020 Financial Results Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Debbie Lanning, Assistant Controller. Please, go ahead.

Debbie Lanning

Thank you. Good afternoon and thank you for joining RAVE Restaurant Group's fiscal second quarter 2020 earnings conference call. Everyone should have access to our second quarter 2020 earnings release that was published this morning. The press release can be found at www.raverg.com in the Investor Relations section.

Before we begin, I would like to remind everyone that part of our discussions today will include some forward-looking statements. These forward-looking statements are not guarantees of future performance, and therefore, you should not put undue reliance on them. These statements are also subject to numerous risks and uncertainties that could cause actual results to differ materially from what we expect. We refer all of you to our recent SEC filings for a more detailed discussion of the risks that could impact our future operating results and financial conditions.

Please note that today's conference call, we will discuss certain non-GAAP financial measures, which we believe can be useful in evaluating our performance. Any discussions of such information should not be considered in isolation or as a substitute for results, prepared in accordance with GAAP. A reconciliation of comparable GAAP measures is available in our earnings release.

And with that, I would like introduce our Chief Executive Officer, Brandon Solano.

Brandon Solano

Thank you, Debbie, and good afternoon, everyone. I'm happy to show the progress we're making at RAVE. We're developing a comprehensive turnaround strategy, with a focus on optimizing the core business and building on our key strengths. Although, these improvements are not reflected in our second quarter results, we now have a leadership team in place to drive incremental improvements in the short-term and return RAVE to growth and stability for the future.

We're doubling down on our efforts to address underperforming areas of the business, and see significant opportunities in marketing, menu innovation, and operational efficiencies that will lead to a more positive business model. This will drive long-term value and consistency for our consumers, our shareholders, and importantly, our franchisees. This is my eighth turnaround and I'm ready to fight hard for this brand. With the right team in place, we're optimistic that the transformation is entirely viable, and a plan to build on our core strengths.

This starts with Pizza Inn. Pizza Inn's domestic comparable store retail sales increased by 2.4% during the second quarter of fiscal 2020 compared to the same period prior year. Year-to-date Pizza Inn domestic comp sales increased 2.7% compared to the same period prior year. We believe Pizza Inn is a sleeping giant in the pizza category. Over the last 12 quarters Pizza Inn has delivered strong same store sales. In fact, in our first quarter, Pizza Inn delivered same-store sales that beat industry leaders, Domino's, Pizza Hut and Papa John's. The pizza category is changing and creating new opportunities for brands like Pizza Inn.

We intend to take full advantage of this shift by creating a compelling consumer proposition that drives profitable sales, driven by sustainable, profitable traffic. We have many exciting opportunities to continue the momentum at Pizza Inn. For the first time in many years, we're making strategic investments in consumer research and are taking a data driven approach to creating marketing initiatives that will drive profitable traffic for the brand. We're also working closely with franchisees to help them build their businesses. We recently created the Pizza Inn Franchise Leadership Council, and plan to work side-by-side with franchisees to create more opportunities to drive profitable traffic.

Pizza Inn continues to have development opportunities, both domestically and internationally. In the second quarter, we opened three new locations with impressive opening sales. The Durant, Oklahoma buffet location is the first of three new Pizza Inn buffets scheduled to open in Oklahoma this year.

Pie Five domestic comp store sales decreased by 11% during the second quarter of fiscal 2020 compared to the same period prior year. Year-to-date Pie Five domestic comp sales decreased by 10.8% compared to the same period prior year. Although, Pie Five clearly isn't where we want it to be today, we are unwavering in our commitment to rebuild the brand. We believe we have an opportunity to differentiate Pie Five in a more meaningful way and we've engaged agency partners and research partners to make sure we get it right.

We're a fast casual brand and not QSR. Our menu and service model must articulate this brand promise in a way that resonates with consumers. Pie Five still has expansion opportunities and we expect development to increase once we transform the brand and restore positive momentum.

We're also working to strengthen unit economics to make Pie Five a more compelling investment for franchisees. Last quarter, we officially opened our first location in partnership with KidZania, and look forward to continuing this long-term alliance by growing with this innovative brand across the country. This is the first of many profitable partnerships underway for this brand.

In closing, our top priorities are to improve profitability and execute key strategies to enhance the customer experience that will deliver bottom line results. We're making strides by implementing key learning's from recent research and will continue to refine our offerings. We're evolving both brands with an eye toward the future. And with each new quarter, we plan to deliver on our promise of taking back our leadership position in the industry.

I'm now going to turn the call back to Debbie, who is pinch-hitting for our new Head of Finance, Clint Fendley, who's on vacation, to discuss our financial results in further detail.

Debbie Lanning

Thank you, Brandon. Total revenues decrease by \$0.4 million to \$2.8 million from the second quarter of fiscal 2020 compared to the same period of the prior year. The Company's net income per common share decreased \$0.02 per share for the three months ended December 29, 2019, compared to basic net income of \$0.02 per share from the same period of the prior year.

The Company had net income of \$14,000 for the second quarter of fiscal 2020 and net income of \$0.2 million from the same period of the prior year, on revenues of \$2.8 million for the three months ended December 29, 2019 compared to \$3.2 million in the same period of the prior year. The decline in net income is due to a one-time payout of severance and relocation expenses.

EBITDA of \$0.1 million for the second quarter of fiscal 2020 was a \$0.4 million decrease from the same period of the prior year. Adjusted EBITDA for the second quarter of fiscal 2020 decreased \$0.1 million from the same period of the prior year.

During the second quarter of fiscal 2020, Pizza Inn opened three domestic units, and closed two units to finish the quarter at 153 units. Pie Five opened three domestic units and closed six units, bringing the unit count to 53 restaurants at the end of the second quarter of fiscal 2020.

The cash and cash equivalents decreased to \$2 million as of the end of the second quarter, a \$0.3 million decrease from the prior year. The decrease in cash and cash equivalent resulted from payments of lease settlements, severance, and relocation expenses.

With that, let's open the line for questions.

Question-and-Answer Session**End of Q&A**

Thank you. We will now begin the question-and-answer session. [Operator Instructions] At this time, it appears there are no questions in the question queue. And this will conclude our question-and-answer session as well as today's conference.

Thank you for attending today's presentation. And you may now disconnect.

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