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Einstein Noah Restaurant Group Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question is from [Jake Bartland] – Oppenheimer & Co.

[Jake Bartland] – Oppenheimer & Co.

Quick question on the margin improvement that you got, just wondering how much you expect that to continue. I'm not sure what was particular to the quarter, firstly on G&A, what your outlook is for G&A then other margin improvements.

Richard Dutkiewicz

On balance of the year as we said kind of previously, we expect our G&A to be flat and potentially slightly down. As you recall, a little bit in this quarter we had some costs in a prior year, a good chunk of which related to stock based compensation. That shows up in G&A. But we're managing our G&A now down to a level that's about at this level, somewhere between and \$9.5 million and \$10 million.

[Jake Bartland] – Oppenheimer & Co

For the incentive based compensation, could that kick up? Would you expect it to pick up as results are improving?

Richard Dutkiewicz

A little bit. Probably not materially because an awful lot of those, a lot of those incentives are stock based compensation, is for a lot of options that are already in fact have invested so with passage of time means that that number is not as meaningful on a prospective basis.

[Jake Bartland] – Oppenheimer & Co

And then an update on the remodel or reimagining program. How many did you do in the quarter and what's the total? How's the total stand right now?

Richard Dutkiewicz

We've got roughly all in, an aggregate we're up to about 90 when you take it over the three years. We'll do at least 45 of those cumulatively for this year. We're kind of sticking with that number. That may go up a bit, but not substantially.

[Jake Bartland] – Oppenheimer & Co

Can you give us an update on some of the tests that you were doing? I know on the Salt Lake City market had some different products there. I'm just wondering what your experience has been with those tests and with your goal of expanding into the lunch day part to a greater degree.

Paul Murphy

Actually in some of the tests that I just mentioned towards the later part of the call, we've actually taken some of those items from the Salt Lake City test and put them in a couple of test markets where we have a menu that we really are highlighting some of our lower priced items. So we're currently in test with that right now. We're in four markets and as I said, as the end of Q3, we're going to sit down and analyze all the tests that we've done and do they need to be expanded, and really what has been the impact not only margins but on the top line.

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