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## Carrols Restaurant Group, Inc. Q2 2008 Earnings Call Transcript

### Earnings Call Excerpt

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Carrols Restaurant Group, Inc. (TAST)

Q2 2008 Earnings Call

August 5, 2008 8:30 am ET

#### **Executives**

Paul R. Flanders – Vice President & Chief Financial Officer

Alan Vituli – Chairman of the Board & Chief Executive Officer

#### **Analysts**

Steven Rees – J.P. Morgan

Brian Hunt – Wachovia Capital Markets, LLC

Reza Vahabzadeh – Lehman Brothers

Jeff Omohundro – Wachovia Capital Markets, LLC

Karen Eltrich – Goldman Sachs

Mitch Speiser – Buckingham Research Associates

Carla Casella – J.P. Morgan

Greg Ruedy – Stephens Inc.

Kenneth Byrne – Jefferies & Co.

#### **Presentation**

#### **Operator**

Welcome to the Carrols Restaurant 2Q08 earnings conference call. (Operator Instructions) I will now hand the conference over to Paul Flanders.

**Paul R. Flanders**

By now everyone should have access to the announcement released this morning, which may also be found on our website at [www.carrols.com](http://www.carrols.com) under the investor relations section. Before we begin the formal remarks I need to remind everyone that part of our discussion today may include forward-looking statements. These statements are not guarantees of future performance and therefore undo reliance should not be placed on them. We refer you to our recent filings with the SEC for more detailed discussions of the risks that could impact our operating results.

On the call with me today is Alan Vituli, our Chairman and CEO. Alan will provide some commentary on the business. I will then walk through our financial results for the quarter and then finally we will open up the call for questions at the end.

I'd like to now turn the call over to Alan.

**Alan Vituli**

Our second quarter performance is a reflection of the challenges we're contending with in this very chaotic business environment, namely a reduction in consumer spending and a substantial increase in the cost to operate our business. Similar to trends we've been experienced since the last year, comp sales at our Hispanic Brands have been more affected by the downturn while sales at our Burger King business have proven to be resilient. That being said higher commodity, utility and other operating costs and expenses impact all three concepts and we have experienced margin erosion.

We don't believe that the economy is likely to improve in the second half of 2008. Consequently, our current expectations of being below our previously guided 2008 outlook reflects this kind of view. Given the continuing cost challenges that we face, we have become more aggressive with regards to menu pricing. Although our concepts are well positioned as value oriented in this high inflationary environment, we find it necessary to take more menu pricing than we have in the past in order to cover some of these spiraling cost increase. Paul will discuss this in greater detail in a moment.

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