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California Pizza Kitchen's profit rises modestly

The chain, which has been cutting costs, reports net income of \$2.6 million, or 11 cents a share, in the first quarter. That compares with \$2.5 million, or 9 cents, for the year-earlier period.

By Nathan Olivarez-Giles
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California Pizza Kitchen Inc. saw its same-store sales fall nearly 5.9% in the first quarter, but cost-cutting helped the Los Angeles-based chain eke out a small increase in profit.

The company reported net income of \$2.6 million, or 11 cents a share, in the three months that ended March 29. That compares with \$2.5 million, or 9 cents a share, for the year-earlier period. Sales fell 2.2% to \$161.1 million.

"The revenue decrease was almost in line with our projections," said Rick Rosenfield, co-chief executive and co-founder. "What exceeds our expectations was the ability to create profit from that decreased revenue. This gives us a good idea that we're doing the right things to remain a leader in premium pizza."

The company reported earnings after the close of regular trading, when its shares fell 52 cents to \$14.81. The stock is up 38% this year.

To save money, the chain cut employee travel and training costs and scaled back expansion plans. It also benefited from declining cheese prices.

The recession is leading many Americans to cut back on their nights out, but that also means more people

are eating at home. California Pizza Kitchen benefited a bit from that trend: Royalties from Kraft Foods Inc., the chain's frozen-food partner, grew 32% to \$1.2 million.

California Pizza Kitchen's frozen-food items give the chain "a flexibility a lot of other premium pizza restaurants don't have," Rosenfield said. The company introduced frozen flatbread melts in March, which helped boost grocery-store sales, he said.

The average customer spends about \$14.30 in the chain's restaurants, while a CPK frozen pizza runs about half the cost, Rosenfield said.

California Pizza Kitchen has 252 locations worldwide, 205 of which are company-owned.

During the first quarter, the company opened one location in Wellesley, Mass. Franchises also opened in Dubai, United Arab Emirates, and Lomas Verdes, a suburb of Mexico City.

The chain plans to open three more full-service restaurants in the second quarter, with two more to open by the end of the year.