

MEXICAN RESTAURANTS INC

FORM 8-K

(Current report filing)

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Address	1135 EDGEBROOK HOUSTON, TX 77034
Telephone	7139437574
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Symbol	CASA
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Industry	Restaurants
Sector	Services
Fiscal Year	12/28

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 9, 2006



MEXICAN RESTAURANTS, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction
of incorporation)

000-28234
(Commission
File Number)

76-0493269
(IRS Employer
Identification No.)

1135 EDGEBROOK, HOUSTON, TEXAS 77034-1899
(Address of principal executive offices) (Zip Code)

(Registrant's telephone number, including area code): **(713) 943-7574**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



Item 2.02. Results of Operations and Financial Condition.

On November 9, 2006, Mexican Restaurants, Inc. issued a press release announcing its financial results for its 2006 third quarter ended October 1, 2006. A copy of the press release is deemed to be furnished, but not filed, as Exhibit 99.1 hereto.

In accordance with General Instruction B.2 of Form 8-K, the information in this Current Report on Form 8-K, including Exhibit 99.1, shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

The following is furnished as Exhibit 99.1 to this Current Report on Form 8-K:

99.1 Mexican Restaurants, Inc. press release dated November 9, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MEXICAN RESTAURANTS, INC.

Date: November 9, 2006

By: /s/ Andrew J. Dennard

Name: Andrew J. Dennard

Title: Executive Vice President, Chief Financial
Officer, Treasurer and Corporate Secretary

INDEX TO EXHIBITS

Exhibit No.	Description
99.1	Mexican Restaurants, Inc. press release dated November 9, 2006



FOR IMMEDIATE RELEASE

Contact: Mexican Restaurants, Inc.
 Andrew J. Dennard
 (713) 943-7574

**Mexican Restaurants, Inc.
 Announces Third Quarter Operating Results**

Houston, Texas (November 9, 2006) For the third quarter ended October 1, 2006, Mexican Restaurants, Inc. (Nasdaq: CASA) reported net income of \$375,389 or \$0.10 per diluted share, compared with third quarter 2005 net income of \$31,195 or \$0.01 per diluted share. For the 39-week period ended October 1, 2006, the Company reported net income of \$2,147,803 or \$0.59 per diluted share, compared with net income of \$1,208,516 or \$0.32 per diluted share for the 39-week period of fiscal 2005.

During the third quarter of fiscal 2005, the Company estimates that it lost \$1.0 million in revenues due to the impact of Hurricane Rita. Therefore, quarterly comparisons of same-store sales for the third quarter of fiscal 2006 required the use of actual 2005 sales up to September 22 and estimates for the final two weeks based on fiscal year 2004. The Company's revenues for the third quarter of fiscal 2006 increased \$1.3 million or 6.3% to \$21.0 million compared with \$19.8 million for the same quarter in fiscal 2005. Restaurant sales for third quarter 2006 increased \$1.2 million or 6.3% to \$20.8 million compared with \$19.6 million for the third quarter of fiscal 2005. The increase in revenue reflects net new restaurant additions less a decline in same restaurant sales. For the third quarter ended October 1, 2006, total system same-restaurant sales decreased approximately 0.8%, Company-owned same-restaurant sales decreased approximately 0.9% and franchised-owned same restaurant sales decreased approximately 0.4%.

On a year-to-date basis, the Company's revenue was up \$4.1 million or 6.8% to \$64.4 million compared with \$60.3 million for the same 39-week period in fiscal 2005. Restaurant sales for the 39-week period ended October 1, 2006 increased \$3.9 million or 6.6% to \$63.7 million compared with \$59.8 million for the same 39-week period of fiscal 2005. Approximately \$2.1 million of the increase in restaurant sales reflects new restaurant additions, with the remainder of the increase reflecting positive same-restaurant sales growth. For the 39-week period ended October 1, 2006, total system same-restaurant sales increased approximately 0.9%, Company-owned same-restaurant sales increased approximately 1.7% and franchised-owned same-restaurant sales decreased approximately 1.9%.

Commenting on the Company's third quarter results for fiscal 2006, Curt Glowacki, Chief Executive Officer, stated, "Despite solid fundamentals and continued improvements in service and value propositions, this has been a quarter with many challenges. Sales momentum slowed due to shrinking consumer discretionary spending, while profit margins were impacted by rising utility costs and higher insurance premiums due to Hurricane Rita. Notwithstanding, we are confident about our future with the acquisition of Mission Burritos, a new fast casual concept; and our cost control measures should insulate us from continued volatility in the marketplace."

Mexican Restaurants, Inc. operates and franchises 82 Mexican restaurants. The current system includes 63 Company-operated restaurants, 18 franchisee operated restaurants and one licensed restaurant.

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such

forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: growth strategy; dependence on executive officers; geographic concentration; increasing susceptibility to adverse conditions in the region; changes in consumer tastes and eating and discretionary spending habits; the risk of food-borne illness; national, regional or local economic and real estate conditions; demographic trends; inclement weather; traffic patterns; the type, number and location of competing restaurants; inflation; increased food, labor and benefit costs; the availability of experienced management and hourly employees; seasonality and the timing of new restaurant openings; changes in governmental regulations; dram shop exposure; and other factors not yet experienced by the Company. The use of words such as “believes”, “anticipates”, “expects”, “intends” and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Readers are urged to carefully review and consider the various disclosures made by the Company in this release and in the Company’s most recently filed Annual Report and Form 10-K that attempt to advise interested parties of the risks and factors that may affect the Company’s business.

Mexican Restaurants, Inc. and Subsidiaries

Consolidated Statements of Income
(Unaudited)

	13-Week Period Ended <u>10/01/2006</u>	13-Week Period Ended <u>10/02/2005</u>	39-Week Period Ended <u>10/01/2006</u>	39-Week Period Ended <u>10/02/2005</u>
Revenues:				
Restaurant sales	\$ 20,832,658	\$ 19,593,256	\$ 63,733,466	\$ 59,784,137
Franchise fees, royalties and other	195,503	179,382	629,116	532,456
Business interruption	-	-	59,621	-
	<u>21,028,161</u>	<u>19,772,638</u>	<u>64,422,203</u>	<u>60,316,593</u>
Costs and expenses:				
Cost of sales	5,760,865	5,408,112	17,598,055	16,508,511
Labor	6,920,514	6,562,936	20,770,774	19,776,820
Restaurant operating expenses	5,174,645	4,779,591	15,043,981	13,935,315
General and administrative	1,703,966	1,671,393	5,403,634	5,177,406
Depreciation and amortization	830,417	704,492	2,375,155	2,050,882
Pre-opening costs	-	16,050	64,248	55,875
Restaurant closure costs	17,458	-	95,589	-
Hurricane Rita (gain) loss	-	274,328	(366,808)	274,328
(Gain) loss on sale of assets	7,729	158,868	(486)	292,261
	<u>20,415,594</u>	<u>19,575,770</u>	<u>60,984,142</u>	<u>58,071,398</u>
Operating income	<u>612,567</u>	<u>196,868</u>	<u>3,438,061</u>	<u>2,245,195</u>
Other income (expense):				
Interest income	4,349	1,557	5,609	2,821
Interest expense	(109,230)	(136,437)	(308,222)	(423,152)
Other, net	21,244	31,320	68,686	90,429
	<u>(83,637)</u>	<u>(103,560)</u>	<u>(233,927)</u>	<u>(329,902)</u>
Income from continuing operations before income taxes	528,930	93,308	3,204,134	1,915,293
Income tax expense	<u>153,541</u>	<u>25,011</u>	<u>1,056,331</u>	<u>614,768</u>
Income from continuing operations	375,389	68,297	2,147,803	1,300,525
Discontinued Operations:				
Loss from discontinued operations	-	(58,765)	-	(146,035)
Loss on sale of assets	-	(210)	-	(210)
Loss from discontinued operations before income taxes	<u>-</u>	<u>(58,975)</u>	<u>-</u>	<u>(146,245)</u>
Income tax benefit	-	21,873	-	54,236
Loss from discontinued operations	<u>-</u>	<u>(37,102)</u>	<u>-</u>	<u>(92,009)</u>
Net income	<u>\$ 375,389</u>	<u>\$ 31,195</u>	<u>\$ 2,147,803</u>	<u>\$ 1,208,516</u>
Basic income per share				

Income from continuing operations	\$	0.11	\$	0.02	\$	0.63	\$	0.38
Loss from discontinued operations		-		(0.01)		-		(0.03)
Net income	\$	<u>0.11</u>	\$	<u>0.01</u>	\$	<u>0.63</u>	\$	<u>0.35</u>
Diluted income per share								
Income from continuing operations	\$	0.10	\$	0.02	\$	0.59	\$	0.34
Loss from discontinued operations		-		(0.01)		-		(0.02)
Net income	\$	<u>0.10</u>	\$	<u>0.01</u>	\$	<u>0.59</u>	\$	<u>0.32</u>
Weighted average number of shares (basic)		<u>3,400,944</u>		<u>3,435,787</u>		<u>3,386,965</u>		<u>3,422,807</u>
Weighted average number of shares (diluted)		<u>3,633,868</u>		<u>3,709,391</u>		<u>3,647,249</u>		<u>3,719,217</u>