



Franchising Index Weathers Recession In Third Quarter

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EDITORS AND REPORTERS: Associate director Hachemi Aliouche is available to discuss the latest Rosenberg Center Franchise 50 Index analysis. He can be reached at 603-862-1884 or hachemi.aliouche@unh.edu. The latest Rosenberg Center Franchise 50 Index analysis is available at <http://www.unh.edu/news/docs/F50Q308.pdf>.

DURHAM, N.H. – The Rosenberg Center Franchise 50 Index weathered the brutal correction under way in the financial markets far better than the S&P 500 in the third quarter of 2008, dipping a mere .4 percent compared with a 9 percent drop in the S&P 500. Buffalo Wild Wings led the Franchise 50 Index with a 62.3 percent increase in market value.

“A 62.3 percent increase in Buffalo Wild Wings value and a 9.2 percent share gain by McDonald’s, in addition to positive returns by another 23 components of the index, shielded the index from the brutal fall suffered by the broader indices,” said Hachemi Aliouche, associate director of the Rosenberg International Center of Franchising at the University of New Hampshire Whittemore School of Business and Economics.

The Rosenberg Center Franchise 50 Index tracks a representative set of 50 US publicly traded companies engaged in business format franchising. The index is down 12.4 percent over the year, compared to a decline of 20.7 percent for the S&P 500. Since its inception in 2000, the index is up 59 percent, compared to a drop of 16.5 percent for the S&P 500 over the same period.

“This quarter, it became increasingly evident that the U.S. economy was sliding into a severe recession, the likes of which has not been witnessed since the Great Depression. Amid this dismal economic backdrop, many of the components of the RCF 50 Index did remarkably well,” Aliouche said.

The best performing component was Buffalo Wild Wings (BWLD), the owner, operator, and franchisor of quick casual dining restaurants. Buffalo Wild Wings’ market value increased 62.3 percent in the third quarter, which was driven by impressive operating and financial results: same-store sales grew 8.3 percent at its company-owned restaurants and 4.5 percent at franchised restaurants; total revenue increased 28.8 percent; and net earnings jumped 46 percent. Buffalo Wild Wings continued its fast expansion, adding 24 company-owned restaurants and 45 franchised restaurants over the past year.

The weakest performer for the third quarter was Dollar Thrifty Automotive Group (DTG) with a drop of 79.6 percent in its market value. Dollar Thrifty Automotive Group rents and leases vehicles through company-owned and franchised stores under the Dollar and Thrifty brand names. Dollar Thrifty Automotive Group also operates a franchised retail used car sales network. After announcing a wider-than-expected loss in May, Dollar Thrifty Automotive Group faced more bad news in July when its CEO declared that due to tough operating conditions, Dollar Thrifty Automotive Group would not meet its profit forecast for the full year 2008.

"Skyrocketing fuel costs and industrywide decline in demand have hurt all car rental companies. However, Dollar Thrifty Automotive Group was hurt more because most of its vehicles are made by Chrysler, which have resale values lower than cars made by other car manufacturers. The day of the announcement, Dollar Thrifty Automotive Group's shares tumbled almost 40 percent," Aliouche said.

For more information on the Rosenberg International Center of Franchising or the RCF 50 Index, please visit the center's Web site at <http://franchising.unh.edu>.

The University of New Hampshire, founded in 1866, is a New England liberal arts college and a major research university with a strong focus on undergraduate-oriented research. A land, sea and space-grant university, UNH is the state's flagship public institution, enrolling 11,800 undergraduate and 2,400 graduate students.

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