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Acquisition News Propels Hilton Hotels To Top Of Rosenberg Center Franchise 50 Index In Third Quarter 2007

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EDITORS AND REPORTERS: Senior Research Fellow Hachemi Aliouche and Director Udo Schlenrich of The William Rosenberg International Center of Franchising at the University of New Hampshire are available to discuss the latest Franchise 50 Index. Aliouche can be reached at 603-862-1884 or hachemi.aliouche@unh.edu. Schlenrich can be reached at 603-862-0137 or udo.schlenrich@unh.edu. The full report is available at <http://unh.edu/news/pdf/F50Q32007.pdf>.

DURHAM, N.H. – Hilton Hotels took the top spot in the Rosenberg Center Franchise 50 Index as its stock price skyrocketed on acquisition news while the bad news continued for Krispy Kreme, the index's worst performer for the quarter.

The Rosenberg Center Franchise 50 Index was developed by the William Rosenberg Center of International Franchising at the University of New Hampshire Whittemore School of Business and Economics. It tracks the market performance of a portfolio of 50 U.S. public franchise companies that are representative of the U.S. business format franchising sector.

Overall, the Rosenberg Center Franchise 50 Index ended 1.1 percent higher in a third quarter 2007 marked by high volatility in the financial markets and an uncertain economic environment. During this quarter, the S&P 500 Index reached a multi-year record close of 1,555 in July and then dropped almost 10 percent in August, giving back all the gains it made in 2007. By the end of September, the S&P 500 had recovered most of its losses and closed 1.6 percent up for the quarter after the Federal Reserve Bank lowered its interest rate target by an unexpectedly high 50 basis points to 4.75 percent.

"The volatility in financial markets was driven by a number of economic events, including a deteriorating housing market, a credit crunch, a weakening job market, record high oil prices, record low dollar exchange rates, and sinking consumer confidence. Thirty-six of the 50 components of the RCF 50 Index lost market value this quarter," Senior Research Fellow Hachemi Aliouche said.

The Rosenberg Center Franchise 50 Index is up 92 percent since January 2000, while the S&P 500 is up 9.5 percent over the same period. The index tracks the market performance of the top 50 U.S. public franchisors.

Leader Hilton Hotels Corp. (HLT) was acquired by Blackstone Group LLC for \$47.50 a share, which drove Hilton's stock price up sharply. Hilton gained 39 percent in market value by the end of the quarter and its acquisition will make Blackstone the largest hotel operator in the world.

Doughnut maker Krispy Kreme (KKD) reported worse-than-expected financial results in early September, and its stock price plunged 38 percent in one day. Declining sales and high impairment charges and lease termination costs led to a net loss of \$27 million, a much

higher loss than the \$4.6 million loss the previous year. It finished the quarter with a 57 percent loss of market value, making it the worst performer of the index.

This quarter saw a number of sales of franchise companies, including two components of the Rosenberg Franchise 50 Index. ServiceMaster International was acquired in July by an investment group led by private equity firm Clayton, Dubilier & Rice Inc. for \$15.625 per share in cash in a transaction valued at \$5.5 billion. Option Care Inc. was bought in early September by Walgreen Co., the largest drugstore chain in the United States, for \$19.50 a share for a transaction value of \$850 million.

"These come on the heels of the acquisitions during the second quarter 2007 of RCF 50 Index components Realogy Inc., Outback Steakhouse Inc., and Bandag Inc. by private equity firms Apollo Management, Bain Capital, and Bridgestone Americas, respectively. RCF 50 Index components Hilton Hotels Corp, Wendy's International and Applebee's International are currently in the process of being sold," Aliouche said.

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

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