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UNH Rosenberg Center Announces Biggest Winners, Losers In Franchise 50 Index

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DURHAM, N.H. – Gymboree’s 73 percent jump in share price in the fourth quarter of 2005 propelled it into the top spot as the best performer of the quarter in the Rosenberg Center Franchise 50 Index™. Faced with stiff competition from online video rentals and cable video-on-demand services, Blockbuster continued its slide, shedding 18 percent of its market value, after a 48 percent drop last quarter.

The Rosenberg Center Franchise 50 Index™, developed by The William Rosenberg International Center for Franchising at the University of New Hampshire Whittemore School of Business and Economics, is an index that tracks the market performance of the top 50 U.S. public franchisors. These 50 franchisors represent more than 98 percent of the market capitalization of all U.S. public companies engaged in business format franchising.

The Rosenberg Center Franchise 50™ turned positive this quarter with a gain of 2.5 percent, helped by increases in 37 of its 50 components. The S&P moved up 1.6 percent over the same. The index is up 1.6 percent year-to-date 2005, and 54.8 percent since January 2000, while the S&P 500 is down 10.5 percent over the same period.

This quarter, Gymboree Corp. (GYMB) led the best performers, followed by Panera Bread Co. (PNRA) and Spherion Corp. (SFN). Blockbuster Inc. (BBI), Cendant Corp. (CD), and Servicemaster Co. (SVM) were the biggest losers this quarter.

Gymboree, the operator and franchisor of specialty retail stores and play programs for children, was the best performer this quarter with a 73 percent jump in its share price. According to the fourth-quarter report, “the company announced several positive developments, including strong revenue and earnings growth, and consecutive monthly double-digit increases in same-store sales. The company also increased its earnings forecast for its fiscal fourth quarter, and announced a share repurchase program and the settlement of a class action wage and hour lawsuit.”

After starting 2005 as the index’s top performer in the first quarter, Panera Bread gained 29
percent in the fourth quarter to regain a top spot as a best performer, second behind Gymboree for the quarter. The owner and franchisor of more than 800 bakery-cafes in the United States experienced strong sales and earnings growth. It also reported same-store sales growth that exceeded its goals, and it increased its profit forecast for the year.

Cendant Corp, one of the world’s largest hotel and car rental franchisors, and the owner of many large hotel, travel and car rental companies, dropped 18.7 percent this quarter. “Cendant’s stock price lost almost 7 percent of its value on Oct. 24 after it announced plans to split itself into four independent public companies. On Dec. 13, Cendant’s stock price further dropped by 10 percent after it announced that its profits for the next few quarters would be lower than expected because of weak results due to ‘challenges’ at the international online travel operations of its Travel Distribution Services division,” according to the report.

Blockbuster’s woes continued in the fourth quarter, with the franchisor giving up 18 percent of its market value and announcing further declines in revenues and significant losses. “These market value losses reflect the skepticism of many analysts and investors about Blockbuster’s ability to compete with online video rentals and the video-on-demand offerings of the large cable companies. They question the sustainability of its core business, and they believe that bankruptcy is a possibility,” according to the report.

McDonald’s, the world’s largest restaurant chain and the RCF 50 Index’ largest component with close to 20 percent of its market capitalization, gained 3.5 percent in the fourth quarter.

The full Rosenberg Center Franchise 50 Index™ fourth quarter report is available at http://www.unh.edu/news/docs/F50Q405.pdf. 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.