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Krispy Kreme Rebounds In Latest Rosenberg Franchise 50 Report

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DURHAM, N.H. -- Struggling doughnut maker Krispy Kreme rebounded in the latest Rosenberg Center Franchise 50 Index™, regaining some of its market value in the first quarter of 2006 and leading the winners in the index.

The Franchise 50 Index™ rose 3.4 percent in the first quarter of 2006, helped by increases in 41 of its 50 components. The S&P 500 Index moved up 3.7 percent over the same period thanks to large increases in its energy and materials components. The Franchise 50 Index™ is up 3.4 percent year-to-date in 2006, and up 60.1 percent since January 2000.

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.

Krispy Kreme recovered some of the large losses it suffered over the last few years as it jumped 56.4 percent this quarter. From a high of $49.37 in August 2003, Krispy Kreme’s stock price tumbled to $4.05 by October 2005, a 92 percent drop. However, on March 7 its stock shot up more than 20 percent after Daryl G. Brewster, previously the head of Kraft Inc.’s $6 billion North American snack and cereals business, was named the new CEO. He has significant experience turning around struggling businesses (Campbell Soup in the 1980s, Planters division of Kraft more recently).

“The share price of the company continued to rally as investors seemed increasingly confident that Krispy Kreme was making progress in resolving the numerous problems that eventually turned the company from a fast growing Wall Street darling to a company beset by scandals and struggling for its survival: accounting irregularities, executive purges, shareholder and employee lawsuits, allegations of channel stuffing, falling sales and profits, and deteriorating franchisee relationships,” the report says. “The company recently reported many efforts to strengthen its business including: new management team, franchise and operational restructuring, and a sharper focus on profitability and growth.”

The index’s biggest loser in the first quarter of 2006 was H&R Block Inc., the nation’s largest tax preparer and the provider of other financial services. “H&R Block lost 11.5 percent of its market value this quarter due to a number of negative developments. In February, it announced a 68 percent drop in its quarterly profits, a reduction in its annual revenue estimates, and the restatement of its 2004 through 2006 financial reports because it
misstated its own income tax liabilities. Its stock price plunged almost 9 percent the day after the announcement. Its stock price dropped again by more than 7 percent March 14 after New York Attorney General Eliot Spitzer filed a $250 million lawsuit against it, accusing it of fraudulent business practices related to IRA accounts marketed to its tax preparation customers,” according to the report.

The full Rosenberg Center Franchise 50 Index™ first quarter report is available at http://www.unh.edu/news/docs/F50Q0106.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.

EDITORS AND REPORTERS: Director Udo Schlentrich and senior research fellow Hachemi Aliouche of The William Rosenberg International Center of Franchising at the University of New Hampshire, are available to discuss the latest Franchise 50 Index™ report. Udo Schlentrich can be reached at 603-862-0137 or udo.schlentrich@unh.edu. Hachemi Aliouche can be reached at 603-862-1884 or hachemi.aliouche@unh.edu.