Jack In The Box Takes Top Spot In Latest UNH Franchise 50 Report

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December 18, 2006

EDITORS: 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 Franchise 50 Index™ Q3 2006 report. Udo Schlentrich can be reached at 603-862-0137 or udo.schlentrich@unh.edu. Hachemi Aliouche can be reached at 603-862-6455 or hachemi.aliouche@unh.edu. The full Rosenberg Center Franchise 50 Index™ third quarter report is available at http://www.unh.edu/news/docs/F50Q306.pdf.

DURHAM, N.H. -- Jack in the Box took the top spot in the latest Rosenberg Center Franchise 50 Index™ report at the University of New Hampshire, jumping 33.4 percent in market value in the third quarter of 2006.

“In early August, Jack in the Box reported strong financial results for the past quarter, with sales growing over 10 percent and earnings exceeding expectations. Jack in the Box further pleased investors by raising its profit outlook for 2006. In September, it completed the sale of 25 company-owned restaurants in Hawaii to franchise operator Scanlan Management LLC,” according to the report by The William Rosenberg International Center of Franchising at the University of New Hampshire Whittemore School of Business and Economics.

“Jack in the Box stock price was also boosted by McDonald’s announcement in September of strong same-store sales. Fast-food stock investors had been worried that the slowdown in the casual-dining restaurant sector would spread to the fast food sector. McDonald’s announcement dispelled this concern and helped the whole fast-food sector,” the report said.

The Rosenberg Center Franchise 50 Index™ rose 2 percent in the third quarter of 2006, amid a broad stock market rebound with the S&P 500 Index jumping 5.2 percent. The index is up 3.9 percent year-to-date in 2006, and up 60.9 percent since January 2000. The index 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.

“There have been many important developments impacting a number of franchisors this quarter. Casual dining restaurants were negatively impacted by high fuel prices, high interest rates, and increased competition. Ruby Tuesday, Applebee's International and The Cheesecake Factory (not a franchisor) are some of the casual dining restaurants that felt the pain as their same-store sales declined,” according to the report.
Several franchisors announced major global expansion plans. Dunkin Donuts is planning to more than double the number of its stores, from approximately 6,000 stores to 15,000 by 2020. Hilton announced plans to expand to more than 2,800 properties within the next five years, especially in areas where it feels underrepresented such as France, Germany, Eastern Europe, China, India and Australia. Domino’s Pizza also unveiled plans to expand to 10,000 stores within the next few years. Last year alone, it opened 300 new stores. Other franchisors that announced global expansion plans include Krispy Kreme (Middle East and China), Sbarro (India, Mexico, Egypt and Romania), and Holiday Inn (China).

Choice Hotel International (CHH) was the largest loser with a drop in market value of 31.9 percent. The best performer of the index last quarter, Choice Hotel International gave back most of its gains as it lost almost 32 percent of its market value this quarter. It dropped 23 percent of its value the day after it announced financial results for last quarter.

“Even more disappointing to investors was the company’s outlook for next quarter’s profits,” the report 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.