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Panera Bread Takes Top Spot In UNH Rosenberg Center Franchise 50 Index For Q1 2005 While Krispy Kreme’s Woes Continue

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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™ Q4 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.

DURHAM, N.H. – Panera Bread rebounded from last year’s poor performance and was the top performer in the first quarter of 2005 in the Rosenberg Center Franchise 50 Index™ while Krispy Kreme’s downward slide continued during the same period, making it the worst performer, according to The William Rosenberg International Center for Franchising.

The Franchise 50 Index™ dropped slightly in the first quarter of 2005 (-0.1 percent) in the face of a general stock market correction, with the S&P 500 down 2.6 percent, the Dow Jones down 2.6 percent and the Nasdaq down 8.1 percent.

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.

Panera Bread rebounded strongly from last year’s poor performance when its stock price plummeted to a low of $33.18, apparently the victim of the low-carb craze, according to the report. “It appears now that the ‘low-carb bear market’ is over as Panera has turned in an outstanding financial performance this quarter. On January 6, 2005, Panera announced a 7.1 percent jump in the December same store comparable sales, the strongest monthly performance since May 2002, widely beating expectations. This news drove Panera’s share price up 17.4 percent, with an almost 1,300 percent increase in the trading volume of its shares the next day. This strong performance may be due to higher menu pricing and a weakening of the low-carb diet impact. In February, Panera’s stock price further jumped 10.2 percent after it boosted its earnings forecast for 2005. Panera’s stock price stood at $56.53 as of March 31, 2005, 40.2 percent higher than at the end of last year,” according to the report.
Krispy Kreme’s downward slide accelerated this quarter as it lost another 39.4 percent of its market value. It hit an all time low of $5.36 per share in February, down more than 89 percent from its all time high of $49.37 in August 2003. “Krispy Kreme’s tumble was caused by a slew of negative events. Its sales continued to deteriorate significantly (average weekly sales per store down 25 percent), while its costs have increased due to litigation, regulatory and restructuring activities. It announced that it needed to restate its 2004 earnings lower due to accounting problems. It also announced an additional federal investigation into its accounting practices. It was also the object of a class action lawsuit over its employee retirement accounts. In January, it fired its CEO and hired a turnaround specialist at a cost of $400,000 per month. It cut its corporate workforce by 25 percent and ended the lease of a corporate jet in order to save cash. The possibility of bankruptcy became real for Krispy Kreme this quarter,” according to the report.

McDonald’s, the Index’s largest component, dropped 2.9 percent this quarter after reaching a four-year high in early March. “This drop was caused in large measure by concerns over the weakness of its European operations. McDonald’s reported in March a 3.4 percent decrease in European same store sales, a sharp drop from last year’s 7.7 percent increase. This poor performance in the key European market (35 percent of total McDonald’s sales and 42 percent of its total operating income in 2004) has cast doubts about the company’s ability to continue its recent strong sales growth,” according to the report.

The full Rosenberg Center Franchise 50 Index™ first quarter report is available at http://www.unh.edu/news/docs/F50Q105.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.