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7-Eleven Takes Top Spot In UNH Rosenberg Center Franchise 50 Index In 2nd Quarter Of 2005

Battle of the Burgers Sees McDonald's Tumble as Wendy's Rebounds

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DURHAM – 7-Eleven, the world's largest convenience store, came out on top as the best performer in the second quarter of 2005 in The Rosenberg Center Franchise 50 Index™ , while the battle of the burgers sees Wendy's as the second-best performer this quarter as McDonald's tumbled to the third worst-performer spot.

The Rosenberg Center Franchise 50 Index™ , developed by The William Rosenberg International Center of 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 Franchise 50 Index™ more than made up its 0.1 percent first-quarter 2005 drop as it gained 0.9 percent in the second quarter 2005, despite a tumble of 10.9 percent in market value of McDonald's, the largest component of the index. The S&P 500 Index was up 0.9 percent, while the Dow Jones Industrials Average was down 2.2 percent, and the Nasdaq surged 2.9 percent this quarter.

Of the 50 components comprising the RCF50 Index, 30 were up while 20 were down in the second quarter. 7-Eleven (SE) led the winners with a 26 percent jump, followed by Wendy's International (WEN) (25.5 percent), and Aaron's Rents Inc (RNT) (4.5 percent). The biggest losers were Buffalo Wild Wings (BWLD) (-17.5 percent), Spherion Corp (SFN) (-11.2 percent), and McDonald's (MCD) (-10.9 percent).

The stock price of 7-Eleven (SE), the world's largest convenience store, jumped 26 percent in the second quarter after reporting its best financial results in more than a decade. "The company's higher profits, total sales and same-store sales were fueled by strong gasoline sales, and new and improved coffee, sandwiches and other offerings. Among its new offerings were a new flavor of its signature icy treat Slurpee branded SpongeBob SquarePants, and Stir Crazy, a frozen dessert. In June, 7-Eleven launched a month-long celebration of the Slurpee's 40th anniversary, with the introduction of several new flavors and the awards of prizes and promotions," according to the report.

Wendy's International (WEN), the third-largest hamburger chain in the United States, was the second-best performer as its share price rose 25.5 percent. "Wendy's recovered from a steep decline during the first quarter after a customer claimed that she had found a human finger in a bowl of chili bought in a San Jose, Calif. Wendy's restaurant. The claim was found to be a hoax and sales at Wendy's started recovering. Wendy's tried to accelerate the recovery by launching a new marketing effort, and by giving away Junior Frostys for free. In June, the share price of Wendy's jumped further and reached an all time-high following speculation that some investors were planning a takeover of the company," according to the report.

McDonald's (MCD), the largest component of the RCF 50 Index™ with almost 20 percent of its market capitalization, was the third-worst performer of the index, losing 10.9 percent of its market value. According to the researchers, in June, McDonald's reported worldwide same-store sales growth of only 1.8 percent, significantly lower than previous months' results.

"Continued weakness in its European operations (1.4 percent drop in same store sales), particularly in its two largest European markets (Germany and the United Kingdom), was negatively received by investors. This led the company to announce the replacement of its McDonald's Europe division. Despite this quarter's lackluster overall sales results, the fruit-and-walnut premium salad launched by McDonald's in April this year was a big hit in the United States, helping to boost U.S. sales at stores open longer than a year 4.2 percent in May," the report said.

The RCF 50 Index™ is up 0.9 percent over the first half of the year 2005. It is up 53.7 percent since January 2000, while the S&P 500 is down 14.6 percent over the same period.

The full Rosenberg Center Franchise 50 Index second quarter report for 2005 is available at http://www.unh.edu/news/docs/F50Q205.pdf. For more information on the William Rosenberg International Center of Franchising or the Rosenberg Center Franchise 50 Index, please visit the Center's web site at http://franchising.unh.edu