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CEC Entertainment Soars While Krispy Kreme Hits 52-Week Low

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DURHAM, N.H. – Despite a very challenging environment that drove most of the major indices down, the Rosenberg Center Franchise 50 Index was up 0.4 percent in the third quarter of 2004.

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.

During the same period that the Rosenberg Center Franchise 50 rose, the S&P 500 dropped 2.3 percent, the Dow Jones slipped 3.4 percent, and Nasdaq dipped 7.4 percent. Since January 2000, the Rosenberg Center Franchise 50 has increased 34.5 percent, compared to a drop of 20.1 percent in the S&P 500 over the same period.

CEC Entertainment Inc., the operator and franchisor of Chuck E. Cheese restaurants and entertainment centers, was the strongest performer of the index this quarter. Better than expected financial results generated by new store openings and increased same-store sales, and a bullish business outlook drove up its stock price 24.5 percent this quarter.

Once again, Krispy Kreme was one of the biggest losers of the index, dropping 33.7 percent of its market value this quarter following a string of bad news. The popularity of the low carbohydrate diet, the resignation of its chief operating officer, a Securities and Exchange Commission probe, and a 55 percent decline in its quarterly earnings pushed its stock price to a 52-week low. Its stock price, which started the year at $36.65, dropped to $12.66 by Sept. 30, 2004, a 65.5 percent drop.

McDonald’s, the RCF 50 Index’ largest component, continued to perform well, increasing 7.8 percent this quarter. It announced strong financial results for the preceding quarter (27 percent increase in earnings per share versus the same quarter a year ago). It reported its 16th straight month of worldwide same-store growth despite a drop in Europe. It also announced in September a 38 percent increase in its annual dividend. McDonald’s continued success is attributed to improved service, new marketing programs, and expanded menu selections (including the launch of the premium Chicken Selects).
The full Rosenberg Center Franchise 50 Index third quarter report is available at http://www.unh.edu/news/docs/F50Q304.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.

Editors: Director Udo Schlentrich and senior research fellow Hachemi Aliouche of The William Rosenberg International Center of Franchising at the University of New Hampshire, is available to discuss the Franchise 50 Index™ Q3 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.