Krispy Kreme Takes Top Spot In Franchising Index

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EDITORS AND REPORTERS: Senior research fellow Hachemi Aliouche is available to discuss the latest Franchise 50 Index analysis. He can be reached at 603-918-6049 or hachemi.aliouche@unh.edu. The latest Rosenberg Center Franchise 50 Index analysis is available at http://www.unh.edu/news/docs/F50Q208.pdf

DURHAM, N.H. - Krispy Kreme took the top spot in the Rosenberg Center Franchise 50 Index™ for the second quarter of 2008 as it reported its first quarterly profit in three years.

The Rosenberg Center Franchise 50 Index™ dropped 4.4 percent in the second quarter of 2008, as the major market indices teetered on the verge of a bear market. Thirty of the 50 firms composing the index lost market value during this quarter, while 17 firms managed to make some gains, and three were essentially flat, according to Hachemi Aliouche, senior research fellow with the William Rosenberg Center of International Franchising at the University of New Hampshire Whittemore School of Business and Economics.

The 50 franchisors in the Rosenberg Center Franchise 50 Index™ represent more than 98 percent of the market capitalization of all U.S. public companies engaged in business format franchising. The index was down 12 percent over the year, compared to -12.5 percent for the S&P 500. Since its inception in 2000, the index is up 59.6 percent, compared to -8.2 percent for the S&P 500.

The biggest gainer this quarter was Krispy Kreme (KKD) with a 64.7 percent jump in market value as it reported a quarterly profit for the first time in three years. Strong performance by international franchises; gains from the disposal of equity interests in two franchises; a credit in impairment and lease termination costs; and no refinancing or litigation settlement expenses and charges contributed to this quarter's positive financial result.

Krispy Kreme earned a $4 million profit (6 cents a share), compared to a loss $7.4 million loss (12 cents a share) in the same quarter in 2007. However, Krispy Kreme' revenues dropped 6.6 percent compared to a year ago, and its same store sales fell by a combined 3.9 percent for its company-owned and franchised stores. It has warned that franchisees may have to close a significant number of stores in the future.

The biggest loser this quarter was the Scott Miracle-Gro Company (SMG), with a 45.4 percent loss, hitting a five-year low. SMG manufactures, markets, and sells lawn and garden care products and services. SMG reported a 30 percent drop in earnings in May due partially to a $31 million charge from the recall of some fertilizer products, higher commodity prices, and a slow start of the spring season. In addition, analysts and investors believe that the continuing increases in commodity prices will significantly and negatively impact SMG's future profits and have sold off shares of the company.
For more information on the William Rosenberg International Center of Franchising or the Franchise 50 Index™, please visit the center's Web site at http://franchising.unh.edu.

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