

## Tim Hortons Inc. Declares First-Ever Dividend

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Tim Hortons Inc. Announces Solid Second-Quarter Results; Revenue Increased 10.4% to \$406.8 Million; Operating Income up 8.3% to \$98.5 Million

Tim Hortons Inc. (TSX:THI)(NYSE:THI) today announced solid results for the second quarter, which ended on Sunday, July 2, 2006.

All results are in Canadian dollars.

### Second-quarter results

-- Total revenues were \$406.8 million in the second quarter, compared to \$368.5 million in the second quarter of 2005, a 10.4% increase.

-- Tim Hortons(R) opened a total of 30 restaurants in the quarter. The openings consisted of 24 restaurants in Canada and 6 in the United States.

-- Same-store sales were very strong, as the Company reported increases of 6.1% in Canada and 8.4% in the United States.

"We are pleased to have delivered another solid quarter with good top-line growth," said Chief Executive Officer and President Paul House. "Our emphasis on product innovation, along with our ongoing focus on speed of service, continues to drive very strong results. We also demonstrated good control of costs across the Company, despite absorbing incremental expenses, including the implementation of our new distribution centre and additional resources related to becoming a standalone public company."

The Company's second-quarter operating income was \$98.5 million compared to \$90.9 million in the second quarter of 2005, an 8.3% increase. The primary components of this increase were strong same-store sales and new store development. Second-quarter pretax income was \$95.2 million compared to \$89.0 million in 2005, a 6.9% increase. Net income was \$76.3 million compared to \$60.9 million, a 25.3% increase. Reported diluted earnings per share (EPS) were \$0.39 compared to \$0.38 in the second quarter of 2005.

The following items impacted the Company's 2006 second-quarter reported results relative to the second quarter of 2005:

-- A lower year-over-year second-quarter effective tax rate (19.8% vs. 31.6%), which resulted primarily from the resolution of tax audits. The Company does not expect such benefits to recur in subsequent periods.

-- Net interest expense of \$3.3 million compared to \$1.9 million in the second quarter of 2005, related primarily to interest expense incurred under the Company's new external debt of \$300 million.

-- A \$1.7-million decrease in the Other Income line due to a gain on an asset sale in the second quarter of 2005 that did not recur in 2006.

-- Costs related to the Company's decision to revise the implementation schedule for distributing frozen products at its new distribution centre. The Company expects the incremental revenues to offset these costs when frozen distribution is fully implemented by the new target date of mid to late 2007.

-- General and administrative (G&A) expenses of \$27.5 million, or 6.8% of revenue, compared to \$25.1 million, or 6.8% of revenue, in 2005. The year-over-year dollar increase in G&A relates primarily to the accelerated vesting of Wendy's International, Inc. restricted stock units held by Tim Hortons employees expected to occur at the time of the spin-off pursuant to the terms of the Wendy's stock incentive plan. (See the section entitled "Spin-off of Tim Hortons shares to Wendy's shareholders on track for October 1" below.) Incremental costs related to additional resources as the Company prepares to begin operating as a standalone public company also affected G&A in the quarter. These incremental costs were partly offset by lower shared-services charges from Wendy's.

-- A 33.35 million increase in the weighted average number of shares outstanding in the second quarter of 2006 due to the Company's March initial public offering.

Solid promotional calendar continues to drive sales in Canada, U.S.

Tim Hortons promoted its new caramel-themed baked goods, including caramel-chocolate donuts, caramel apple fritters, caramel streusel cakes and caramel turnovers in April. The Company promoted iced cappuccino with "flavour shots" of butter caramel, French vanilla, hazelnut or raspberry during May. These flavour shots can also be added to other beverages. Through May and June, Tim Hortons introduced a new chunky chicken salad wrap, and in June promoted strawberry-themed desserts, featuring a strawberry tart.

"Our iced cappuccino is a perennial summer favourite that helps improve sales in warm-weather periods.," House said. "In addition, the new chicken salad wrap is one of the products that can help us build our lunch business."

The Company also benefited from pricing increases implemented in several key markets in Canada and the U.S. in late 2005 and early 2006, which accounted for approximately two to three points of the total same-store sales percentage increase in both countries.

In the third quarter, Tim Hortons will again promote its flavoured iced cappuccino and its toasted chicken club sandwich in both Canada and the U.S. The Company will also promote its twelve grain bagel in Canada and its chicken salad wrap in the U.S. and plans to introduce its hot breakfast sandwich in Canada in late 2006 or early 2007.

#### Board approves first quarterly dividend

The Board of Directors approved the Company's first-ever quarterly dividend, payable on August 24, to shareholders of record as of August 10. The \$0.07 per-share dividend represents one quarter of the annual payout ratio of approximately 23% of the adjusted trailing four-quarter net income of \$234.6 million. The adjustments to reported trailing four-quarter net income of \$222.6 million include 1) adding the after-tax impact of goodwill and asset impairment charges of \$33.5 million expensed in the fourth quarter of 2005 and 2) subtracting total tax benefits recognized in the first two quarters of 2006 of \$21.5 million. The Company believes trailing four-quarter net income, adjusted as mentioned, is a more appropriate basis than reported trailing four-quarter net income from which to calculate the annual payout ratio.

"The dividend demonstrates our commitment to enhancing total returns for our shareholders," House said.

On the payment date (August 24), the Company will pay the dividend to all registered shareholders with Canadian resident addresses in Canadian dollars. For all other shareholders, the dividend will be converted to U.S. dollars on August 17 at the daily noon rate established by the Bank of Canada and paid in U.S. dollars on August 24. Shareholders who own shares indirectly (e.g., through a broker) should contact their respective broker, investment dealer, or other participant for more information. The Company expects that future dividends will be paid in a similar manner.

#### Spin-off of Tim Hortons shares to Wendy's shareholders on track for October 1

Wendy's International, Inc. (NYSE: WEN) recently announced that its Board of Directors has confirmed its intent to spin off the 160.0 million shares of Tim Hortons that it currently owns. The shares represent an 82.75% ownership stake in Tim Hortons. Wendy's is targeting October 1, 2006, to complete the spin-off, assuming it has received from the IRS a ruling on the tax-free status of the distribution prior to that date. The record date to determine the shareholders who will be eligible for the distribution of Tim Hortons shares will be set by the Wendy's Board of Directors.

In preparation for the spin-off, Tim Hortons will continue to build the infrastructure necessary to be a standalone public company. The Company has added resources in the Financial Reporting, Treasury, Corporate Governance and Securities Law areas. Tim Hortons expects to have in place sufficient resources in the areas it has historically shared with Wendy's prior to the separation date. Some shared resources, such as Information Technology, will extend beyond the separation date.

#### 2Q Same-Store Sales Summary

	2Q 2006	2Q 2005	2006 YTD
Tim Hortons Canada(a)	6.1%	5.6%	7.3%
Tim Hortons U.S.(a)	8.4%	9.1%	9.1%

(a) As of July 2, 2006, 99% of the Company's stores in Canada -- and 79% of the stores in the U.S. -- were franchised.

#### Monthly Same-Store Sales Summary for April(a), May, and June

	April 2006	April 2005	May 2006	May 2005	June 2006	June 2005
Tim Hortons Canada	5.0%	6.5%	6.4%	6.3%	7.1%	3.7%
Tim Hortons U.S.	5.6%	11.5%	10.0%	9.0%	10.1%	6.2%

(a) April sales results were impacted by an Easter shift, as the holiday was in the first quarter a year ago, but was in the second quarter this year.

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