

Tim Hortons Q1 Same-store sales grew 6.3% and 4.0% in Canada and the U.S., respectively  
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Tim Hortons Inc. Announces First Quarter Results

As of April 1, 2007, 99% of the Company's stores in Canada -- and 84% of the stores in the U.S. -- were franchised.

œ Same-store sales grew 6.3% and 4.0% in Canada and the U.S., respectively

œ 21 new restaurants opened in the first quarter of 2007

œ Revenue up 13.9%, operating income up 13.3%

œ Company declares fourth consecutive \$0.07 quarterly dividend

œ \$45.0 million spent to repurchase 1.26 million shares in the first quarter of 2007

Tim Hortons Inc. (NYSE:THI)(TSX:THI) today announced its results for the first quarter ended April 1, 2007.

Total revenues were \$424.6 million in the first quarter, up 13.9% compared to \$372.8 million in the first quarter of 2006. First quarter same-store sales increased 6.3% in Canada (8.7% in Q1 2006) and increased 4.0% in the U.S. (9.8% in Q1 2006). Tim Hortons(R) opened a total of 21 restaurants in the quarter compared to 27 restaurants in the first quarter last year. Systemwide sales growth(1), which includes both franchised and Company-operated restaurants, was 10.4%.

During the quarter, the company launched its annual Roll Up the Rim to Win contest. As of April 30, 2007, millions of food prizes were awarded to customers in Canada and the U.S. as well as grand prizes including 24 Toyota Camry Hybrids, 83 Panasonic plasma televisions, 386 cash prizes of \$1,000 and 5,584 Apple iPod Nano Digital Music Players.

Other featured promotions during the quarter were Yogurt and Berries, the Breakfast Sandwich, Cherry Cake Ring donut, Mini Cinnamon Rolls and a Cinnamon Roll Hot Smoothie in both Canada and the U.S.. Flavoured coffee with a bagel was also marketed in the U.S.

'Tim Hortons continued to deliver strong revenue growth and operating income growth in the first quarter,' said Chairman and Chief Executive Officer Paul House. 'In Canada, our same store sales increased 6.3%, which was above our long-term expectations. In the U.S. market, which represents approximately 10% of our stores, same store sales growth of 4% in the first quarter was below our long term target. We believe this is a result of a milder winter last year compared to this year and heavier competition, as well as the number of new stores opened late in 2006. We remain optimistic we can achieve our previously-announced targets for 2007.'

Operating income in the first quarter was \$94.2 million compared to \$83.1 million for the same period in 2006. The \$11.1 million year-over-year improvement in operating income was primarily due to:

œ Higher year-over-year revenue due to system wide sales growth;

œ An increase in franchise sales due to a higher number of resales in the first quarter of 2007 compared to the first quarter of 2006.

œ Continued expansion of three-channel delivery in Ontario through our Guelph distribution centre;

œ Higher equity income primarily from a non-cash tax benefit at one of our joint ventures, as well as a moderate gain in operating income at our two key joint ventures. The Company does not expect its investment to realize tax benefits of a similar nature in subsequent periods; and

Operating gains were offset in part by:

œ U.S. operating segment loss of \$4.1 million compared to a profit of \$0.4 million in the first quarter of 2006 due to the following factors: increased relief given to franchisees, in part due to the number of new store openings late in 2006; higher general and administrative expenses; lower profit in the Company's coffee roasting operations; higher corporate store losses; and lower franchise fee revenues; and

œ Lower other income in the first quarter of 2007 of \$1.5 million, primarily driven by foreign exchange gains recognized in the first quarter of 2006 that did not recur.

Net interest expense in the first quarter of 2007 was \$3.6 million compared to \$8.5 million in the same period last year. The lower net interest expense in 2007 was mainly the result of the repayment of a \$1.1 billion note owing to Wendy's in early 2006. Proceeds from the Company's IPO in March, 2006, together with proceeds from its debt issuance in February, 2006, were used to repay the Wendy's note.

First quarter net income was \$59.3 million compared to \$63.6 million last year. Reported diluted earnings per share (EPS) were \$0.31 compared to \$0.39 in the first quarter of 2006. Factors primarily contributing to reductions in net income and EPS for the quarter were:

The effective tax rate in the first quarter of 2007 was 34.6% compared to 14.8% in 2006. The low 2006 rate reflected certain benefits that did not recur in 2007. The effective tax rate in the first quarter of 2007 reflects the implementation of FASB No. 48, Accounting for Uncertainty in Income Taxes, which was the primary reason the effective tax rate was approximately 0.6% over management's previously announced expectations of 34%; and diluted weighted average shares outstanding in the first quarter in 2007 of 190.6 million compared to 161.8 million in the same period last year. The 17.8% higher share count was as a result of the Company's IPO in March, 2006.

During the first quarter, the Guelph distribution facility continued to expand its operations with over 700 stores on three-channel delivery as at April 1, 2007. Three-channel delivery includes dry, refrigerated and frozen product all on the same truck. The increase in revenues associated with the additional stores drove a positive operating income contribution versus the first quarter of 2006. As previously announced, the Company expects to complete full implementation of the facility by late 2007. Once fully operational, this distribution centre will service approximately 85% of our Ontario stores for three-channel delivery.

#### Share repurchase program in the first quarter

In the first quarter, the Company purchased 1.26 million shares at an average cost of \$35.86 for total cost of \$45.0 million. The company has now completed \$110 million of the previously announced \$200 million share repurchase program.

#### Board declares quarterly dividend

The Board of Directors has approved a \$0.07 quarterly dividend. The dividend is payable on May 30, to shareholders of record as of May 14. The payment of future dividends remains subject to the discretion of the Company's Board of Directors.

Tim Hortons dividend is paid in Canadian dollars to all shareholders with Canadian resident addresses whose shares are registered with Computershare (the Company's transfer agent). For all other shareholders, including all shareholders who hold their shares indirectly (i.e. through their broker) and regardless of country of residence, the dividend will be converted to U.S. dollars on May 22 at the daily noon rate established by the Bank of Canada and paid in U.S. dollars on May 30.

#### Shan Atkins added to the Board of Directors

On March 6, 2007, the Board appointed Ms. M. Shan Atkins to the Board. Ms. Atkins has been a managing director of Chetrum Capital LLC, a private investment firm, since 2001. Prior to her current position, Ms. Atkins held various positions with Sears Roebuck & Co., and Bain & Company, Inc. Ms. Atkins serves as a director of The Pep Boys - Manny, Moe & Jack, Spartan Stores Inc., and Shoppers Drug Mart Corporation.

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