Jack in the Box Inc. Reports Third Quarter Earnings

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Raises Fiscal 2007 Earnings Forecast

Jack in the Box Inc. (NYSE: JBX) today reported earnings of $34.7 million, or $1.08 per diluted share, for the quarter ended July 8, 2007, compared with $27.8 million, or 77 cents per diluted share, for the same quarter a year ago. Year-to-date net earnings increased to $99.3 million, or $2.90 per diluted share, versus $74.9 million, or $2.09 per diluted share, for the same period last year.

Third quarter earnings exceeded by 19 cents the high end of the range previously forecast by the company and analysts' First Call consensus estimate - 89 cents - due primarily to the following, in approximate amounts:

* +8 cents from higher sales and franchise revenues, and good expense controls, partially offset by lower restaurant operating margin due to higher food costs.

* +7 cents primarily from an insurance recovery.

* +4 cents due to higher gains from the planned refranchising of 22 Jack in the Box(R) restaurants, which had higher-than-average cash flows.

"Our success in executing the company's strategic plan has Jack in the Box Inc. well on its way to another record year of earnings," said Linda A. Lang, chairman and chief executive officer. "We're growing our business, expanding our franchise operations, and, through the holistic reinvention of the Jack in the Box brand, broadening our appeal and becoming a preferred dining destination for our guests."

Third quarter financial highlights

Same-store sales at Jack in the Box company restaurants were up 7.4 percent in the third quarter, with an increase in both average check and transactions, on top of a year-ago increase of 2.9 percent. Year to date, same-store sales were up 6.4 percent on top of a 4.3 percent increase for the same period last year. System same-store sales at Qdoba Mexican Grill(R) increased 5.0 percent in the third quarter on top of a 6.0 percent increase in the third quarter of 2006. Year to date, same-store sales were up 4.2 percent at Qdoba on top of a 6.5 percent increase for the first three quarters of fiscal 2006.

Restaurant operating margin was 17.4 percent of sales in the third quarter compared with the company's internal forecast of 17.9 percent and 18.7 percent a year ago, due primarily to higher commodity costs offset by fixed cost leverage from higher sales in 2007, profit improvement program initiatives and labor efficiencies. Year to date, restaurant operating margin improved to 18.1 percent of sales versus 17.4 percent for the same period a year ago, with the 70-basis-point improvement due primarily to fixed cost leverage from higher sales in 2007, profit improvement program initiatives, and lower costs for utilities, partially offset by higher food costs.

Beef costs for the quarter were up approximately 9 percent versus prior year. Egg and cheese costs were also up substantially for the quarter. The company expects higher food costs to continue for the balance of the calendar year, with some softening in beef prices versus the third quarter.

SG&A expense rate in the third quarter improved to 9.1 percent of revenues compared with 10.6 percent last year, due primarily to leverage from higher sales and franchise revenues, lower pension expense, an insurance recovery, profit improvement program initiatives and the impact of the company's refranchising strategy.

Jack in the Box opened 10 new company and franchised restaurants in the third quarter, the same as last year, and Qdoba opened 18 company and franchised restaurants versus 14 last year. In the quarter, Qdoba purchased nine franchised restaurants in western Michigan, which it plans to develop as a company market. Year to date, Jack in the Box added 30 new restaurants, including 11 franchised locations, versus 19 new restaurants last year, which included 4 franchised locations. Qdoba added 60 new company and franchised restaurants in the first three quarters of fiscal 2007 compared with 50 a year ago. At July 8, the company's system total comprised 2,107 company and franchised Jack in the Box restaurants, including 58 with Quick Stuff(R) convenience stores, and 371 company and franchised Qdoba restaurants.

Gains on sale of company-operated restaurants were $12.6 million in the third quarter, resulting from the sale of 22 Jack in the Box company restaurants to franchisees. In the third quarter of fiscal 2006, gains on sale of company-operated restaurants totaled $5.6 million, resulting from the sale of 17 Jack in the Box company restaurants to franchisees. The difference in average gains is related to the specific sales and cash flows of restaurants sold.

The effective tax rate in the third quarter was 35.3 percent versus 34.1 percent a year ago, with the lower rate in 2006 due primarily to specific tax-planning initiatives and tax credits.

Capital expenditures were $38.3 million in the quarter compared with $35.0 million in fiscal 2006, with the increase due primarily to investment in the Jack in the Box re-image program.

Franchising and new market expansion

Included among the 22 Jack in the Box restaurants refranchised in the third quarter was a transaction involving 14 locations in Houston, which was previously an entirely company-operated market.

The company has signed franchise development agreements to expand the Jack in the Box brand into three new contiguous markets: Albuquerque, N.M., Midland/Odessa, Texas, and Abilene/San Angelo, Texas. The first restaurants in these new markets are scheduled to open in 2008.

Additionally, construction is currently underway on company-operated Jack in the Box restaurants in two new contiguous markets: Denver, Colo., and Corpus Christi, Texas. The first restaurants in these new markets are scheduled to open in the next few months.

Third quarter initiatives

* In the third quarter, Jack in the Box became the first major quick-serve chain to offer an all-sirloin hamburger patty, which weighs in at nearly one-third of a pound after cooking. The 100% Sirloin Burger is served on a toasted bakery-style bun with peppercorn mayo, pickle strips, lettuce and tomato. Guests have the opportunity to customize their burger with American, cheddar or Swiss cheese, grilled or red onions, and bacon.

* In June, Jack in the Box enhanced its entire line of entree salads with a new blend of mostly romaine lettuce and spring mix and another customization option - a choice of grilled or crispy chicken strips. Jack in the Box also added a BBQ Ranch Chicken Salad, which is topped with real cheddar cheese, fresh cucumber slices and red onion rings, and served with crunchy barbecue tortilla strips, barbecue sauce and ranch dressing on the side.

* Other menu additions include the following: a Blackberry Shake, made with real vanilla ice cream blended with pieces of real blackberries and served with creamy whipped topping and a maraschino cherry; and a Chocolate Overload Cake, a bundt-style dessert made from dark European and double-dutch cocoa mixed with bittersweet chocolate chips and topped with a drizzle of chocolate butter cream frosting.

Upgrading the menu with innovative products featuring high-quality ingredients, along with improving the guest experience through service initiatives and enhancements to the restaurant environment, is a primary focus of the company’s strategy to holistically reinvent the Jack in the Box brand. Through the first three quarters of fiscal 2007, Jack in the Box re-imaged 118 restaurants with a comprehensive program that includes a complete redesign of the dining room and common areas. Interior finishes include ceramic tile floors, a mix of seating styles ranging from booths and bars to high-top round tables, decorative pendant lighting, and graphics and wall collages. The program, which is expected to be rolled out to 150-200 restaurants in fiscal 2007 and to the entire Jack in the Box system in 4-5 years, also includes music, uniforms and packaging, along with new paint schemes, landscaping and other exterior enhancements.

"We’re continuing to see positive sales trends and higher guest satisfaction ratings in markets that have been re-imaged," Lang said.

2-for-1 stock split

In a separate news release issued yesterday, Jack in the Box Inc. announced that its Board of Directors has approved a 2-for-1 split of the company’s common stock, to be effected in the form of a special 100 percent stock dividend. The split is subject to stockholder approval of a charter amendment to increase the number of shares of the company’s authorized common stock. The proposed increase in authorized common stock would provide sufficient authorized and unissued shares of common stock to ensure consummation of the split, satisfy the company’s obligations under its benefit plans, and accommodate other corporate purposes. The company will hold a special meeting of stockholders, which is tentatively set for Sept. 21, 2007, to vote on the charter amendment to increase the number of authorized shares of common stock.

Fiscal year 2007 guidance update (in approximate amounts)

Jack in the Box Inc. today updated its earnings guidance and certain underlying assumptions for fiscal year 2007:

* $3.62-3.66 per diluted share in earnings.

* 5.5-6.0 percent same-store sales increase at Jack in the Box company-operated restaurants.

* 3.0-5.0 percent same-store sales increase at Qdoba system restaurants.

* $38-40 million in gains from the sale of 75-80 restaurants to franchisees.

* Tax rate of approximately 36 percent.

* 45-50 new company and franchise-operated Jack in the Box restaurants.

* 80-90 new company and franchise-operated Qdoba restaurants.

* $170-175 million in capital expenditures, including investment costs related to the Jack in the Box restaurant re-image program, kitchen enhancements, and Qdoba’s third-quarter acquisition of nine franchised restaurants.

Fourth quarter guidance (in approximate amounts)

Jack in the Box Inc. also today announced the following guidance for the fourth quarter of 2007:

* 72-76 cents per diluted share in earnings.

* 4.0-4.5 percent same-store sales increase at Jack in the Box company-operated restaurants, on top of a 5.9 percent increase in 2006.

Fourth quarter initiatives

Among the company’s fourth-quarter marketing events are the following:

* Last month, Jack in the Box introduced Real Ice Cream Floats, delightfully refreshing beverages featuring vanilla ice cream mixed with a choice of soda, including Barq’s(R) Root Beer, Dr Pepper(R) and Fanta(R) orange. Beginning August 13, Jack in the Box will launch a limited-time promotion to "Float Your Combo," whereby guests can upgrade their combo meal beverages with a Real Ice Cream Float for a slight charge.

* Next week, the company will enhance its breakfast menu with a Sirloin Steak & Egg Burrito, which will feature a flour tortilla stuffed with 100% sirloin steak, shredded cheddar and pepper jack cheeses, scrambled eggs and hash browns, topped with a chipotle sauce and served with a side of fire-roasted salsa.