

Tim Hortons Inc. Announces 2007 Fourth Quarter and Year-End Results

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Operating income up 9.3% for the fourth quarter and 12.1% for the full year

Tim Hortons Inc. (NYSE:THI) (NYSE: TSX:) (NYSE:THI) today announced its results for the fourth quarter ended December 30, 2007.

Systemwide sales(1) growth, which includes sales from Company-operated and Franchise restaurants, rose 7.9% in the quarter. Fourth quarter same store sales increased 3.4% in Canada and 4.2% in the U.S. Total revenues were \$515.4 million in the fourth quarter, up 10.5% compared to \$466.5 million in the same period last year. Net income was \$75.7 million in the fourth quarter, increasing 11.5% compared to \$67.9 million last year.

For the fiscal year ended December 30, 2007, total revenues were approximately \$1.9 billion, up 14.2% from about \$1.7 billion in 2006. Operating income for the year was \$425.1 million, an increase of 12.1% compared to \$379.2 million in 2006. The tax rate was 34.0% in 2007 compared to 28.0% in the previous year, affecting growth rates for both net income and earnings per share. Net income increased 3.8% to \$269.6 million, compared to \$259.6 million over the comparable period. Earnings per diluted share were \$1.43 compared to \$1.40 in 2006.

"We met or exceeded our 2007 targets for operating income and unit growth, and we feel positive about our same store sales performance over the past year given the significant comparable period growth that we lapped," said Paul House, Chairman and Chief Executive Officer. "In 2008, we will continue to focus on the things that have made us successful, including menu innovation, operational excellence and speed of service," House added.

Consolidated Performance

During the quarter, a total of 119 restaurants were opened compared to 111 in the fourth quarter of last year. A total of 198 restaurants were opened in 2007. The Company's promotional programs during the quarter included Pumpkin Spice Muffins and Pumpkin Spice Smoothies, a Lemon-baked theme, Chicken Fajita Wraps, Cream of Broccoli Soup and Toasted Ham and Swiss sandwiches and holiday merchandise in December. In Canada, the Company also shifted its promotional focus to the TimCard(TM) cashless electronic payment card from holiday merchandise.

Sales growth of 13.7% primarily reflects the completion of the ramp up in the third quarter of 2007 of the Guelph Distribution Centre to three-channel delivery of dry, frozen and refrigerated products. Rents and royalties increased 7.2%, consistent with systemwide sales growth. Franchise fees decreased 2.6% compared to the same quarter of 2006. The decrease was due primarily to lower resales, offset in part by a higher number of renovations, standard restaurant openings and replacements.

For the fourth quarter, cost of sales rose 13.6%, reflecting higher sales growth and higher distribution costs. Cost of sales were also impacted by more restaurants being consolidated under FIN 46R, offset by a fewer number of corporate stores. Operating expenses increased 4.4% year-over-year, mainly due to a higher number of restaurants in the system with corresponding operational, depreciation and lease costs.

Fourth quarter operating income was \$116.2 million, up 9.3% compared to \$106.3 million for the same period in 2006. Operating income was slightly below revenue growth during the quarter. Growth in operating income reflects higher systemwide sales and higher warehouse sales from distribution, along with higher equity income, offset in part by 11.5% growth in general and administrative costs compared to the same period in 2006. Growth in general and administrative costs this quarter reflect higher standalone company costs such as professional fees and systems investments, as well as increased costs associated with marketing programs in the U.S. segment and higher equity-based compensation costs. Operating income for the quarter was also impacted by a combination of lower franchise fee revenues and higher franchise fee costs compared to the same period last year.

Net interest expense was higher in the fourth quarter, increasing to \$4.0 million compared to \$3.3 million in the same period of 2006. The net increase reflects reduced interest income from lower cash on hand due to share repurchase and dividend activities and higher interest expense compared to the comparable period in 2006.

Fourth quarter net income was \$75.7 million, an increase of 11.5% compared to \$67.9 million in the same period of 2006. The effective tax rate for the fourth quarter of 2007 was 32.6%, lower than 34.1% in the prior year comparable period due to discrete items recognized in the quarter. Diluted earnings per share (EPS) were \$0.40 compared to \$0.35 in the fourth quarter of 2006. EPS growth for the quarter of 14.3% reflects higher revenues and lower weighted average shares outstanding in the quarter, which decreased 2.8% to 187.0 million shares due to the Company's share repurchase program.

Segmented Performance Commentary

Same-store sales for the fourth quarter were up 3.4% in the Canadian segment. This performance builds on the significant same-store sales growth of 9.3% in the comparable period mainly due to the introduction in late 2006 of the popular breakfast sandwich. Sales were also impacted due in part to considerable snowfall in key markets during the month of December, and a weighting of the promotional focus on the TimCard instead of holiday merchandise. The majority of TimCard holiday-oriented sales during the quarter are not reflected in year-end sales performance, and are demonstrated by the \$37.8

million in restricted cash on hand at year-end. Approximately 2% of same store growth this quarter in Canada was due to pricing.

Segment margins in Canada were relatively flat. The Canadian segment had operating income of \$126.2 million for the quarter. A total of 71 restaurants were opened in Canada during the quarter, bringing the total number of openings to 130 for the year.

In the U.S. segment, same-store sales increased 4.2% during the quarter, building upon an increase of 8.3% in the comparable period of 2006. Pricing contributed less than a half percent to same-store sales growth in the U.S. segment during the quarter. The Company is pleased with sales performance in the U.S. given the challenging sales and economic environment in which it was delivered. The U.S. segment had a \$0.5 million loss for the quarter, reflecting ongoing investment in developing U.S. markets. Currency translation lowered U.S. segment revenues and costs by approximately 16% respectively during the quarter compared to the same period in 2006.

A total of 48 restaurants were opened in the U.S. during the quarter, and 68 for the full year, including 15 self-serve kiosk locations in gasoline convenience outlets. The U.S. business is leveraging a Tim Hortons self-serve kiosk platform in place at about 140 locations in the convenience channel in Ireland and the U.K. The self-serve platform, while not a significant contributor to earnings at this time due to their lower volumes compared to typical non-standard units, do allow the Company to increase its U.S. brand exposure and create another channel of potential growth. This platform delivers single-serve hot and cold beverages and a selection of donuts and pastries, with limited capital requirements.

Corporate Developments

Senior management transition

The Board of Directors announced a senior management transition, with the appointment of Paul House as full-time Executive Chairman and Don Schroeder as President and CEO, effective March 1, 2008. Mr. Schroeder has also been appointed to the Board of Directors. The Company will continue to maintain the independent role of Lead Director filled by The Hon. Frank Iacobucci, a Board position responsible for fulfilling governance and Board oversight as well as acting as a liaison between the Board and management. The Executive Chairman is accountable for overall strategic direction in an advisor role to the CEO and for leadership of the Board of Directors. The Executive Chairman will continue to serve as a key liaison with franchisees. In the new structure, the President and CEO is responsible for operational leadership and day-to-day running of the business, strategic development in collaboration with the Executive Chairman and strategy implementation. Don Schroeder will report directly to Paul House. For additional information, please refer to the separate announcement made February 19th, 2008 or listen to the conference call noted below.

Moya Greene appointed to Board

Ms. Moya Greene has been appointed to the Board. Ms. Green has been President, Chief Executive Officer and a member of the board of the directors of Canada Post Corporation, the Canadian postal authority, since May 2005. From 2003 to 2004, Ms. Greene was Senior Vice President, Operational Effectiveness, of Bombardier Inc., a leading manufacturer of rail transportation equipment and aircraft. From 2000 to 2003, she was Senior Vice President, Chief Administrative Officer, Retail Products, at Canadian Imperial Bank of Commerce, a leading North American financial institution, and from 1996 to 2000, Managing Director, Infrastructure Finance and Public Private Partnership for TD Securities Inc., a leading Canadian financial services firm. Ms. Greene also has an extensive public service background, having served most recently as Assistant Deputy Minister for Transport Canada (the Canadian federal transportation authority) from 1991 to 1996 and from 1989 to 1991 as Director, General Policy, for Human Resources and Social Development, Canada. She is a graduate of Osgoode Hall Law School and was recognized in 2003 by the National Post as one of Canada's Top 100 influential women and in 2004 by the Ivey School of Business/Women Executive Network as one of the top 40 female corporate executives in Canada.

In addition to the appointments of Ms. Greene and Mr. Schroeder to the Board of the Directors, the Board has determined that it will add one additional independent Board member following a search process.

TimCard(TM)

The Company substantially completed its rollout of reloadable, cashless TimCards in standard restaurants in the Canadian market in the fourth quarter, in time for the key holiday season. The TimCard uses the same technology platform as the MasterCard payment system implemented earlier in 2007 and both initiatives are designed to provide customer convenience and increase speed of service. Both initiatives are in relatively early stages of their respective consumer roll-outs, but the Company is pleased with results at this stage for both platforms. The U.S. segment is targeted to roll-out TimCards in the first quarter of 2008.

\$200 million share repurchase program activities

The Company announced in the third quarter of 2007 a new \$200 million share repurchase program for 2007-2008 as part of its ongoing focus of creating value for shareholders. During the fourth quarter, we spent \$35.6 million to purchase a total of 953,700 shares as part of this program.

Board declares 7th consecutive dividend and a 28.6% increase to quarterly dividend to \$0.09 per share

The Board of Directors has approved an increase in the quarterly dividend to \$0.09 and the first payment of a dividend at the new rate is payable on March 17th, 2008 to shareholders of record as of March 3rd, 2008. The Company's current dividend policy is to pay a total of 20-25% of prior year, normalized annual net earnings in dividends each year.

Dividends are 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 March 10th, 2008 at the daily noon rate established by the Bank of Canada and paid in U.S. dollars on March 17th, 2008.

2008 Targets and Outlook

The Company has established the following 2008 performance targets:

Operating income growth of 10%

2008 same-store sales growth of 4-6% in Canada and 2-4% in the U.S.

210-250 new unit openings, including 120-140 in the Canadian segment and 90-110 in the U.S. segment, which may include self-serve kiosks(2)

Capital expenditures between \$200 million - \$250 million, the majority of which is comprised of growth investments targeted at restaurant unit growth and renovations

Tax rate of 33-35%

"While we face some macro economic challenges and competitive discounting activities which might create volatility quarter to quarter, particularly in the U.S. segment, we believe our customer value proposition and continued focus on successful growth strategies such as menu innovation, operational initiatives and our new cashless payment systems position us well to help offset the impact of these challenges," said Cynthia Devine, Chief Financial Officer.

These financial targets are for 2008 only and they replace and supersede all previous targets established by the Company, including prior long-term same-store sales targets.

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