

Wendy's International, Inc. Announces 2008 Second Quarter Results

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Quarterly U.S. same-store sales were positive

Wendy's International, Inc. (NYSE:WEN) announced its financial results for the second quarter of 2008, which ended on Sunday, June 29.

Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations of \$69.0 million, compared to \$84.7 million for the second quarter of 2007,

Income from continuing operations of \$19.9 million, compared to \$29.3 million for the second quarter of 2007, and

Diluted earnings per share (EPS) from continuing operations of \$0.22, compared to \$0.33 for the second quarter of 2007.

These results include 2008 pre-tax expenses related to the Board of Directors' Special Committee of \$8.6 million and \$1.5 million of restructuring charges, and include 2007 pre-tax Special Committee expenses of \$4.7 million and restructuring charges of \$5.9 million.

Excluding 2008 and 2007 expenses related to the Special Committee and restructuring charges, the Company reported for the second quarter of 2008:

Adjusted EBITDA from continuing operations of \$79.1 million, compared to \$95.3 million for the second quarter of 2007,

Adjusted income from continuing operations of \$26.1 million, compared to \$35.9 million for the second quarter of 2007, and

Adjusted diluted EPS from continuing operations of \$0.30, compared to \$0.41 for the second quarter of 2007.

	Including expenses		Excluding expenses(i)	
	2Q 2008	2Q 2007	2Q 2008	2Q 2007
Income from continuing operations	\$19.9 million	\$29.3 million	\$26.1 million	\$35.9 million
Diluted EPS from continuing operations	\$0.22	\$0.33	\$0.30	\$0.41
EBITDA from continuing operations	\$69.0 million	\$84.7 million	\$79.1 million	\$95.3 million

There were several items affecting the comparability of 2008 second- quarter adjusted results to a year ago, including higher commodity costs of approximately \$11 million, which were 220 basis points higher as a percentage of sales in the U.S., compared to a year ago, due primarily to rising grain and fuel prices. Profits were also impacted by higher 2008 breakfast investments of \$4.7 million. Also, in 2007 the Company recorded \$4.5 million in insurance proceed settlement gains for damages incurred due to Hurricane Katrina. There was no similar insurance settlement in 2008.

Wendy's(R) Chief Executive Officer and President Kerrii Anderson said: "We generated nearly \$80 million in adjusted EBITDA and achieved slightly positive same-store sales during the quarter in a challenging operating environment. We are working to build on our performance in the second half of 2008 as we finalize our merger with Triarc. Our highest priority is to drive transactions and profitable same-store sales with a balance of premium products, like our Baconator(R) and Frosty(TM) Shakes, and enhancements to our value menu for consumers. We are also working on menu management and supply chain initiatives to offset soaring commodity costs that are affecting Wendy's and the restaurant industry."

Anderson added: "As we look to complete our merger with Triarc, everyone in our organization is focused on improving business going forward. We are committed to innovation and continue to focus on our quality heritage by spotlighting our fresh beef, premium chicken, new Frosty shakes and new salads. In the second quarter, we launched our new "Waaaay Better" marketing campaign and are pleased to report it is gaining high awareness among consumers. Finally, we have been focused on strengthening relations with our franchisees and open communications with our employees, and we continue to work constructively with Triarc to develop a comprehensive integration plan and organizational structure that will support enhanced operating performance at both Wendy's and Arby's."

Due to the pending merger with Triarc, management does not plan to provide detailed earnings guidance or a commodity outlook for the remainder of 2008. In addition, management does not plan to hold a conference call to discuss second-quarter results.

Product promotions highlight Wendy's premium quality

This month, the Company is featuring its premium Baconator hamburger and popular Frosty Shakes, with a promotion highlighting Wendy's signature Frosty brand and its hot and juicy hamburgers.

Wendy's is currently testing several additions to its breakfast menu, including a new Mornin' Melt(TM) Panini, a premium breakfast sandwich that's grilled fresh on sourdough bread, and a new hand-crafted cinnamon roll served warm with vanilla icing.

In July, the Company re-launched its premium salad lineup with national advertising, featuring the transition from cold chicken to a warm chicken fillet available in three varieties - Grilled, Homestyle, or Spicy - on its entree salads.

During the second quarter, Wendy's introduced its new Frosty Shakes, which are hand-spun in three flavors: Vanilla Bean, Chocolate Fudge and Strawberry. The shakes highlight Wendy's commitment to quality, using syrups made from real vanilla beans, five kinds of cocoa and real strawberries. Wendy's offered for a limited-time in May its premium Southwest Chicken Caesar Salad. Also, the Company launched its new Chicken Go Wraps, featuring a center-cut, chicken breast fillet - available Grilled, Homestyle, or Spicy - with cheddar cheese, fresh lettuce and Ranch or Honey Mustard sauce wrapped in a warm flour tortilla.

In addition, Wendy's raised more than \$1.7 million dollars during its annual Father's Day Frosty Weekend event in June to support the Dave Thomas Foundation for Adoption. This includes about \$260,000 raised in Wendy's Canadian restaurants.

2nd Quarter Financial Information

The Company reported retail sales of \$556.1 million in the second quarter of 2008, compared to \$558.3 million in the second quarter of 2007. The Company had 42 fewer company-operated restaurants open at the end of the second quarter compared to the same quarter a year ago. During the quarter, the Company sold 14 stores to franchisees.

-- The total number of system-wide Wendy's restaurants as of June 29, 2008, was 6,625, compared to 6,661 as of the end of the same quarter a year ago.

-- U.S. company-operated restaurant EBITDA margins were 9.4% in the second quarter of 2008, compared to 12.1% in the second quarter of 2007. The year-over-year difference is due primarily to higher commodity costs, lower transactions and higher breakfast expense, partially offset by menu price increases.

-- Total company-operated restaurant EBITDA margins were 9.3% in the second quarter of 2008, compared to 11.8% one year ago.

-- As previously announced, second-quarter same-store sales at U.S. company-operated restaurants increased 0.1%, compared to an increase of 0.7% in the second quarter of 2007. Second-quarter same-store sales at U.S. franchise restaurants increased 1.1%, compared to an increase of 0.4% in the second quarter of 2007.

The Company's results from continuing operations include the impact of:

-- Franchise revenues - \$75.8 million in the second quarter of 2008, compared to \$74.6 million in the second quarter of 2007.

-- Cost of sales - \$345.4 million, or 62.1% of retail sales, in the second quarter of 2008, compared to \$337.2 million, or 60.4% of retail sales, in the second quarter of 2007. The year-over-year difference is due primarily to increased commodity costs (up 220 basis points in the U.S. as a percentage of sales) and a decline in transactions, partially offset by menu price increases.

-- Company restaurant operating costs - \$156.2 million, or 28.1% of sales, in the second quarter of 2008, compared to \$152.4 million, or 27.3% of sales, in the second quarter of 2007. The year-over-year difference as a percentage of sales includes investments related to the Company's new breakfast program and other cost increases.

-- Operating costs - \$8.1 million in the second quarter of 2008, compared to \$4.9 million in the second quarter of 2007. The year-over-year increase is due primarily to higher franchise incentives of \$0.8 million and higher breakfast advertising support for franchisees of \$2.3 million.

-- General and administrative expense - \$45.3 million, or 7.2% of revenue, in the second quarter of 2008, compared to \$51.4 million, or 8.1% of revenue, in the second quarter of 2007. The year-over-year difference includes lower product testing costs, lower bonus accruals and lower professional and legal fees.

-- Restructuring costs - \$1.5 million in the second quarter of 2008. This compares to \$5.9 million in restructuring costs in the second quarter of 2007.

-- Special Committee related charges - \$8.6 million in the second quarter of 2008 in expenses related to the Board's Special Committee, compared to \$4.7 million in the second quarter of 2007. The Company announced the formation of the Special Committee on April 26, 2007.

-- Other income/expense - \$2.0 million of income in the second quarter of 2008, compared to \$8.0 million of income in the second quarter of 2007. The year-over-year change is due primarily to 2007 insurance proceed settlement gains of \$4.5 million for damages incurred due to Hurricane Katrina. There was no similar insurance settlement in 2008.

-- Interest - Interest expense of \$9.0 million in the second quarter of 2008, compared to \$10.9 million in the second quarter of 2007. The year-over-year decrease reflects the retirement of the debt associated with the sale of approximately 40% of the 2007 U.S. royalty stream. Interest income of \$1.8 million in the second quarter of 2008, compared to \$2.6 million a year ago, reflects a decrease in interest rates as well as lower cash balances.

-- Taxes - The Company's second-quarter tax rate was 37.5%. This compares to 38.2% in the second quarter of 2007.

Second-Quarter Average Same-Store Sales Summary

	2Q 2008	2Q 2007
U.S. Company	0.1 %	0.7 %
U.S. Franchise	1.1 %	0.4 %

Monthly Average Same-Store Sales Summary for April, May and June

	Apr 2008	Apr 2007	May 2008	May 2007	Jun 2008	Jun 2007
U.S. Company	0.2 %	0.6 %	-0.7 %	0.9 %	0.7 %	0.6 %
U.S. Franchise	1.1 %	0.5 %	0.4 %	0.5 %	2.0 %	0.0 %

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