Hotel News Resource

Strong Global Comparable Sales and Substantial Net Restaurant Expansion Drive Robust Fourth Quarter and Annual Results at Burger King

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18th consecutive quarter of worldwide positive comparable sales, 5.3 percent

Fourth quarter highlights:

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17th consecutive quarter of United States and Canada positive comparable sales, 5.5 percent

Worldwide revenues of $646 million, up 9 percent

Adjusted earnings per share of $0.37, up 28 percent

Net restaurant count increases by 110

Fiscal year highlights:

Record worldwide revenues of $2.455 billion, up 10 percent

Record worldwide average restaurant sales of $1.3 million, up 9 percent

Adjusted earnings per share of $1.38, up 24 percent

Net restaurant count increased by 282

Worldwide revenues and profitability met or exceeded company’s annual growth targets

Burger King Holdings Inc. delivered solid worldwide results for the fourth quarter of 2008 and a record 2008 fiscal year. Strong progressive improvements across the company’s strategic global growth pillars - marketing, products, operations and development - drove substantial increases in financial performance over the prior year periods.

The company posted strong revenues for the fourth quarter of $646 million, up 9 percent from $590 million in the same quarter last year. For the fiscal year, the company reported record revenues of $2.455 billion, up 10 percent from $2.234 billion in the prior year. Revenues for the quarter and the full year were primarily driven by strong worldwide comparable sales and substantial net restaurant expansion.

Traffic and sales continued to increase worldwide, resulting in comparable sales growth of 5.3 percent for the fourth quarter, marking the 18th consecutive quarter of positive comparable sales growth. In the United States and Canada, comparable sales were up 5.5 percent for the fourth quarter, the 17th consecutive quarter of positive comparable sales growth.

’Our strong quarterly and annual performance confirms the strength and the momentum of our worldwide business,’ said Chairman and Chief Executive Officer John Chidsey. ’Throughout the quarter, we drove strong comparable sales by continuing to leverage our products and promotions across many markets, including the launch of the Indy Whopper(R) sandwich in connection with the Indiana JonesTM blockbuster movie, The Kingdom of the Crystal SkullTM.

’In May, we extended hours of operations in our U.S. restaurants enabling us to capture a larger market share of the fastest growing dayparts - both breakfast and late-night. Furthermore, we increased our SuperFamily traffic with adventure filled promotions, including The Incredible HulkTM, Iron ManTM and SpongeBob’s Pest of the WestTM.

’In EMEA, we continued to respond to consumer demand for high-margin indulgent products including the Steakhouse Burger platform and New York Steak Sandwich. In APAC, we focused on the snacking daypart with our Value Snacking Menu and the launch of our breakfast platform in New Zealand. In Latin America, we featured products such as our BKTM Stacker sandwich and Steakhouse Burger platform. Our quality, value and convenience drove solid sales momentum throughout all regions across the globe,’ concluded Chidsey.

Worldwide trailing 12-month average restaurant sales (ARS) reached a record high. The system surpassed the $1.30 million ARS threshold for the first time, reporting a 9 percent increase to $1.30 million compared to $1.19 million in the same period last year. Worldwide fourth quarter fiscal 2008 ARS also increased 9 percent to $338,000 compared to $311,000 in the same quarter last year.

Worldwide company restaurant margin decreased 170 basis points to 13.1 percent from 14.8 percent in the fourth quarter and by 70 basis points to 14.3 percent from 15.0 percent for the full fiscal year. The decrease during the fourth quarter and fiscal year was primarily driven by higher commodity costs and expenses related to the company’s U.S. and Canada reimaging program. These additional costs were partially offset by significantly improved margins in the EMEA/APAC and Latin America reporting segments driven by strong comparable sales. Net of reimaging costs of approximately $8 million, worldwide company restaurant margins declined just 20 basis points for the full fiscal 2008 year despite industry-wide commodity pressures.

The company continued its focus on controlling and leveraging its general and administrative (G&A) costs worldwide, effectively reducing these costs as a percentage of revenues by 190 basis points in the fourth quarter. For the full fiscal year, G&A declined 80 basis points as a percentage of revenue.

For the quarter, earnings per share rose to $0.37 compared to earnings per share of $0.26 and adjusted earnings per share of $0.29 during the same period last year. For the full fiscal year, earnings per share rose to $1.38 compared to earnings per share of $1.08 and adjusted earnings per share of $1.11 for fiscal 2007. Adjusted earnings per share for the fourth quarter of 2007 and fiscal 2007 exclude the previously announced $7 million in pre-tax costs related to the termination of the company's lease for a new headquarters facility which the company had proposed to build in Coral Gables, Fla. There were no adjustments to earnings per share for the fourth quarter of 2008 and fiscal 2008.

Uses of Cash

'In the fourth quarter, we continued to execute on our portfolio management and reimaging program utilizing our balance sheet to fund those initiatives that are expected to drive the highest returns for our shareholders,' said Ben Wells, chief financial officer. 'We have completed our reimaging work on 32 restaurants in the U.S. and are pleased with the sales lifts they are realizing. We currently have 19 units in progress and expect to reimage a total of 39 restaurants during fiscal 2009.'

Wells concluded: 'As previously announced, in April we acquired 56 restaurants located in the Carolinas from one of our largest franchisees, Heartland. And in the first quarter of fiscal 2009, we acquired 72 restaurants located in Nebraska and Iowa from Simmonds Restaurant Management. Our ongoing portfolio management strategy is expected to drive growth by pairing optimal ownership structures with profitable development opportunities in new and existing markets.'

Development

The company continued its strategic worldwide expansion in the fourth quarter, opening a net 110 restaurants worldwide, the largest number of quarterly net restaurant openings in seven years. For the fiscal year, the company opened a net 282 restaurants, approximately two times higher than in the prior year. Over 80 percent of net restaurant growth occurred in existing and new international markets including Bulgaria, Romania, Colombia and Curaçao.

'I am pleased with our strong net restaurant growth and excited about the momentum building in our global development pipeline,' Chidsey said. 'In the U.S. and Canada, we achieved net restaurant growth for the first time in six years. In June alone, we opened, on average, more than one restaurant every day with a total of 35 openings. Development in EMEA/APAC accelerated during the year and represented 56 percent of the total net restaurant openings. And in Latin America, we attained an important milestone with the opening of our 1,000th restaurant. Potential and existing franchisees are recognizing the success of our business model and are seeking development opportunities. I am confident that our disciplined development strategy will enable us to continue our brand's profitable growth worldwide.'

Future Growth

During the third quarter of fiscal 2008, the company raised its financial guidance for revenue and earnings per share for the fiscal year due to better-than-expected sales. The company met this increased annual financial guidance:

Grew revenues by 10 percent (original target was 6 to 7 percent, revised target was 10 percent)

Increased adjusted earnings per share by 24 percent (original target was 12 to 15 percent, revised target was 20 percent plus)

In the first quarter of fiscal 2009, the company launched innovative product offerings geared towards attracting SuperFamily traffic, including its new healthier option BK(R) Kids Meal consisting of BKTM Fresh Apple Fries and nutritionally fortified KRAFT(R) Macaroni and Cheese. Promotions of memorable kid's favorites such as PokemonTM, CrayolaTM and NeopetsTM are also expected to drive sales in this market segment. In addition, throughout the quarter, the company will focus on the breakfast and late-night dayparts, with high-demand products such as the Cheesy Bacon BK WrapperTM and the Cheesy Bacon Tendercrisp(R) Chicken Sandwich.

Chidsey concluded: 'This past fiscal year, the team delivered record sales and earnings in spite of a challenging macro-economic environment. We experienced our best traffic performance in more than ten years as guests sought our convenience and affordable quality products. We remain focused on progressive improvement across all our strategic global growth pillars - marketing, products, operations and development - and in our reimaging and portfolio management initiatives.

'I am confident in our ability to carry our strong momentum into the 2009 fiscal year. We remain committed to delivering top of the industry financial performance and expect full year fiscal 2009 earnings per share of $1.54 to $1.59.'