

## Sonic Announces Fiscal 2009 Outlook

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Sonic Records 22nd Consecutive Year of Positive Same-Store Sales, Tough Environment Slows Earnings Growth for 2008, Refranchising and New Market Development to Spur Growth in 2009

Sonic Corp. (NASDAQ: SONC), the nation's largest chain of drive-in restaurants, today announced preliminary same-store sales for the fourth quarter and fiscal year ended August 31, 2008. While franchise drive-in same-store sales were positive for the fourth quarter, same-store sales for partner drive-ins (drive-ins in which the company owns a majority interest) continued to be significantly negative, resulting in slightly negative system-wide same-store sales. For the fiscal year ended August 31, 2008, estimated system-wide same-store sales were positive, with estimated franchise drive-in same-store sales slightly below the targeted range of 2% to 4%, and partner drive-in sales three to four percentage points below franchise drive-in performance. This marks 22 consecutive years of positive system-wide same-store sales growth for Sonic - a notable achievement in this tough environment.

Increased commodity and labor costs, combined with the deleveraging impact of lower sales on fixed costs during the third and fourth quarters, resulted in unfavorable restaurant-level margins for fiscal 2008. Investments by franchisees in new and existing development remained solid throughout the year, with the opening of 140 new drive-ins, the relocation or rebuilding of 65 existing drive-ins, and the completion of 800 retrofits for the fiscal year. When compared with fiscal 2007, these factors combined are expected to result in slightly positive growth in earnings per share for fiscal 2008.

"Despite the strength of our business in core and new markets, we face several challenges as we transition from a regional to a national brand, particularly in developing markets," commented Sonic's Chairman and Chief Executive Officer, Cliff Hudson. "In addition, the performance of our partner drive-ins has lagged well behind that of our franchisees. As a result, we plan to refine our strategy by refranchising underperforming partner drive-ins and slowing the growth of partner drive-ins. Reducing the number of partner drive-ins we operate will allow us to improve sales and operations for remaining partner drive-ins while we continue to emphasize new store development, promotions and other initiatives to drive sales for the entire system."

This refranchising initiative is anticipated to occur over the next four years and will target underperforming partner drive-ins in core and developing markets. Currently, partner drive-ins comprise approximately 20% of the entire system. Over time, accelerated expansion by franchisees, combined with the refranchising and slower growth of partner drive-ins, is anticipated to reduce this number to 12% to 14% of the system. Increased development of new franchise drive-ins is expected to continue with particular emphasis on new markets. Further, implementation of the franchise retrofit program will continue to be an important initiative for the Sonic system, with 600 to 700 franchise retrofits and 50 to 60 rebuilds or relocations expected in fiscal 2009. In addition to refranchising efforts, other initiatives, such as increases in media expenditures, new product news and improved sales performance of partner drive-ins, are expected to have a positive impact on earnings in fiscal 2009.

### **Fiscal 2009 Outlook**

Growth in franchising income, coupled with gains from refranchising efforts, is expected to result in an increase in earnings per diluted share in the range of 12% to 14% for fiscal 2009 versus fiscal 2008 earnings per diluted share. These expectations are based on the following assumptions:

The refranchising of underperforming partner drive-ins in core and developing markets,

The opening of 155 to 165 new franchise drive-ins,

The opening of 20 to 25 new partner drive-ins,

Positive same-store sales growth for the system, even though same-store sales growth for partner drive-ins is expected to be flat,

Unfavorable restaurant-level margins compared with fiscal 2008, and

Capital expenditures of \$60 to \$70 million, reflecting the completion of fewer retrofits and no acquisitions.

### **Impact of Hurricanes**

Approximately 100 partner drive-ins and 336 franchise drive-ins across the Gulf Coast area were closed as a result of Hurricanes Gustav and Ike. Partners, franchisees and company employees have been working diligently to restore operations with limited or full menus. As of September 23, however, 23 partner drive-ins and 50 franchise drive-ins remained closed. For the first quarter of fiscal 2009, which ends on November 30, 2008, store closures are anticipated to negatively affect revenues by approximately 1%. This number may vary somewhat as drive-ins that re-open tend to temporarily experience sales levels well above normal.

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