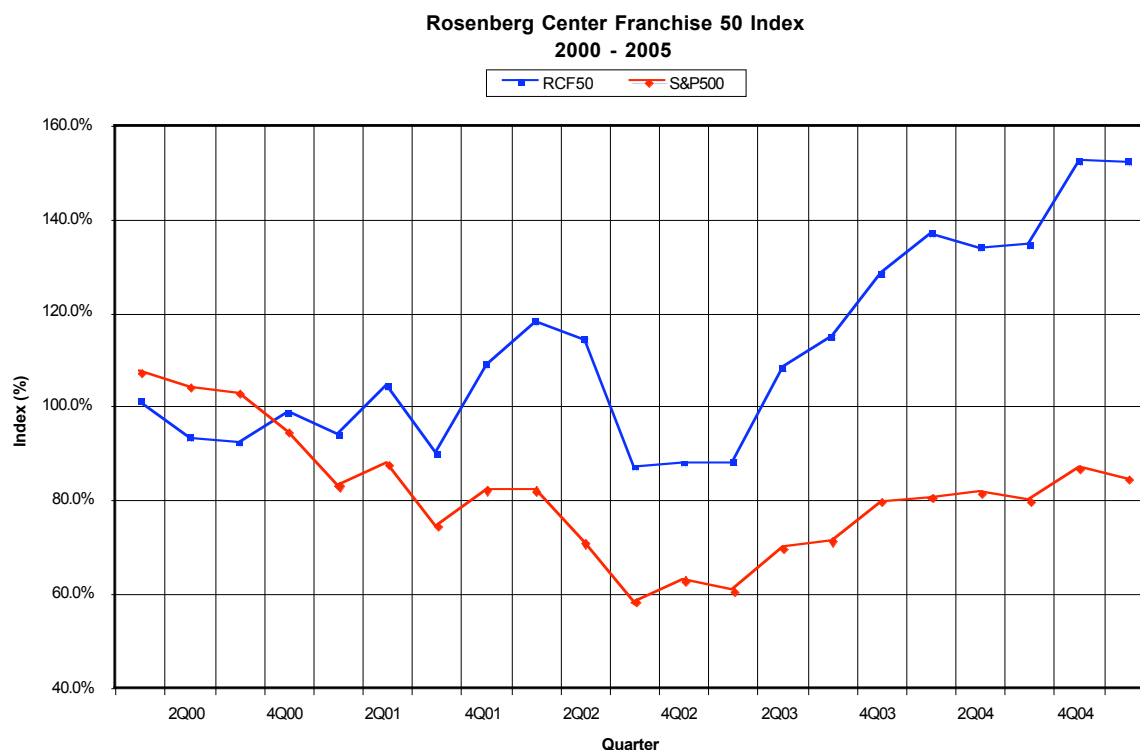


## THE ROSENBERG CENTER FRANCHISE 50 INDEX WEATHERS 1<sup>ST</sup> QUARTER 2005 MARKET CORRECTION WITH A SLIGHT DROP

The Rosenberg Center Franchise 50 dropped slightly in the first quarter of 2005 (-0.1 percent) in the face of a general stock market correction, with the S&P 500 down 2.6 percent, the Dow Jones down 2.6 percent and the Nasdaq down 8.1 percent (see Table below).

Total Returns: RCF 50 Index vs. S&P 500 Index

Period	Rosenberg Center Franchise 50 Index	S&P 500 Index
1 <sup>ST</sup> Quarter 2005	-0.1%	-2.6%
Year-to-Date 2005	-0.1%	-2.6%
2000-2005	+52.3%	-15.3%



Panera Bread Company (PNRA) was the top performer this quarter with a 40.2 percent jump, and FirstService Corp (FSRV) was again a top performer this quarter with a 23.3 percent gain. Krispy Kreme (KKD) was the worst performer of the index this quarter dropping 39.4 percent in value while Ace Cash Express Inc. (AACE) lost 19.6 percent.

**Panera Bread**, the top performer this quarter, rebounded strongly from last year's poor performance when its stock price plummeted to a low of \$33.18, apparently the victim of the low-carb craze. It appears now that the "low-carb bear market" is over as Panera has turned in an outstanding financial performance this quarter. On January 6, 2005, Panera announced a 7.1 percent jump in the December same store comparable sales, the strongest monthly performance since May 2002, widely beating expectations. This news drove Panera's share price up 17.4 percent, with an almost 1,300 percent increase in the trading volume of its shares the next day. This strong performance may be due to higher menu pricing and a weakening of the low-carb diet impact. In February, Panera's stock price further jumped 10.2 percent after it boosted its earnings forecast for 2005. Panera's stock price stood at \$56.53 as of March 31, 2005, 40.2 percent higher than at the end of last year. PNRA is an operator and

franchisor of retail bakery-café under the concept names Panera Bread Company and Saint Louis Bread Company. As of December 2004, it operated 226 company-owned stores, and had 515 franchised stores.

**FirstService Corp** continues to outperform, jumping 23.3 percent this quarter, on the heels of a 35.8 percent gain last quarter. In late January, FirstService reported strong financial results, including a three-fold increase of its earnings per share, and a 49 percent increase in revenues. It also raised its earnings forecast for the current year. These outstanding results reflect the impact of recent acquisitions and the continuation of strong operational trends, including stronger than expected brokerage operations in North America, Australia, and Eastern Europe; high growth in contractual property management revenues; higher productivity in property services operations; and higher security systems installation revenues. FirstService is a provider of diversified services, including commercial real estate services; residential property management; commercial security systems; property improvement and business services. It has made more than 100 acquisitions since its inception in 1988, including The Franchise Company in July 2004. The Franchise Company owns or controls nine franchise systems, including California Closets, Paul Davis Restoration, College Pro Painters, CertaPro Painters, and Nutri-Lawn.

**Krispy Kreme's** downward slide accelerated this quarter as it lost another 39.4 percent of its market value. It hit an all time low of \$5.36 per share in February, down more than 89 percent from its all time high of \$49.37 in August 2003. Krispy Kreme's tumble was caused by a slew of negative events. Its sales continued to deteriorate significantly (average weekly sales per store down 25 percent), while its costs have increased due to litigation, regulatory and restructuring activities. It announced that it needed to restate its 2004 earnings lower due to accounting problems. It also announced an additional federal investigation into its accounting practices. It was also the object of a class action lawsuit over its employee retirement accounts. In January, it fired its CEO and hired a turnaround specialist at a cost of \$400,000 per month. It cut its corporate workforce by 25 percent and ended the lease of their corporate jet in order to save cash. The possibility of bankruptcy became real for Krispy Kreme this quarter.

**Ace Cash Express**, a retailer of financial services (check cashing, short-term consumer loans, and bill payment services), and the largest owner, operator and franchisor of check cashing stores in the United States, lost almost 20 percent of its market value this quarter due in large part to new guidelines issued in March 2005 by the FDIC (Federal Deposit Insurance Corporation) restricting business on repeat users of payday loans, a significant source of revenues and profits for Ace. Analysts and investors seem to have concluded that these new guidelines, as well as possible other regulatory actions by federal and state authorities to rationalize the payday lending industry, could limit future revenues and profits from the payday lending business. Investors sold off shares of companies involved in this business and caused a large drop in their stock prices.

**McDonald's**, the RCF 50 Index' largest component, dropped 2.9 percent this quarter after reaching a four-year high in early March. This drop was caused in large measure by concerns over the weakness of its European operations. McDonald's reported in March a 3.4 percent decrease in European same store sales, a sharp drop from last year's 7.7 percent increase. This poor performance in the key European market (35 percent of total McDonald's sales and 42 percent of its total operating income in 2004) has cast doubts about the company's ability to continue its recent strong sales growth.

Note:

1. The Rosenberg Center Franchise 50 Index, developed by the University of New Hampshire's William Rosenberg International Center for Franchising, is an index that tracks the market performance of the top 50 US public franchisors. These 50 franchisors represent over 98 percent of the market capitalization of all US public companies engaged in business format franchising. For more information on the RCF 50 Index, contact Dr. E. Hachemi Aliouche ([Hachemi.Aliouche@unh.edu](mailto:Hachemi.Aliouche@unh.edu)) or Dr. Udo Schlenrich ([Udo.Schlenrich@unh.edu](mailto:Udo.Schlenrich@unh.edu)). For more information on the William Rosenberg International Center of Franchising, visit the Center's web site at <http://franchising.unh.edu>.