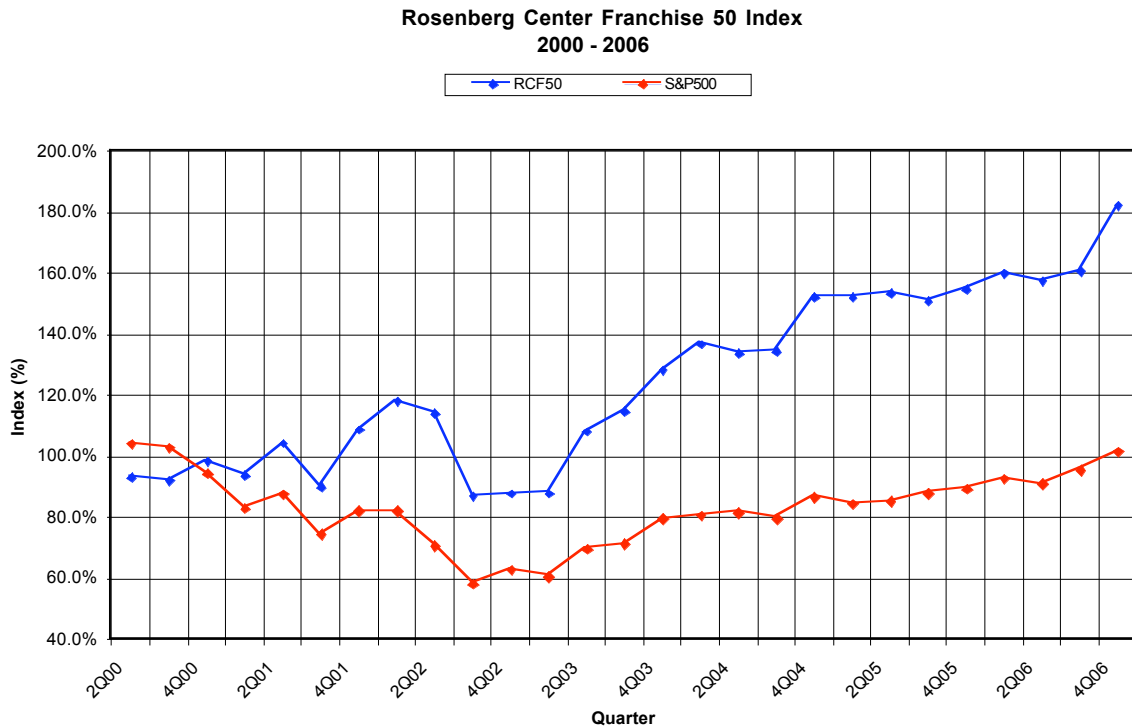


## UNH ROSENBERG CENTER FRANCHISE 50 INDEX ENDS 2006 WITH A RECORD 13.3 PERCENT JUMP IN 4TH QUARTER

The University of New Hampshire Rosenberg Center Franchise 50 Index jumped a record 13.3 percent this quarter, with 42 of its 50 components showing positive gains, while only 8 of its components lost value. This quarter was good for most investors as the broad market also performed well, with the S&P 500 Index increasing 6.2 percent and the Dow Jones hitting a historic record high. The economy grew faster than expected this quarter (3.5 percent vs. the 3.0 percent expected), propelled by strong consumer spending growth (4.4 percent). This strong performance of the economy was achieved despite the continued weakness in the housing market and the auto industry. Stable interest rates, moderate inflation, and strong corporate profit growth added fuel to the stock market rally.

RCF 50 Index and S&P 500 Index

Period	Rosenberg Center Franchise 50 Index	S&P 500 Index
4 <sup>th</sup> Quarter 2006	+13.3%	+6.2%
Full Year 2006	+17.8%	+13.6%
2000-2006	+82.3%	+1.7%



Among the RCF 50 Index companies, Buffalo Wild Wings Inc (BWLD) returned the best performance this quarter (+40.0 percent) while Red Robbins Gourmet Burgers (RRGB) lost the most value (-22 percent).

**Buffalo Wild Wings**, the fast-growing owner, operator and franchisor of casual restaurants, had a superb quarter. It generated financial results that beat Wall Street expectations, with revenues growing more than 32 percent and profits up more than 84 percent. The company also announced that, for the next three years, it would grow its unit base by more than 15 percent, revenue more than 20 percent, and profits more than 25 percent per year. The company's performance and plans pleased investors and its stock price shot up 40 percent this quarter.

On the other hand, **Red Robbins Gourmet Burgers** disappointed investors as it reported a decline in profits, and announced a more conservative new restaurant openings growth plan. Investors penalized it by pushing its stock price down 22 percent this quarter.

The RCF 50 Index returned 17.8 percent in 2006. It is up 82.3 percent since January 2000.

The year 2006 was eventful for franchised businesses. Major company restructurings took place, including Cendant Corporation's breakup into four independent entities: Realogy (real estate), Wyndham Worldwide (hospitality), Avis Budget Group (vehicle leasing services), and Travelport (travel distribution services). Other major reorganizations included McDonald's spin-off of its Chipotle Mexican Grill subsidiary and Wendy's sale of its Tim Horton and Baja Fresh chains. Burger King became a publicly traded company once again. Private equity firms went on a buying spree and snapped up a record number of hotel and restaurant companies. Sandwich chain Subway once again took the top spot in *Entrepreneur* magazine's Franchise 500 list, followed by Dunkin' Donuts, Jackson Hewitt Tax Service and 7-Eleven. Subway also ranked first among quick service restaurants by customers in a survey by Corporate Research International.

Another major development with a significant impact on restaurants (franchised and non-franchised) is the shift away from the use of trans fats in cooking. Several states and cities, including New York City, Chicago, New Jersey, and Massachusetts have either banned the use of trans fats or are considering such a ban. In October 2006, KFC announced it was switching to a zero trans fat cooking oil. Since then, several other food chains have switched or have announced plans to switch. These include McDonald's, Taco Bell, Olive Garden, and Red Lobster.

Gourmet coffee was a hot commodity in 2006. McDonald's expanded its push into premium coffee. Specialty coffeehouses such as Bad Ass Coffee, Beaner's Coffee, Bearclaw Coffee Company, and Maui Wowi continued their fast growth and Starbucks and Dunkin Donuts announced major expansion plans.

Note:

1. The Rosenberg Center Franchise 50 Index, developed by the University of New Hampshire William Rosenberg International Center of 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, senior research fellow, ([Hachemi.Aliouche@unh.edu](mailto:Hachemi.Aliouche@unh.edu)) or Dr. Udo Schlenrich, director, ([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>.