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## Brinker, Wendy's/Arby's Sales Drop as Diners Eat in

*By Courtney Dentch*

Aug. 6 (Bloomberg) -- Brinker International Inc., the owner of the Chili's Bar & Grill and Maggiano's restaurant chains, and Wendy's/Arby's Group Inc. posted sales that fell as diners ate at home more often.

Restaurant sales have dropped as consumers trimmed visits by 2.6 percent in the three months ended in May, the steepest decline since 1981, according to market researcher NPD Group. Consumers have reined in spending on non-necessities, including fast food, as unemployment climbs in the U.S. recession.

**“Last year there was a greater chance of getting a benefit from consumers trading down; now we're seeing further belt-tightening,”** said Tom Forte, an analyst with Telsey Advisory Group in New York. **Forte has a 12-month price estimate of \$17 to \$19 for Brinker and \$3 to \$5 for Wendy's/Arby's.**

Sales at Brinker restaurants open at least a year declined 9 percent, the Dallas-based company said today in a statement. Sales at established Wendy's stores in North America fell less than 1 percent, while Arby's decreased 6.9 percent, the Atlanta-based company said in a statement.

Analysts estimated a decline of 8.2 percent at Brinker, the average of projections from Barclays Capital, Sterne Agee & Leach Inc., and J.P. Morgan. Analysts, on average, projected Wendy's sales would be unchanged, while Arby's was predicted to fall 7.7 percent.

### Share Buyback

Brinker fell \$3.21, or 18 percent, to \$15.12 at 4:15 p.m. in New York Stock Exchange composite trading, the steepest drop since Nov. 19. Wendy's/Arby's, the third-largest U.S. fast food chain, gained 32 cents, or 6.7 percent, to \$5.07, after it announced a \$50 million stock buyback program.

Brinker gained 43 percent this year before today, compared with 2.6 percent for Wendy's/Arby's.

Brinker posted net income of \$42.1 million, or 41 cents a share, in the fourth quarter ended June 24, compared with a loss of \$1.54 million, or 2 cents, a year earlier. Sales fell 23 percent to \$829.4 million. Fourteen analysts estimated \$851.2 million, on average, in a Bloomberg survey.

Chili's introduced a promotion offering consumers a three-course meal for less than \$20 this month after its selection of 10 entrees under \$7 failed to boost sales, Chief Executive Officer Douglas Brooks said on a conference call today. July sales declined "in the low- to mid-single digit" percentage range, more than the company anticipated.

Three for \$20

"The 10 under \$7 was a little bit more conservative on our standpoint and didn't resonate with the guests," Brooks said. "We had competitors who were more aggressively promoting and as we moved to the three for \$20 deal. That has obviously resonated."

Wendy's added boneless chicken wings in June and will start selling a new cheeseburger in October as Chief Executive Officer Roland Smith seeks to win customers from rivals, including larger McDonald's Corp. and Burger King Holdings Inc. Arby's is introducing \$5 meals to get customers to return more frequently and stem declines in comparable-store sales.

Diner visits to fast-food chains fell 2 percent in the quarter ended in May, according to NPD.

Fast-Food Weakness

**"Some people may be surprised at the weakness" in fast-food sales, Forte said.**

Wendy's/Arby's second-quarter profit rose 20 percent to \$14.9 million, or 3 cents a share, from \$12.4 million, or 3 cents, a year earlier. Sales fell 3.4 percent to \$912.7 million. The year-ago results include the Wendy's chain, bought in September.

The board approved a \$50 million repurchase program through Jan. 2, 2011. At yesterday's closing price of \$4.75, that accounts for about 10.5 million shares, or 2.2 percent of the total outstanding.

Triarc Cos., which owned the Arby's brand, completed its \$2.56 billion acquisition of Wendy's International Inc. in September after Wendy's spent a year searching for a buyer. Triarc changed its name to Wendy's/Arby's after the merger closed. Nelson Peltz, former chairman of Triarc, is the non-executive chairman of the combined company.

McDonald's, the world's largest restaurant company, last month posted a 7 percent decline in second-quarter revenue.