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Wendy's/Arby's posts profit, sees better July trends

CHICAGO, Aug 6 (Reuters) - Wendy's/Arby's Group Inc (WEN.N), the third-largest U.S. fast-food chain, posted a quarterly profit on Thursday and said July sales trends were improving, sending shares up 2.7 percent.

The company's board also authorized a \$50 million stock buyback program.

"An encouraging performance, especially when you consider the early commentary on July," Telsey Advisory Group analyst Tom Forte said, also citing the strong restaurant margin at Wendy's and overall cost-cutting and lower commodity prices.

Wendy's/Arby's had second-quarter net income of \$14.9 million, or 3 cents a share. Excluding one-time items, it earned 6 cents, matching what analysts polled by Reuters Estimates had expected.

Arby's owner, Triarc, bought Wendy's International Inc for just over \$2 billion in September to form Wendy's/Arby's, so the companies were not merged in the year-earlier quarter.

Consolidated revenue was \$912.7 million, below the \$925.2 million analysts had expected.

Same-store sales at North American restaurants slipped 0.4 percent at Wendy's and 6.9 percent at Arby's, which has introduced lower-priced sandwiches rather than discount its premium-priced roast beef sandwiches amid intense price competition.

At company-owned stores, same-store sales fell 1.2 percent at Wendy's and 5.8 percent at Arby's. However, in July, they rose about 2 percent at Wendy's and the decline at Arby's shrank to about 4.7 percent.

The restaurant margin at company-owned Wendy's was 15.9 percent in the quarter, above the 13.4 percent **Forte** had expected. The company expects to top its goal of 160 to 180 basis points of margin improvement for the year at Wendy's.

"We produced significant margin improvement of 370 basis points at Wendy's, and Arby's continued to show improvement despite aggressive competitive discounting," CEO Roland Smith said in a statement.

He said the company remains on track to deliver \$100 million in restaurant margin improvement at Wendy's and another \$60 million in general and administrative expenses by the end of 2011.

"We see significant future revenue opportunities for our company, including international expansion, dual branding development and breakfast," Smith added.

The company said it expects to have 15 to 20 fewer Wendy's restaurants and 50 to 60 fewer Arby's restaurants by the end of 2009, due to fewer-than-expected franchise openings and more franchise closings because of the recession.

It reiterated that it expects to achieve growth in annual adjusted earnings before interest, taxes, depreciation and amortization in the mid-teens through 2011.

Wendy's/Arby's shares rose 15 cents, or about 2.7 percent, to \$4.90 on the New York Stock Exchange. (Reporting by Ben Klayman, editing by Gerald E. McCormick and Maureen Bavdek)