

Domino's tries to thaw credit freeze with loans for franchisee expansion

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However, we are wading through uncharted waters."

Franchisees typically are the engine of growth at many restaurant chains. By developing markets, breaking into new territories and opening new units, franchisees accounted for 62 percent of the total unit growth among Nation's Restaurant News Top 100 chains during their latest fiscal years ended closest to December 2007.

Franchisors also rely on franchisees to purchase underperforming stores earmarked for improvement or to buy corporate locations the franchisor wants to shed.

Securities analyst Steven Kron at Goldman Sachs & Co. said Burger King management said they would be "willing to explore, if necessary, creative ways to keep funds flowing to franchisees," and that Tim Hortons most likely has increased the amount of financial support it typically offers franchisees.

Burger King spokeswoman Deborah Martin said the company has not yet needed "to commit [its] balance sheet to help franchisees fund new restaurants or remodel existing ones." She added that Burger King had not experienced "any broad-based lending pull-back in [its] system."

Tim Hortons officials could not be reached for comment at press time.

At Ann Arbor-based Domino's, its successful franchisees — what the parent company labels "A" and "B" operators — could get transactional help when looking to purchase underperforming stores, or those units run by the "F" operators the company is trying to force out of the system. This shuffling of operators is part of Domino's strategy to turn around domestic results, which have battled stalled sales. That plan is now at risk.

"There just doesn't seem to be any capital availability to finance those transactions," Brandon said. "The bank credit market has been very tough, and it's gotten exceedingly worse. ... I think their credit committees have gotten very conservative as the overall banking industry has gone through its own form of hell."

Domino's has 8,726 locations worldwide, including 5,086 U.S. units. In the U.S. market, franchisees operate 4,574 locations, or nearly 90 percent of the total market. Many of those franchisees are small businesses that own and operate a handful of locations.

Any franchisor-led lending case will be approached on an individual basis, the company said. Options for financing would include small amounts of bridge financing or deferrals of royalties or other costs, and any lending would include relatively small



increments. "I don't want to be a bank," Brandon said. "It's never been our plan or our interest. So whatever we do ... will be done at a very low level and will not be material to our financials."

For the third quarter ended Sept. 7, Domino's reported an 8-percent drop in profit, to \$10.1 million. Its revenues fell 4 percent to \$323.6 million.

While agreeing to support certain franchisees, Domino's also said it would need to explore additional sources of corporate liquidity, as the now-bankrupt Lehman Brothers was a primary lender. The failed investment bank was responsible for commitments of up to \$90 million under Domino's \$150 million variable funding notes. Domino's said it held sufficient operating funds "for the foreseeable future" and that other lenders may be able to fill any gaps.

At Sonic Corp., the franchisor or operator of 3,400 restaurants, an aggressive growth plan coupled with a refranchising program could be difficult to execute with the current credit freeze, analysts said. In a conference call, however, the company said most of the franchisees looking to purchase corporate units and most of the operators that have agreed to expand are either self-financed through operating cash or already well-financed.

No development projects have been lost, the company said, but operators are reporting that deals require more equity and take longer to close. Sonic officials said required equity now averages between 20 percent and 30 percent, compared with 10 percent to 15 percent last year.

One analyst asked if Sonic would consider backing loans to franchisees. The company said it did not have to yet.

"Our focus is to consummate [financed] transactions as quickly as possible," said Clifford Hudson, Sonic's chairman and chief executive. "We will deal with the eventualities of the tightened credit markets as those situations arise." ■

slockyer@nrm.com

SAME-STORE SALES TRENDS

SYSTEMWIDE UNLESS NOTED; NEW RESULTS IN BOLDFACE	PERIOD, END DATE	% CHG.	YEAR AGO % CHG.
QUICK SERVICE			
Arby's	Q2, 6/29	3.3	0.0
Burger King, Global	Q4, 6/30	5.3	4.4
Burger King, U.S. & Canada	Q4, 6/30	5.5	4.8
CKE: Carl's Jr. (corporate)	4 wks., 10/6	1.6	-1.1
Hardee's (corporate)	4 wks., 10/6	0.8	1.3
Jack in the Box (corporate)	Q3, 7/6	-0.4	7.4
McDonald's, Global	4 wks., 8/31	8.5	8.1
McDonald's, U.S.	4 wks., 8/31	4.5	7.4
McDonald's, Europe	4 wks., 8/31	11.6	6.1
McDonald's, Asia-Pacific/Middle East/Africa	4 wks., 8/31	10.0	12.4
Popeyes Chicken & Biscuits, Global	Q2, 7/13	-1.4	-1.7
Popeyes Chicken & Biscuits, U.S.	Q2, 7/13	-1.7	-2.1
Sonic	Q4, 8/31	-0.6	3.1
Wendy's, U.S. (corporate)	Q2, 6/29	0.1	0.7
Wendy's, U.S. (franchised)	Q2, 6/29	1.1	0.4
Yum! Brands, blended chains, Global	Q3, 9/6	3.0	4.0
Yum! Brands, blended chains, U.S.	Q3, 9/6	3.0	1.0
Yum! Brands, blended chains, China	Q3, 9/6	5.0	11.0
Yum! Brands, blended chains, International	Q3, 9/6	4.0	7.0
CASUAL DINING			
Applebee's Neighborhood Grill & Bar, U.S.	Q3, 9/30	-3.1	-0.3
Benihana: Benihana teppanyaki	Q1, 7/20	-3.4	6.2
Haru	Q1, 7/20	-7.7	10.3
RA Sushi	Q1, 7/20	-9.1	4.4
BJ's Restaurants, blended chains (corporate)	Q2, 7/1	0.6	7.5
Brinker: Chili's Grill & Bar (corporate) (preliminary)	Q1, 9/24	-3.0	0.7
Maggiano's Little Italy (corporate) (preliminary)	Q1, 9/24	-3.3	0.5
On the Border (corporate) (preliminary)	Q1, 9/24	-3.3	-5.3
Macaroni Grill (corporate) (preliminary)	Q1, 9/24	-9.0	-4.8
Buffalo Wild Wings (corporate)	Q2, 6/29	8.3	8.1
Buffalo Wild Wings (franchised)	Q2, 6/29	4.5	4.0
California Pizza Kitchen (corporate) (preliminary)	Q3, 9/28	-2.4	3.5
The Cheesecake Factory: The Cheesecake Factory	Q2, 7/1	-4.1	0.8
Grand Lux Café	Q2, 7/1	-4.5	5.7
Darden: Bahama Breeze	Q1, 8/24	-3.7	-1.3
The Capital Grille	Q1, 8/24	-8.6	N/A
LongHorn Steakhouse	Q1, 8/24	-4.9	N/A
Olive Garden	Q1, 8/24	2.4	4.8
Red Lobster	Q1, 8/24	-3.7	7.0
Famous Dave's (franchised)	Q2, 6/29	-1.4	-3.3
Granite City Food and Brewery	Q2, 6/24	0.5	1.2
Grill Concepts, blended chains	Q2, 6/29	-6.3	10.6
J. Alexander's	Q2, 6/29	-4.3	4.3
Kona Grill	Q2, 6/30	-5.6	5.0
Landry's, various brands	Q2, 6/30	-2.5	N/A
McCormick & Schmick's Seafood Restaurants	Q3, 9/27	-5.5	-0.1
Mexican Restaurants (corporate)	Q2, 6/29	0.3	-2.1
Mexican Restaurants (franchised)	Q2, 6/29	1.0	1.4
Mimi's Café	Q1, 7/25	-6.5	-0.7
Morton's	Q2, 6/29	-1.9	4.4
O'Charley's: O'Charley's (corporate)	Q2, 6/13	-1.4	-2.1
Ninety-Nine Restaurant & Pub (corporate)	Q2, 6/13	-3.1	1.6
Stoney River Legendary Steaks (corporate)	Q2, 6/13	-6.4	-0.4
P.F. Chang's China Bistro	Q2, 6/29	-2.3	-1.3
Red Robin Gourmet Burgers (corporate)	Q2, 7/13	-0.4	3.1
Red Robin Gourmet Burgers (franchised), U.S.	Q2, 7/13	-1.5	0.2
Ruby Tuesday (corporate)	Q1, 9/2	-10.8	-4.8
Ruby Tuesday (franchised)	Q1, 9/2	-7.9	-2.9
Ruth's Chris Steak House (corporate)	Q2, 6/29	-7.1	-0.4
Ruth's Chris Steak House (franchised)	Q2, 6/29	-7.0	0.8
Texas Roadhouse (corporate)	Q2, 6/24	-0.3	1.9
Texas Roadhouse (franchised)	Q2, 6/24	-2.3	1.8
FAST-CASUAL			
Chipotle Mexican Grill	Q2, 6/30	7.1	11.6
Cosi	Q3, 9/29	-0.1	1.6
Einstein Noah, blended chains (corporate)	Q2, 7/1	1.0	5.2
Panera	Q2, 6/24	6.5	1.7
Pei Wei Asian Diner	Q2, 6/29	-3.2	1.0
Qdoba Mexican Grill	Q3, 7/6	0.5	5.0
Rubio's	Q3, 9/30	-2.1	7.1
Tim Hortons, Canada	Q2, 6/29	5.7	6.6
Tim Hortons, U.S.	Q2, 6/29	3.1	3.8
PIZZA			
Chuck E. Cheese's (corporate)	Q2, 6/29	5.7	-1.6
Domino's Pizza, U.S.	Q3, 9/7	-6.1	-1.6
Domino's Pizza, International	Q3, 9/7	5.4	8.3
Papa John's Pizza, U.S.	Q2, 6/29	2.4	-1.1
Pizza Inn, U.S.	Q4, 6/29	1.8	3.1
COFFEE and SNACK			
Caribou Coffee (corporate)	Q3, 9/28	-4.7	1.0
Jamba Juice	Q2, 7/15	-6.8	-3.3
Krispy Kreme Doughnuts	Q2, 8/3	-9.2	-1.8
Starbucks Coffee, U.S.	Q3, 6/29	-6.0 to -7.0*	4.0
FAMILY-DINING and BUFFET			
Bob Evans Restaurants	Q1, 7/25	2.0	3.2
Cracker Barrel Old Country Store	Q4, 8/1	-0.8	0.9
Denny's (corporate)	Q3, 9/24	-2.7	1.3
Denny's (franchised)	Q3, 9/24	-6.1	3.2
Frisch's Big Boy (corporate)	Q4, 6/3	-1.6	0.4
Golden Corral (units franchised by Frisch's)	Q4, 6/3	-0.8	-3.4
IHOP	Q3, 9/30	0.2	2.0
Luby's	Q3, 5/7	-3.3	-1.9
Steak 'n Shake (corporate)	Q3, 7/2	-5.8	-4.3

* ESTIMATE BASED ON ANALYST REPORTS; COMPANY TEMPORARILY NOT REPORTING

SOURCE: COMPANY REPORTS

DEALBOARD

SELECTED MERGER AND ACQUISITION ACTIVITY

TARGET: Quick Stuff convenience stores (61 locations)
ACQUIRER: Not yet determined
SELLER: Jack in the Box Inc.
ACTION: Seller has placed the Quick Stuff brand up for sale to focus on Jack in the Box and Qdoba, it said this month.

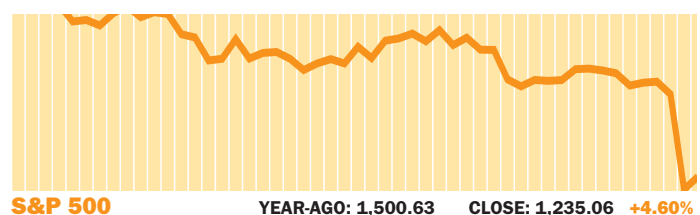
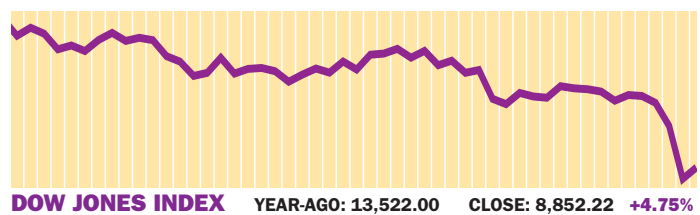
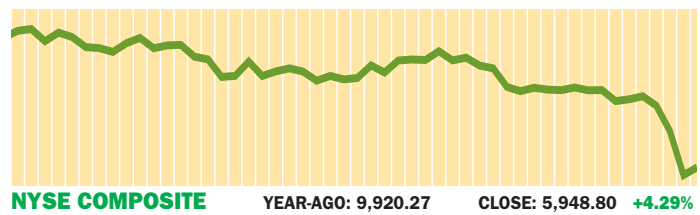
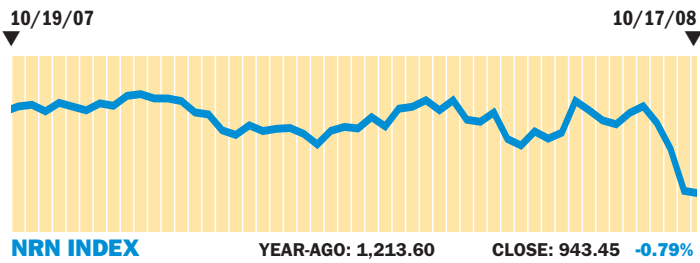
COMMENTS: The sale is not expected to have a material impact on corporate earnings, Jack in the Box said. The company does not intend to sell Jack in the Box restaurants adjoining Quick Stuff stores.

TARGET: Bucks County Coffee Co. (15 locations)
ACQUIRER: Saxbys Coffee Inc.
SELLER: Bucks County Coffee Co. LLC investors
ACTION: Acquisition closed, terms undisclosed
COMMENTS: The purchase gives Saxbys, a chain of about 35 units, a presence in the Northeast. Saxbys reportedly sold last year a partial stake in the company to Philadelphia-based developer Walnut Street Capital.

FINANCE

NRN STOCK INDEX AND OTHER SELECTED INDICES

52 week variability; weekly percent change



WEEK'S TOP GAINERS

GRILL CONCEPTS INC.	57.0%
FLANIGAN'S ENTS. INC.	34.9
O'CHARLEY'S INC.	31.1
J. ALEXANDER'S CORP.	28.8
KRISPY KREME DOUGHNUTS	20.2
GOOD TIMES REST. INC.	16.4
WESTERN SIZZLIN CORP.	15.5
DIEDRICH COFFEE INC.	15.0
PIZZA INN INC.	10.6
RUTH'S CHRIS STEAK HOUSE INC.	6.3

DOMINO'S PIZZA INC.	32.5%
WENDY'S INTERNATIONAL INC.	20.0
MORTON'S RESTAURANT GROUP	14.3
DENNY'S CORP.	14.2
CBRL GROUP INC.	13.5
RUBY TUESDAY INC.	13.1
BRINKER INTERNATIONAL INC.	13.1
DINEEQUITY INC.	11.6
BOB EVANS FARMS INC.	10.9
PAPA JOHN'S INT'L INC.	10.3

WEEK'S TOP LOSERS

Stock price percentage change, week ended 10-17-08

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NRN'S FINANCIAL SCORECARD

(PUBLICLY TRADED COMPANIES*; \$ IN MILLIONS)

COMPANY	TICKER SYMBOL	QTR. END DATE	\$ REVS.	% CHG.	\$ NET	% CHG.	TRAILING FOUR QTRS.				WEEK ENDED 10/17/08	MKT. CAP	P/E RATIO
							\$ REVS.	% CHG.	\$ NET	% CHG.			
AFC Enterprises Inc.	AFCE	7/13	\$39.3	2.6%	\$6.6	0.0%	\$170.6	3.2%	\$23.1	-5.7%	123.4	6	
Ark Restaurants Corp.	ARKR	6/28	36.1	0.0	3.1	-9.7	124.8	3.4	7.5	-39.2	57.1	7	
Benihana Inc.	BNHN	7/20	94.5	5.0	2.2	-47.9	301.5	6.6	10.8	-24.0	29.5	-	
BJ's Restaurants Inc.	BJRI	7/1	92.2	16.3	2.9	-11.6	344.6	23.9	12.8	27.0	240.4	19	
Bob Evans Farms Inc.	BOBE	7/25	440.3	3.7	13.8	3.6	1,752.7	4.6	65.4	7.5	712.7	11	
Brinker International Inc.	EAT	6/25	1,073.6	-6.1	42.6	-49.0	4,235.2	-3.2	95.9	-58.3	1,048.3	11	
Buffalo Wild Wings Inc.	BWLD	6/29	97.9	28.8	5.6	46.2	368.9	19.9	22.4	13.7	606.3	27	
Burger King Holdings Inc.	BKC	6/30	646.0	9.5	51.0	41.7	2,455.0	9.9	190.0	28.4	2,671.9	14	
California Pizza Kitchen Inc.	CPKI	6/29	176.6	11.4	6.6	3.8	666.3	11.7	13.9	-31.6	240.2	19	
Caribou Coffee Inc.	CBOU	6/29	63.2	0.5	(2.4)	37.5	257.1	3.5	(32.4)	-164.3	35.3	-	
Carrols Restaurant Group Inc.	TAST	6/30	210.7	5.1	3.3	-36.1	807.2	5.2	13.1	-15.5	50.3	4	
CBRL Group Inc.	CBRL	8/1	601.8	-4.8	21.0	-24.5	2,384.5	1.4	65.6	-59.6	428.2	7	
CEC Entertainment Inc.	CEC	6/29	192.5	7.0	11.3	32.3	810.3	3.4	59.6	-14.7	624.0	-	
The Cheesecake Factory Inc.	CAKE	7/1	407.1	9.1	19.1	-19.4	1,582.8	11.8	65.3	-19.1	639.6	10	
Chipotle Mexican Grill Inc.	CMG	6/30	340.8	24.2	24.5	22.5	1,221.4	29.7	79.9	45.1	644.0	18	
CKE Restaurants Inc.	CKR	8/11	352.5	-2.9	12.3	30.9	1,508.4	-3.8	35.3	-20.9	420.7	11	
Cosi Inc.	COSI	6/30	36.7	2.4	(1.7)	76.6	137.1	12.1	(13.9)	30.5	59.7	-	
Darden Restaurants Inc.	DRI	8/24	1,774.2	20.9	82.1	-22.5	6,933.2	24.3	353.4	61.5	2,942.4	9	
Denny's Corp.	DENN	6/25	190.3	-21.0	3.2	-72.6	643.7	10.3	33.9	-23.1	179.1	6	
Diedrich Coffee Inc.	DDRX	6/25	14.4	15.7	(10.2)	-335.1	46.3	26.6	(13.8)	-680.5	6.3	-	
DineEquity Inc.	DIN	6/30	424.1	374.0	(19.4)	-237.2	1,171.9	229.6	(31.5)	-166.8	172.2	-	
Domino's Pizza Inc.	DPZ	9/7	323.6	-4.1	10.1	-8.1	1,442.9	-0.6	59.1	12.1	366.8	7	
Einstein Noah Restaurant Group Inc.	BAGL	7/1	105.4	4.3	6.9	N/A	414.3	5.6	22.5	193.7	114.6	5	
Famous Dave's of America Inc.	DAVE	6/29	38.8	15.6	2.3	10.3	135.8	11.9	5.8	-4.7	38.6	7	
Flanigan's Enterprises Inc.	BDL	6/28	15.8	2.3	0.3	-21.3	63.1	4.9	1.2	-0.9	7.5	6	
Frisch's Restaurants Inc.	FRS	6/3	74.2	9.2	(0.7)	-132.5	299.6	3.3	5.9	-35.8	87.5	15	
Good Times Restaurants Inc.	GTIM	6/30	7.0	2.1	(0.1)	-253.2	26.5	10.7	(0.4)	-243.9	8.0	-	
Granite City Food & Brewery Ltd.	GCFB	6/24	25.1	36.0	(3.3)	-125.3	88.4	28.8	(14.3)	-129.9	8.7	-	
Grill Concepts Inc.	GRIL	6/29	24.5	7.6	(1.0)	N/A	97.8	12.3	(2.6)	-317.6	10.9	-	
J. Alexander's Corp.	JAX	6/29	34.8	0.1	1.2	28.3	142.3	1.4	4.4	-21.1	34.0	8	
Jack in the Box Inc.	JBX	7/6	709.5	4.3	29.9	-13.9	2,986.4	4.1	119.4	-9.9	985.0	9	
Jamba Inc.	JMBA	7/15	98.6	10.0	(89.2)	N/A	338.4	32.2	(223.2)	N/A	28.9	-	
Kona Grill Inc.	KONA	6/30	20.2	4.5	(0.5)	-270.9	76.2	19.9	(1.6)	7.6	21.1	-	
Krispy Kreme Doughnuts Inc.	KKD	8/3	94.2	-9.5	(1.9)	92.9	412.2	-7.2	(30.5)	53.8	169.0	-	
Landry's Restaurants Inc.	LNRY	6/30	311.4	0.5	13.9	99.8	1,183.3	20.5	4.4	148.0	146.6	-	
Luby's Inc.	LUB	5/7	74.6	-1.7	0.9	-75.8	319.3	-0.5	9.2	-38.4	163.9	17	
McCormick & Schmicks Sfd Rests. Inc.	MSSR	6/28	99.7	11.2	2.4	-47.8	379.6	14.7	3.5	-76.9	79.0	21	
McDonald's Corp.	MCD	6/30	6,075.3	4.0	1,190.5	267.3	23,002.1	2.7	4,481.0	109.8	60,507.7	14	
Mexican Restaurants Inc.	CASA	6/29	21.0	0.6	0.4	176.5	82.1	3.5	0.7	226.0	11.7	17	
Morton's Restaurant Group Inc.	MRT	6/29	88.7	3.6	1.7	-24.6	362.5	8.1	9.8	-23.6	54.2	6	
Nathan's Famous Inc.	NATH	6/29	14.0	9.9	3.8	21.3	48.7	5.2	7.2	-1.0	81.4	18	
NexGen Brands Inc.	NEXC	12/31	10.2	N/A	(4.3)	N/A	34.3	N/A	(4.6)	-119.3	7.4	-	
O'Charley's Inc.	CHUX	7/13	221.1	-3.3	(7.8)	-583.6	954.7	-4.6	2.9	-79.4	151.8	59	
P.F. Chang's China Bistro Inc.	PFCB	6/29	304.1	13.7	9.4	1.0	1,173.6	15.6	31.3	-10.7	419.2	13	
Panera Bread Co.	PNRA	6/24	320.9	26.8	15.7	24.3	1,199.9	29.0	57.9	0.8	1,198.0	22	
Papa John's International Inc.	PZZA	6/29	283.4	10.6	7.6	9.1	1,119.1	8.2	28.8	-44.8	593.5	21	
Peet's Coffee and Tea Inc.	PEET	6/29	70.1	16.6	3.0	68.5	269.0	17.6	10.3	48.1	305.1	31	
Pizza Inn Inc.	PZZI	6/29	13.1	11.8	0.7	10.8	49.5	5.1	2.8	N/A	24.0	9	
Red Robin Gourmet Burgers Inc.	RRGB	7/13	206.4	15.6	7.9	60.7	834.5	18.7	33.4	22.9	287.9	8	
Rubio's Restaurants Inc.	RUBO	6/29	45.1	4.9	0.3	-33.4	173.0	5.5	0.1	102.4	42.6	-	
Ruby Tuesday Inc.	RT	9/2	324.0	-6.6	0.3	-97.4	1,337.5	-5.7	15.6	-80.8	136.2	8	
Ruth's Hospitality Group Inc.	RUTH	6/29	108.1	37.8	2.8	-49.4	365.9	19.5	13.2	-47.7	62.3	5	
Sonic Corp.	SONC	8/31	226.9	1.2	20.2	-8.1	804.7	4.4	36.0	-2.0	667.2	11	
Star Buffet Inc.	STRZ	8/11	24.2	48.6	0.4	N/A	87.8	35.9	(1.5)	-862.9	11.8	-	
Starbucks Corp.	SBUX	6/29	2,574.0	9.1	(6.7)	-104.2	10,308.5	14.9	0.5	-25.8	7,634.8	17	
The Steak 'n Shake Co.	SNS	7/2	144.3	-6.1	(9.8)	N/A	622.3	-5.0	(12.3)	-169.0	171.0	-	
Texas Roadhouse Inc.	TXRH	6/24	217.3	20.1	10.5	13.1	804.3	21.8	41.2	6.8	495.4	14	
Tim Hortons Inc.	THI	6/29	510.7	9.8	75.0	11.5	1,977.0	11.7	279.8	13.7	4,411.5	16	
Triarc Companies Inc.	TRY	6/29	313.0	-1.2	(6.9)	75.4	1,260.7	-0.1	(37.3)	-66.1	N/A	N/A	
Wendy's International Inc.	WEN	6/29	631.9	-0.2	19.9	-31.9	2,441.3	43.5	68.0	-41.4	N/A	N/A	
Wendy's/Arby's Group Inc. †	WEN						No data available				1,495.9	25	
Western Sizzlin Corp.	WEST	6/30	4.6	-2.7	(2.0)	-942.5	17.2	-1.1	(6.4)	N/A	32.7	-	
Yum! Brands Inc.	YUM	9/6	2,835.0	10.6	282.0	4.4	11,158.0	9.7	991.0	8.9	13,030.6	14	

† MARKET DATA REFLECTS NEWLY MERGED WENDY'S AND TRIARC. FUNDAMENTAL DATA, WHEN AVAILABLE, WILL REPLACE HISTORICAL DATA.
* EXCLUDES OTC STOCKS NEW REPORTS IN BOLDFACE SOURCE: MERGENT INC. AND FINANCIAL CONTENT INC.



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