

## Wendy's Profit Dips; Finger Case Cost \$2.5M

Friday, October 28, 2005

REUTERS



**CHICAGO** — Wendy's International Inc. on Thursday said first-quarter profit dipped, hurt by higher beef costs and lost sales after a woman claimed she found a human finger in a bowl of Wendy's chili. Police arrested the woman last week, claiming she carried out a hoax. The charge cost Wendy's restaurants about \$2.5 million in lost business. The company said on Thursday that the incident cut 2 percent to 2.5 percent from its same-store sales since late March. Same-store sales refer to sales at restaurants open for at least 15 months.

Wendy's has been adding healthier options such as fruit cups and salads as it tries to compete with McDonald's Corp. and Burger King for increasingly health-conscious customers. The company has also been advertising its "combo choices" menu that let customers substitute chili, baked potato or a side salad for the standard fries.

Net income fell to \$51.3 million, or 45 cents per share, from \$52.8 million, or 45 cents per share, a year ago. There were fewer shares outstanding in the latest period. Wendy's also blamed unfavorable weather for slow sales, and noted that it was difficult to top last year's strong 9.1 percent same-store sales increase at company-owned stores.

Overall, quarterly revenue increased 7.1 percent to \$894 million thanks to strong sales growth at its Tim Horton's restaurants. Same-store sales at its company-owned Wendy's restaurants fell 2.2 percent. They were down 1 percent at *franchised* locations.

Beef prices averaged \$1.42 per pound in the latest quarter, compared with \$1.34 a year earlier. The company said it expects costs to rise even further in the current quarter, to about \$1.52 per pound versus \$1.23 last year.

The company said it now expects a full-year profit in the range of \$2.29 to \$2.35 per share, ahead of Wall Street expectations for \$2.19. Shares of Wendy's ended higher \$1.43, or 3.47 percent, at \$42.70 in New York Stock Exchange trading.

1. The "finger" incident occurred this past March. About how much monthly and weekly has Wendy's® lost since then?
2. What measures have Wendy's® implemented to better compete with McDonalds® and Burger King®?
3. Approximately how much more in net income, did Wendy's make by October 2004?
4. It is believed that fast-food restaurants sell more than 75,000 pounds of beef in a month. If so, compare and contrast the figures of 2004 with 2005.
5. In the passage above, explain at least five ways using the "**Reading Across The Curriculum**" poster simplifies understanding of the material. Be specific.
6. Using contextual clues, explain the meaning of the italicized word *franchised* above.
7. In paragraph form, explain three legitimate and educational purposes behind The Daughtry Times.