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resulting in a higher level of stability for that bakery-café and thus lead to stronger associate engagement and customer loyalty. In December 2009, approximately 50% of company-owned bakery-café operators participated in the Joint Venture program.<sup>95</sup>

## Finance

Panera reported a 48% increase in net income of US\$25,845 million, or US\$0.82 per diluted share, during the first quarter of 2010, compared to US\$17,432 million, or US\$0.57 per diluted share, during the first quarter of 2009. For this same period, Panera reported revenue of US\$364,210 million, a 14% gain over revenues of US\$320,709 for the same period in 2009.<sup>96</sup> Company-owned comparable bakery-café sales in the first quarter of fiscal 2010 increased 10.0%, due to transaction growth of 3.5% and average check growth of 6.5% over the comparable period in 2009. Franchise-operated comparable bakery-café sales increased 9.2% in the first quarter of 2010 compared to the same period in 2009. As a result, total comparable bakery-café sales increased 9.5% in the first quarter of fiscal 2010 compared to the comparable period in 2009.<sup>97</sup> In addition, average weekly sales (AWS) for newly opened company-owned bakery-cafés during the first quarter of 2010 were US\$56,111 compared to US\$41,922 in the first quarter of 2009. During the first quarter of 2010, Panera and its franchises opened eight new bakery-cafés systemwide. No bakery-cafés were closed during this period.<sup>98</sup>

**Exhibits 3 to 5** provide Panera's consolidated statement of operations, common size income statements, and consolidated balance sheets, respectively, for the company for the fiscal years ended 2005 through 2009.

In fiscal 2009, during an uncertain economic environment, Panera bucked industrywide trends and increased performance on the following key metrics: (1) systemwide comparable bakery-café sales growth of 0.5% (0.7% for company-owned bakery-cafés and 0.5% for franchise-operated bakery-cafés); (2) systemwide average weekly sales increased 1.8% to US\$39,926 (US\$39,050 for company-owned bakery-cafés and US\$40,566 for franchise-operated bakery-cafés); and (3) 69 new bakery-cafés opened systemwide (7 company-owned bakery-cafés and 39 franchise-operated bakery-cafés). In fiscal 2009, Panera earned US\$2.75 per diluted share.<sup>99</sup> In addition, average weekly sales (AWS) for newly opened company-owned bakery-cafés in 2009 reached a six-year high for new units.<sup>100</sup> **Exhibit 6** provides 2005–2009 selected financial information about Panera.

Total company revenue in fiscal 2009 increased 4.2% to US\$1,353.5 million from US\$1,298.9 million in fiscal 2008. This growth was primarily due to the opening of 69 new bakery-cafés systemwide in fiscal 2009 (and the closure of 14 bakery-cafés) and, to a lesser extent, the 0.5% increase in systemwide comparable bakery sales.

Company-owned bakery-café sales increased 4.2% in fiscal 2009 to US\$1,153.3 million compared to US\$1,106.3 million in fiscal 2008. This increase was due to the opening of 33 new company-owned bakery-cafés and to the 0.7% increase in comparable company-owned bakery-café sales in 2009. Company-owned bakery-café sales as a percentage of revenue remained consistent at 85.2% in both fiscal 2009 and fiscal 2008. In addition, the increase in average weekly sales for company-owned bakery-cafés in fiscal 2009 compared to the prior fiscal year was primarily due to the average check growth that resulted from the company's initiative to drive add-on sales. Franchise royalties and fees in fiscal 2009 were up 4.8% to US\$78.4 million, or 5.8% of total revenues, up from US\$74.8 million in 2008. Fresh dough sales to franchises increased 3.5% in fiscal 2009 to US\$121.9 million compared to US\$117.8 million in fiscal 2008.<sup>101</sup>

Panera believed that its primary capital resource was cash generated by operations. The company's principal requirements for cash have resulted from the company's capital expenditures for the development of new company-owned bakery-cafés; for maintaining

**Revenues**  
Bakery-café sales  
Franchise royalties  
Fresh dough sales

Total revenue  
**Costs and expenses**  
Bakery-café expenses  
Cost of food and labor  
Labor  
Occupancy  
Other operating costs

Total bakery-café costs  
Fresh dough costs  
Depreciation and amortization  
General and administrative costs  
Pre-opening expenses

**Total costs and expenses**  
Operating profit  
Interest expense  
Other (income) expense  
Income before taxes  
Income taxes

**Net income**  
Less: income (loss) from noncontrolling interests

**Net income attributable to Panera Bread**

**Per share data**  
Earnings per common share  
Attributable to Panera Bread

Company  
Basic  
Diluted

Weighted average  
and common equity  
outstanding

Basic  
Diluted

Notes:  
1. Fiscal 2008 was the exception of fiscal 2005 fiscal year ended 53 week year that was

SOURCE: Panera Bread



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