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Sonic Corporation F3Q09 (Qtr End 05/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Matthew DiFrisco – Oppenheimer & Co.

Matthew DiFrisco – Oppenheimer & Co.

Can you give us a break out of that 130 to 135 stores for 2009 as far as the break down between franchise and company?

W. Scott McLain

That was just franchise. It's 130 to 135 franchise stores and roughly 10 to 15 partner drive-ins on the partner side.

Matthew DiFrisco – Oppenheimer & Co.

15 for the partner side?

Stephen C. Vaughan

10 to 15, somewhere in that range.

Matthew DiFrisco – Oppenheimer & Co.

And as far as your overall capex, can you give us some insight into what that looks like ending for 2009 and what potentially direction will be for fiscal 2010? I guess what I'm trying to look for really is how much does it benefit from being now at the end of the company-owned stores being remodeled.

Stephen C. Vaughan

We expect this year we'll end up with about \$50.0 million of capex, maybe a little bit less than that. We would expect 2010 to be below that amount. We are, as you mentioned, on the tail end of the retro fit for partner drive-ins and so we would expect that to probably be closer to \$35.0 million to \$40.0 million. We are in the process of working on our 2010 business plan so we'll give more specifics in probably two or three months.

Matthew DiFrisco – Oppenheimer & Co.

And with respect to the royalty rate, despite having the comps sequentially get lower for the franchisees, you actually held the line on the royalty rate. Is there a mitigating factor from a

descending? Did you have a large portion re-up to the higher rate and go from, I think it's called the seventh agreement, to the 4.5 range from the prior older agreements, or how does that look going into the fourth quarter? I'm wondering how much do we get as a tailwind from the ongoing process of migrating people up to the higher royalty rate and offsetting some of maybe the dissension effect from the lower comps that the franchisees are experiencing.

Stephen C. Vaughan

Well, a couple of things. One, all new stores open up under a newer form of agreement, either the number six or number seven. So they have an average rate that's higher than our underlying average for the system. And then secondly, the newer stores that are opening up are opening up at higher volumes and so they have a higher effective rate.

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