

By Elissa Elan and Molly Gise

**ATLANTA (Nov. 23, 2009)** Wendy's/Arby's Group Inc. and Krispy Kreme Doughnuts Inc. would not comment on a report Monday speculating that a deal may be in the works.

An item in **Briefing.com**, as reported by **Barrons**, said that the parent of the Wendy's and Arby's fast-food brands was considering acquiring the 548-unit Krispy Kreme chain.

Denny Lynch, a spokesman for Atlanta-based Wendy's/Arby's, said the company does not comment on market rumors. Representatives for Winston-Salem, N.C.-based Krispy Kreme did not return calls for comment by press time.

**Wendy's/Arby's has hinted in the past** that it may be interested in acquiring a third brand, and with investor Nelson Peltz as its non-executive chairman, has a history of mergers and acquisitions. In June, Wendy's/Arby's closed on an offering of \$565 million of senior unsecured notes, and the company said part of the proceeds could be earmarked toward the acquisition of another restaurant company.

Wendy's/Arby's itself is the product of a merger between Wendy's International Inc. and Triarc Cos. Inc. That deal, which closed last year, was valued at more than \$2 billion.

John A. Gordon, a financial consultant with San Diego-based Pacific Management Consulting Group, a group that focuses on the restaurant industry, said that the timing may be right for a merger between Wendy's/Arby's and Krispy Kreme.

"If you go back to Wendy's last two earnings calls, there was discussion that led you to believe something could happen," Gordon said. "It seems to me, and this is pure speculation, that Wendy's unit economics is on the road to getting fixed; there's been a lot of G&A reduction and, most significantly, their new product pipeline problems have been rectified."

Wendy's has been faring much better than sister brand Arby's in the economic downturn. For the September-ended third quarter, same-store sales dipped 0.1-percent at Wendy's North American stores. Same-store sales fell 9 percent at Arby's. Wendy's/Arby's operates or franchises 6,608 Wendy's units and 3,739 Arby's locations.

Krispy Kreme, meanwhile, has been struggling to turn itself around after years of battling legal problems with executive management and sluggish sales at its doughnut stores. In its August-ended second quarter, the company nearly broke even with a net loss of \$157,000, compared with a loss of \$1.9 million in the same quarter a year earlier. Krispy Kreme pointed to lower commodity costs and a 5.9-percent increase in same-store sales at corporate stores.

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