Despite Lackluster Stock Performance, Restaurant Companies Had Banner Year In 1999 and Should Provide Investors With Significant Opportunity in 2000

NEW YORK, Jan. 25 - The following is being issued by Banc of America Securities, a member of the National Association of Securities Dealers, CRD number 26091:

Despite lackluster stock performance last year, restaurant companies had a banner year in terms of strong fundamentals and should continue to excel through 2000, providing investors with significant opportunity, according to Stacy Jamar, senior restaurant analyst for Banc of America Securities.

Jamar made her remarks during a luncheon presentation at Banc of America Securities' 17th Annual Hospitality Conference that has attracted 53 companies from across the nation and more than 400 institutional investors and company representatives. The Conference, featuring presentations and panel discussions geared around the premier growth companies in the lodging, lodging REIT, timeshare, ski resort, cruise line, auto rental, gaming and restaurant industries, started Monday, January 24th and will run through Friday, January 28th at the Pierre Hotel.

Restaurant stock performance in 1999 was the worst of the decade, Jamar said, with only 9.5% of the companies in Banc of America Securities' Restaurant Index outperforming the S&P 500 compared to 31.8% in 1998. Jamar attributes this disparity between fundamentals and stock performance to investors' and consumers' belief that a precipitous drop in performance is just around the corner. Consumers and investors alike have several pre-conceived notions about restaurant food quality, service and flexibility and they hold restaurants to very high standards.

"Consumers have great expectations for restaurant companies. They want what they want, when they want it," Jamar noted. "We believe that restaurants generally excel on a daily basis in the face of seemingly insurmountable execution challenges."

Jamar noted that restaurant spending has truly become a fixture of American life. With more than 45% of consumers' total food sales devoted to it, eating out is no longer considered discretionary, Jamar said. For instance, in 1999, every man, woman and child in the U.S. spent, on average, $69 at McDonald's, according to Jamar.

This frequency with which consumers dine out has led to continually increasing customer expectations. "The bar keeps rising," Jamar said. "Restaurants are constantly trying to figure out how to please ever more finicky eaters."

Despite the high standards to which restaurants are held, Jamar is encouraged by the fact that consumers are spending more freely, the economy is expected to remain strong and restaurant sales growth should continue with it. Jamar believes that supply and demand will be kept in check going forward; unit growth shouldn't jump back over sales in the quick service sector. The full service sector is experiencing slowing capacity growth as well. Companies in this segment reduced unit development schedules and created an effective $1 billion reduction in sales last year, Jamar said.

In addition to slowing capacity growth, Jamar believes that other "good news" on the horizon for restaurants is that commodity prices remain favorable. Labor remains the ongoing battle for restaurant companies as another minimum wage hike is widely anticipated. However, Jamar believes that increased sales will offset any labor inflation.

Because stocks continue to be valued off of their growth rates, restaurant companies continue to seek new opportunities for growth whether through new concepts, international expansion or the addition of day parts, i.e. breakfast, lunch, dinner, etc.

Jamar noted that there are some very attractively valued stocks in restaurant universe. Her current Buy recommendations include: Buca, Inc. (Nasdaq: BUCA) ($12 15/16)[1,2], Brinker International, Inc. (NYSE: EAT) ($26 1/16), Darden Restaurants, Inc. (NYSE: DRI) ($17 1/8), Jack in the Box Inc. (NYSE: JBX) ($22 7/16)[2], Outback Steakhouse, Inc. (Nasdaq: OSSI) ($24 11/16)[1], Morton's Restaurant Group, Inc. (NYSE: MRG) ($16 5/8), and Papa John's International, Inc. (Nasdaq: PZZA) ($24 3/8)[1].

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[1] Banc of America Securities LLC currently maintains a market in this security.

[2] Banc of America Securities LLC was co-manager of a public offering for this company in the last three years.