Burger King’s Profit Boosted by Cost Cutting

NEW YORK (AP) — Burger King reported a higher first-quarter profit on Friday as new restaurant openings overseas and lower costs offset weak sales in the U.S.

The Miami-based chain on Friday said sales at established U.S. locations edged up just 0.1 percent, dampened by bad weather.

McDonald's, Taco Bell and Dunkin' Donuts also reported underwhelming domestic sales for the first three months of the year, citing the severe weather. Chipotle and Starbucks, which charge higher prices, saw healthy sales gains under the same conditions.

"It's very difficult to estimate what is really the weather impact and what is performance," said Alex Macedo, president of Burger King's North American operations. But he said the company saw a clear difference between the markets affected by weather and those that weren't.

And in late March, Macedo said sales showed improvement.

Burger King Worldwide Inc. [1] has introduced a parade of new menu items in the U.S. since investment firm 3G Capital took it public in 2012. The new offerings include lower-calorie french fries called Satisfries [2] and several items that seem modeled after those sold at McDonald's [3].

The efforts have yet to produce major sales gains at a time when traditional fast-food chains are struggling. Part of the problem is that places like Chipotle that underscore the quality of their ingredients and charge slightly higher prices are gaining popularity. Meanwhile, McDonald's and Burger King are trying to hold onto more cash-strapped customers in part by underscoring value.

Still, Burger King is boosting its results by cutting costs and refranchising its restaurants. That means it no longer books the revenue from those locations — instead it earns a steadier stream of franchise fees and has reduced overhead costs.

Overseas, Burger King is also aggressively striking deals with franchisees to expand its presence. In the first quarter, it had about 700 more restaurants than it did in the year-ago period, noted Josh Kobza, the chain's chief financial officer.

Burger King currently has about 13,700 stores worldwide, more than half of them in the U.S. By comparison, McDonald's has more than 35,000 locations globally.

For the quarter, Burger King earned $60.4 million, or 17 cents per share. Not including one-time items, it earned 20 cents per share, a penny more than Wall Street expected.

Revenue declined to $240.9 million as the company refranchised restaurants, falling short of the $241.3 million analysts expected, according to FactSet.

Its stock rose 29 cents to $26.07 in morning trading.

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