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Panera 'Shaich'-up shocks analysts, but response to news mostly positive

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RICHMOND HEIGHTS, MO. (Nov. 30, 2009) —While financial analysts voiced initial surprise at the announcement that **Panera Bread Co.** chief executive Ron Shaich would be stepping away from day-to-day operations next year, most were cheered that executive vice president Bill Moreton had been selected to step into his shoes.



Ron Shaich, CEO and co-founder of Panera Bread Co., will relinquish his CEO duties and move away from overseeing day-to-day operations next year, but will take on the title of executive chairman of the board.

Shaich, who co-founded the now-1,362-unit bakery-cafe company nearly three decades ago, said he would hand over the reins to Moreton at Panera's next annual meeting May 13, 2010. At that time, Shaich will become executive chairman of the board, and as such he is expected to continue to oversee strategic initiatives at the publicly held company.

RELATED STORY: Ron Shaich discusses his decision to step down as CEO at Panera. [Click here to read the interview.](#)

The pending transition plan at one of the industry's most-watched companies was met with a generally positive response from members of the financial community.

Joseph Buckley, an analyst with Bank of America Merrill Lynch, called Shaich "one of the most passionate and fully engaged CEOs in the restaurant industry."

"His decision to step back and assume an executive chairman role starting next May is surprising," Buckley said, "and we view less day-to-day involvement for Ron as a loss for the company."

Nevertheless, Buckley added, "the selection of Bill Moreton as Ron's successor as CEO and Ron's commitment to remain involved with brand management and strategy is reassuring."

David E. Tarantino, an analyst with Baird, said he was "disappointed" that Shaich will be moving away from daily operations, but "we view Moreton as a capable executive who can operate effectively as CEO."

Wall Street also responded optimistically to the company's announcement that it would boost its share repurchase program to \$600 million over the next three years. Stephen Anderson, senior analyst with MKM Partners, said he was "not concerned about the shift at the top," but that he believed the buy-back would have a more immediate effect on share price.

"We think Panera will be able to buy back shares with ample cash left on the balance sheet," he said.

Changes in Panera's executive suite come as the company continues to outperform most other restaurant chains. For its September-ended third quarter, Panera posted a 35-percent increase in profit, which was aided by a 3.3-percent rise in same-store sales at its corporate locations. Panera's stock also was one of a few in the foodservice industry that continued to rise in value during the recent down market.

Shaich said the board had been discussing the transition plan for several years.

"I think that Panera is in the strongest shape it has ever been in," he said. "It just released comps for the first 27 days of the fourth quarter that were up roughly 6 percent or more. I think we're the only system out there growing transactions right now."

Shaich also praised Moreton's ability to step in as his successor.

"I don't think anyone knows what a business or organization will face, so what you look at is the character," he said. "[Moreton] is a guy who is comfortable in himself and holds very strong Midwestern values, who can think, is disciplined, can tell you things straight up and is a good judge of people and deeply committed to the very things we're committed to. He is very much my partner and a guy I trust to take this on."

Moreton, who also will assume the roles of president and board member, spent more than 10 years with the company. Between 1998 and 2003, he served as Panera's chief financial and administrative officer. He left to become chief executive of Baja Fresh Mexican Grill when the fast-casual chain was owned by Wendy's International Inc., and later became president and chief financial officer of the Chicago-based Potbelly Sandwich Works chain. Moreton rejoined Panera in 2008 as co-chief operating officer.

Anderson said Moreton had been instrumental in initiating many of the company's efforts to boost top-line growth over the past several quarters.

"We suspect Moreton has been groomed for this role for much of the past year, and thus expect an orderly transition from Shaich," he said.



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Analysts also point out that 60 percent of Shaich's net worth remains in Panera's shares, which should contribute to his continued bond with the company. Shaich, for his part, said he intends to be engaged in Panera going forward.

"Bill will become CEO, and I will be there to support him as he needs best...and to protect Panera and its value and its vision," Shaich said. "I will take on the projects they ask me to do, as I begin a process of personally exploring some of the ways I might be able to make a difference elsewhere."

Saying that he wants "to contribute to a broader world beyond Panera," Shaich said: "I have felt this capacity to actually solve problems and to make a difference, [and] I'd love to contribute to the broader society in a public-policy role, potentially in a nonprofit, and maybe politically, though I'm not so sure that would be [through] elective office."

"So many of the ways that we as a community or society approach problems are very short-term," he continued, "and what it takes to run a business like Panera is a focus on the medium term and the long term. I would really like to use some of what I know in the broader society."

At the same time, though, Shaich said he would maintain his connection with the company he founded.

"Quite frankly, I will always be part of Panera," he said. "I can't conceive not being part of Panera. This is 28 years of my life; these are people that I love, that I have deep affection for. I could not conceive of not being in a relationship with them. What form that takes, and how that works, I think we'll figure that out a year and a half or two years from now." — pfrumkin@nrr.com, aliddle@nrr.com



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