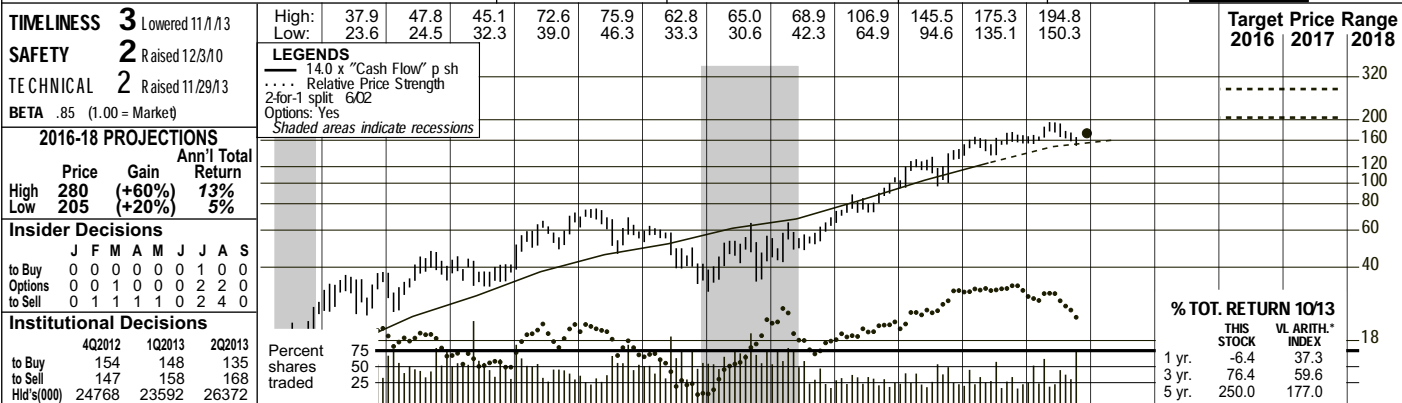


PANERA BREAD CO. NDQ-PNRA

RECENT PRICE **172.45** P/E RATIO **24.6** (Trailing: 26.6 Median: 27.0) RELATIVE P/E RATIO **1.37** DIV'D YLD **Nil**

VALUE LINE



Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	16-18	
Price	10.63	10.34	7.04	5.67	7.06	9.47	11.85	15.72	20.49	26.11	33.87	42.14	42.85	50.74	61.45	71.98	85.35	92.30	Revenues per sh ^A	125.85
Gain	.79	.38	.40	.58	.84	1.22	1.67	2.10	2.73	3.28	3.70	4.37	4.85	5.94	7.38	8.93	10.65	11.55	"Cash Flow" per sh	15.70
Options	.08	d.15	.14	.28	.46	.73	1.01	1.25	1.65	1.87	1.82	2.22	2.78	3.62	4.65	5.89	6.68	7.35	Earnings per sh ^{AB}	11.00
to Buy	.62	.90	.63	.75	1.04	.93	1.37	2.64	2.63	3.44	3.94	2.05	1.73	2.71	3.64	5.15	6.60	6.80	Cap'l Spending per sh	6.60
to Sell	3.91	3.04	3.01	3.43	4.21	5.24	6.52	7.92	10.14	12.53	14.17	16.07	18.90	19.59	22.09	27.77	28.55	32.15	Book Value per sh	48.30
Hld's(000)	23.59	24.15	24.33	26.71	28.50	29.31	30.03	30.47	31.25	31.74	31.50	30.82	31.59	30.40	29.65	29.59	28.00	28.00	Common Shs Outst'g ^C	29.00
to Buy	51.2	--	23.7	23.4	37.3	42.8	36.8	30.6	34.8	34.0	26.9	20.4	19.6	22.8	25.7	26.4	26.4	26.4	Avg Ann'l P/E Ratio	22.0
to Sell	2.95	--	1.35	1.52	1.91	2.34	2.10	1.62	1.85	1.84	1.43	1.23	1.31	1.45	1.61	1.68	1.68	1.68	Relative P/E Ratio	1.45
Hld's(000)	24768	23592	26372																Avg Ann'l Div'd Yield	Nil

Year	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	16-18		
Total Debt	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	Revenues (\$mill) ^A	3650
Leases, Uncapitalized	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	Operating Margin	17.5%
No Defined Benefit Pension Plan	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	Depreciation (\$mill)	135
Pfd Stock	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	None	Net Profit (\$mill)	320
Common Stock	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	28,166,315 shs.	Income Tax Rate	38.0%	
MARKET CAP	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	\$4.9 billion	Net Profit Margin	8.8%
CURRENT POSITION	2011	2012	9/24/13																	Working Cap'l (\$mill)	300
Cash Assets	222.6	297.1	194.0																	Long-Term Debt (\$mill)	Nil
Receivables	54.7	86.3	84.0																	Shr. Equity (\$mill)	1400
Inventory (FIFO)	17.0	19.7	19.4																	Return on Total Cap'l	23.0%
Other	58.8	75.7	63.0																	Return on Shr. Equity	23.0%
Current Assets	353.1	478.8	360.4																	Retained to Com Eq	23.0%
Accts Payable	15.9	9.4	9.8																	All Div'ds to Net Prof	Nil
Debt Due	--	--	--																		
Other	222.4	268.1	248.0																		
Current Liab.	238.3	277.5	257.8																		

BUSINESS: Panera Bread Company operates and franchises bakery-cafes in about 44 states and Canada. As of 9/24/13, it had 1,736 company-owned and franchised locations. Stores operate under the Panera Bread, St. Louis Bread, and Paradise Bakery & Cafe names. Supplies fresh dough to company and franchised stores from over 20 commissaries. Sold Au Bon Pain, 5/99. Has about 36,300 employees. Chairman and CEO Ronald Shaich owns 4.5% of "A" common and 84.2% of "B" (11.1% voting rights); FMR LLC, 9.3% (8.1%); T. Rowe Price, 7.5% (6.5%); BlackRock, Inc., 5.3% (4.6%) (4/13 proxy). Incorporated: Delaware. Address: 3630 South Geyer Road, Suite 100, St. Louis, Missouri 63127. Tel.: 314-984-1000. Internet: www.panerabread.com.

Year	2010	2011	2012	2013	2014	Full Year
ANNUAL RATES						
Revenue (per sh)	23.5%	18.0%	12.5%			
"Cash Flow"	23.5%	18.0%	13.5%			
Earnings	25.5%	21.5%	15.0%			
Dividends	--	--	NMF			
Book Value	18.5%	13.5%	13.0%			
Cal-endar	Mar.Per	Jun.Per	Sep.Per	Dec.Per		Full Year
2010	364.2	378.1	372.0	428.2		1542.5
2011	422.1	451.1	453.1	495.7		1822.0
2012	498.6	530.6	529.3	571.6		2130.1
2013	561.8	589.0	572.5	666.7		2390
2014	615	645	635	690		2585

Once again, Panera Bread Company's results failed to live up to the high standards investors have come to expect. Although third-quarter adjusted earnings of \$1.35 a share were a penny ahead of our target, the tally was up only 9% year to year (it has been years since quarterly earnings failed to dimb at a double-digit pace). Moreover, the top line only rose 8% from a year earlier, versus our expectation of an 11% advance, and systemwide comparable-store sales grew a modest 1.3%. Additionally, transactions fell 1.0% and the operating margin was flat, as lower SG&A expenses offset narrower bakery-cafe margins.

Results are liable to get worse before they get better. (Investors should note that the fourth quarter of 2013 contains an extra week relative to 2012.) The company clearly has issues to work out, given decelerating comps and falling transactions, and some heavy lifting and investment spending will likely be needed in the near term to reverse these trends. The main problem appears to be satisfying demand, not a lack of demand (see below). Overwhelmed staffs during peak hours have not been able to keep up, resulting in potential guests leaving and paying customers frustrated with slow service, incorrect orders, and a less comfortable dining experience. In response, management is working to increase labor hours (35 per week per cafe), streamline the menu, invest in technology, make production and kitchens more efficient, move catering out of restaurants and into regional hubs, upgrade technology and IT systems, and move orders from the phone to the Internet. While we think its initiatives will pay off down the line, we have trimmed our near-term forecasts.

It's not all bad news. Even at these depressed levels, many restaurant operators would be happy to have Panera's comps. Too, new restaurants are opening at a good dip and ramping up very quickly. Finally, although traffic has slowed, entrees per transaction have been steadily rising.

We still like the long-term story here. However, investors probably don't have to rush in, as management's turnaround initiatives will likely take several months (or quarters) to bear fruit.

Matthew Spencer, CFA November 29, 2013

Year	2009	2010	2011	2012	2013
Quarterly Dividends Paid					
2009					
2010					
2011					
2012					
2013					

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