

# FORTUNE

## WARREN BUFFETT GIVES IT AWAY

The bulk of his fortune, now worth \$44 billion, will become the biggest charitable gift ever. His chief beneficiary? The Bill & Melinda Gates Foundation. Buffett reveals an extraordinary plan. **A FORTUNE EXCLUSIVE**



DISPLAY UNTIL JULY 17, 2006

\$4.99US \$5.99CAN 28>



0 70989 10093 0

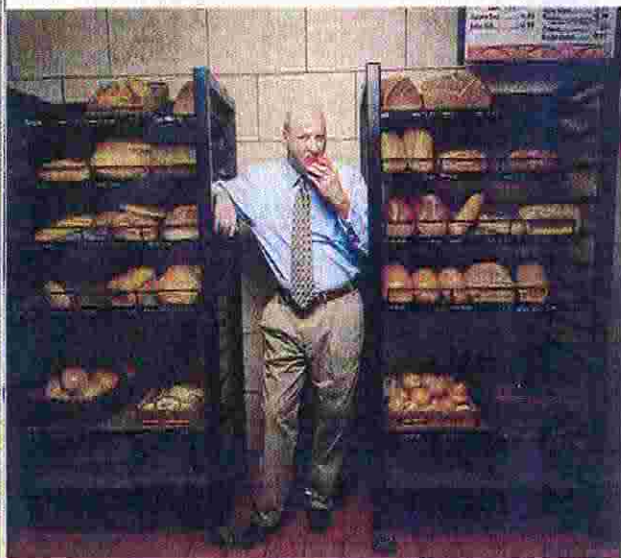
www.fortune.com (AOL Keyword: Fortune)



[The CEO Interview]

## NOT BY BREAD ALONE

Ron Shaich focuses on making Panera a friendly, all-day destination for the Kinko's generation and the cubicle crowd.



JOSHI HANER, FORTUNE CHART

**FRESH DOUGH**  
Shaich's next move is offering pizza for dinner.

On a June morning in Hoboken, N.J., Ron Shaich, CEO of Panera Bread, is deep in conversation with a tattooed man about why he comes to Panera's bakery cafés. "I'm trying to figure out what makes these people tick," says Shaich. Good listening is just part of a strategy that has propelled Panera's stock (PNRA) up 272% since June 2001, vs. 8.3% for the S&P 500. Shaich, who also founded Au Bon Pain, shared some secret ingredients with FORTUNE's Corey Hajim.

### Why is Panera so popular?

There are 23 million Americans in the Kinko's generation—they don't have an office. There is something like over 70% of our corporate society that are in cubes. So where do you go to talk, where do you go to catch your breath? Much of the food industry makes it uncomfortable for them to sit. We spent two years trying to create environments that people want to sit in. Our whole view is: How do we make them feel like this is a place they want to be?

### Fast rising

Panera stock has been on a tear.



So people come to Panera to hang out, but how does that make you money?

If you give people food they want, in an environment that they want, they will spend a dollar or two more, they will go out of the way for it. When we first started we were offering a lunch solution rooted in soup, salad, and a sandwich, and we were doing \$1 million a unit. Today we are doing \$2 million a unit and offering four consumer solutions—lunch, breakfast, a gathering-place solution, and a take-home solution.

### What, no dinner?

Twenty percent of our business today is from five o'clock on. We are just now rolling out the first of a wave of products for the evening. We are doing a product called Crispani, it's a pizza-like product made from our fresh dough, organic Muir tomatoes, Neiman Ranch pork sausage.

You have more than 300 company-owned cafés and almost 600 franchised ones. How big can Panera get?

Is it going to be 2,000, 3,000, 4,000? I don't answer that question, because it doesn't matter to me. What I know is that I have enough real estate and demand to support the 17% growth we're committed to for the next three to five years. And we're on record with a target of 30% [profit growth] this year.

### Do rising interest rates and gas prices hurt Panera's sales?

I don't think you're ever going to hear Panera blaming its results on the macroeconomics. This is not the purchase of a car—we're talking about lunch, breakfast, a six-, seven-, eight-dollar transaction. When you have to decide to step down from Panera to fast food ... to save a dollar, it's not a recession, it's a depression. ■

## UPDATE

### WHAT WE SAID

In "Power Plays" (May 30, 2005), we argued that after years of lackluster returns utility stocks had once again become attractive. We pointed out that utility executives had taken advantage of low interest rates to refinance or pay off debt, allowing them to reinstate and raise dividends. We picked three stocks that looked like particularly good buys.

### WHAT HAPPENED

Our stock picks returned an average of 14%, more than double the 6% return of the S&P 500. As classic defensive plays, utility stocks tend to outperform when the economy cools—something that appears to be happening now. Exelon (EXC, \$59) was our top performer, returning 29%. The Chicago company is making headway in winning approvals for its bid to acquire Public Service Enterprise Group, the New Jersey holding company for Public Service Electric & Gas. Pending regulatory approval, which is expected later this year, the new company, Exelon Electric

& Gas, will be one of the largest utilities in the country, with annual sales topping \$25 billion. Xcel Energy (XEL, \$19), a Minneapolis-based company that provides gas and electricity to customers in ten states, returned 10%. Our laggard was American Electric Power (AEP, \$35), an electric utility in Ohio, which gained 2%. With hefty yields and solid growth prospects, all three remain attractive buys for long-term investors. — David Stires



RACHEL SMITH