

JACK IN THE BOX INC /NEW/

Form 10-Q

May 16, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 15, 2007
Commission File Number: 1-9390
JACK IN THE BOX INC.**

(Exact name of registrant as specified in its charter)

DELAWARE

95-2698708

(State of Incorporation)

(I.R.S. Employer Identification No.)

9330 BALBOA AVENUE, SAN DIEGO, CA

92123

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (858) 571-2121

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of common stock, \$.01 par value, outstanding as of the close of business May 11, 2007 31,308,921.

**JACK IN THE BOX INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

JACK IN THE BOX INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

(Unaudited)

	April 15, 2007	October 1, 2006
ASSETS		
Current assets:		
Cash and cash equivalents (includes restricted cash of \$47,824 and \$47,655, respectively)	\$ 77,113	\$ 233,906
Accounts and notes receivable, net	42,927	30,874
Inventories	45,495	41,202
Prepaid expenses	25,122	23,489
Deferred income taxes	43,889	43,889
Assets held for sale and leaseback	22,544	23,059
Other current assets	6,980	6,711
Total current assets	264,070	403,130
Property and equipment, at cost	1,521,866	1,505,306
Less accumulated depreciation and amortization	617,869	590,530
Property and equipment, net	903,997	914,776
Other assets, net	215,269	202,555
	\$ 1,383,336	\$ 1,520,461
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 5,950	\$ 37,539
Accounts payable	53,035	61,059
Accrued liabilities	216,375	240,320
Total current liabilities	275,360	338,918
Long-term debt, net of current maturities	429,911	254,231
Other long-term liabilities	153,133	145,587
Deferred income taxes	62,390	70,840
Stockholders equity:		
Preferred stock \$.01 par value, 15,000,000 authorized, none issued	425	470

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Common stock \$.01 par value, 75,000,000 authorized, 42,487,986 and 46,960,155 issued, respectively		
Capital in excess of par value	118,903	431,624
Retained earnings	619,609	555,046
Accumulated other comprehensive loss, net	(1,936)	(1,796)
Treasury stock, at cost, 11,196,728 shares	(274,459)	(274,459)
Total stockholders equity	462,542	710,885
	\$ 1,383,336	\$ 1,520,461

See accompanying notes to consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share data)
(Unaudited)

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Revenues:				
Restaurant sales	\$ 500,445	\$ 487,822	\$ 1,151,853	\$ 1,127,702
Distribution and other sales	129,807	108,122	293,557	248,083
Franchised restaurant revenues	30,415	22,819	71,949	55,981
	660,667	618,763	1,517,359	1,431,766
Operating costs and expenses:				
Restaurant costs of sales	155,205	151,569	357,331	355,514
Restaurant operating costs	253,750	250,418	583,388	581,566
Distribution and other costs of sales	128,359	107,134	291,154	245,292
Franchised restaurant costs	12,923	9,984	29,343	22,851
Selling, general and administrative expenses	69,552	69,131	158,904	158,681
Gains on sale of company-operated restaurants	(7,244)	(7,473)	(14,401)	(14,187)
	612,545	580,763	1,405,719	1,349,717
Earnings from operations	48,122	38,000	111,640	82,049
Interest expense, net	5,281	3,440	10,775	7,430
Earnings before income taxes	42,841	34,560	100,865	74,619
Income taxes	15,632	12,773	36,302	27,609
Net earnings	\$ 27,209	\$ 21,787	\$ 64,563	\$ 47,010
Net earnings per share:				
Basic	\$.82	\$.63	\$ 1.89	\$ 1.35
Diluted	\$.80	\$.61	\$ 1.83	\$ 1.31
Weighted-average shares outstanding:				
Basic	33,060	34,482	34,249	34,766

Diluted	33,944	35,701	35,213	35,921
See accompanying notes to consolidated financial statements.				
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JACK IN THE BOX INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006
Cash flows from operating activities:		
Net earnings	\$ 64,563	\$ 47,010
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,736	47,198
Deferred finance cost amortization	726	599
Provision for deferred income taxes	(8,353)	(2,761)
Share-based compensation expense for equity-classified awards	6,251	4,878
Pension and postretirement expense	9,030	13,327
Gains on cash surrender value of company-owned life insurance	(4,793)	(2,015)
Gains on the sale of company-operated restaurants	(14,401)	(14,187)
Losses on the disposition of property and equipment, net	6,065	4,480
Loss on early retirement of debt	1,939	
Impairment charges and other	383	435
Changes in assets and liabilities:		
Increase in receivables	(12,067)	(2,194)
Decrease (increase) in inventories	(4,293)	218
Decrease (increase) in prepaid expenses and other current assets	(1,098)	4,677
Increase (decrease) in accounts payable	(2,026)	7,159
Pension contributions	(7,329)	(7,217)
Increase in other liabilities	744	11,110
 Cash flows provided by operating activities	 85,077	 112,717
 Cash flows from investing activities:		
Purchases of property and equipment	(68,697)	(61,805)
Proceeds from the sale of property and equipment	51	702
Proceeds from the sale of company-operated restaurants	19,292	18,784
Proceeds from assets held for sale and leaseback, net	1,878	13,642
Collections on notes receivable	46	395
Purchase of investments	(4,275)	(5,655)
Other	(1,478)	(424)
 Cash flows used in investing activities	 (53,183)	 (34,361)
 Cash flows from financing activities:		
Proceeds from issuance of debt	475,000	
Principal payments on debt	(331,373)	(4,180)

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Debt costs	(7,357)	(260)
Repurchase of common stock	(363,303)	(49,997)
Excess tax benefits from share-based compensation arrangements	14,374	8,045
Proceeds from issuance of common stock	23,972	23,462
Cash flows used in financing activities	(188,687)	(22,930)
Net increase (decrease) in cash and cash equivalents	\$ (156,793)	\$ 55,426

See accompanying notes to consolidated financial statements.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations Jack in the Box Inc. (the Company) operates and franchises Jack in the Box quick-service restaurants and Qdoba Mexican Grill® fast-casual restaurants.

Basis of Presentation and Fiscal Year The accompanying consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with U.S. generally accepted accounting principles and the rules and regulations of the Securities and Exchange Commission (SEC). In our opinion, all adjustments considered necessary for a fair presentation of financial condition and results of operations for these interim periods have been included. Operating results for one interim period are not necessarily indicative of the results for any other interim period or for the full year. Certain prior year amounts in the consolidated financial statements and notes thereto have been reclassified to conform to the current year presentation, including the reclassification of gains on the sale of company-operated restaurants as a reduction of operating costs and expenses from revenues.

These financial statements should be read in conjunction with the consolidated financial statements and related notes contained in our Annual Report on Form 10-K for the fiscal year ended October 1, 2006.

Our fiscal year is 52 or 53 weeks ending the Sunday closest to September 30. Fiscal year 2007 and 2006 include 52 weeks. Our first quarter includes 16 weeks and each remaining quarter includes 12 weeks. All comparisons between 2007 and 2006 refer to the 12-week (quarter) and 28-week (year-to-date) periods ended April 15, 2007 and April 16, 2006, respectively, unless otherwise indicated.

References to the Company throughout these notes to the consolidated financial statements are made using the first person notations of we, us and our.

Estimations In preparing the consolidated financial statements in conformity with U.S. generally accepted accounting principles, management is required to make certain assumptions and estimates that affect reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. In making these assumptions and estimates, management may from time to time seek advice from, and consider information provided by, actuaries and other experts in a particular area. Actual amounts could differ materially from these estimates.

Restricted Cash To reduce our letter of credit fees incurred under the credit facility, we entered into a separate cash-collateralized letter of credit agreement in October 2004. At April 15, 2007, we had letters of credit outstanding under this agreement of \$43.4 million, which were collateralized by approximately \$47.8 million of cash and cash equivalents. Although we intend to continue this agreement, we have the ability to terminate the cash-collateralized letter of credit agreement thereby eliminating the restrictions on cash and cash equivalents.

Company-owned Life Insurance We have elected to purchase company-owned life insurance policies to support our non-qualified benefit plans. The cash surrender values of these policies were \$61.9 million and \$54.4 million as of April 15, 2007 and October 1, 2006, respectively, and are included in other assets, net in the accompanying condensed consolidated balance sheets. A portion of these policies resides in an umbrella trust for use only to pay plan benefits to participants or, to pay creditors if the Company becomes insolvent. As of April 15, 2007 and October 1, 2006, the trust includes cash surrender values of \$25.9 million and \$24.4 million, respectively, and cash of \$0.8 million.

New Accounting Pronouncements Adopted In June 2006, the FASB ratified the consensus of Emerging Issues Task Force (EITF) Issue No. 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)* (EITF 06-3). EITF 06-3 indicates that the income statement presentation on either a gross basis or a net basis of the taxes within the scope of the Issue is an accounting policy decision. Our accounting policy is to present the taxes within the scope of EITF 06-3 on a net basis.

2. INDEBTEDNESS

Credit Facility On December 15, 2006, we replaced our existing credit facility with a new credit facility intended to provide a more flexible capital structure and facilitate the execution of our strategic plan. The new credit facility is comprised of (i) a \$150.0 million revolving credit facility maturing on December 15, 2011 and (ii) a \$475.0 million term loan maturing on December 15, 2012, initially both with London Interbank Offered Rate

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

2. INDEBTEDNESS (continued)

(LIBOR) plus 1.375%. As part of the credit agreement, we may also request the issuance of up to \$75.0 million in letters of credit, the outstanding amount of which reduces the net borrowing capacity under the agreement. The new credit facility requires the payment of an annual commitment fee based on the unused portion of the credit facility. The credit facility's interest rates and the annual commitment rate are based on a financial leverage ratio, as defined in the credit agreement. Our obligations under the new credit facility are secured by first priority liens and security interests in the capital stock, partnership, and membership interests owned by us and (or) our subsidiaries, and any proceeds thereof, subject to certain restrictions set forth in the credit agreement. Additionally, the credit agreement includes a negative pledge on all tangible and intangible assets (including all real and personal property) with customary exceptions.

We borrowed \$475.0 million under the term loan facility and used the proceeds to repay all borrowings under the prior credit facility, to pay related transaction fees and expenses and to repurchase a portion of our outstanding stock. On April 13, 2007, we elected to make, without penalty, a \$60.0 million optional prepayment of our term loan, which will be applied to the remaining scheduled principal installments in the direct order of maturity. The prepayment will reduce the interest rate on the credit facility by 25 basis points to LIBOR plus 1.125%. At April 15, 2007, we had no borrowings under the revolving credit facility and had letters of credit outstanding of \$0.3 million. Loan origination costs associated with the new credit facility were \$7.4 million and are included as deferred costs in other assets, net in the accompanying consolidated balance sheet as of April 15, 2007. Deferred financing fees of \$1.9 million related to the prior credit facility were written-off in the first quarter and are included in interest expense, net in the accompanying condensed consolidated statement of earnings for the year-to-date period ended April 15, 2007.

Concurrent with the termination of our prior credit facility, we liquidated our then existing interest rate swap agreements. In connection with the liquidation, the fair value of the interest rate swaps recorded as a component of accumulated other comprehensive loss was reversed and we realized a net gain of \$0.4 million, included in interest expense, net in the accompanying consolidated statement of earnings for the year-to-date period ended April 15, 2007. *New Interest Rate Swaps* We are exposed to interest rate volatility with regard to our variable rate debt. To reduce our exposure to rising interest rates, in March 2007, we entered into two interest rate swap agreements that will effectively convert \$200.0 million of our variable rate term loan borrowings to a fixed rate basis for three years. These agreements have been designated as cash flow hedges under the terms of Statement of Financial Accounting Standards (SFAS) 133, *Accounting for Derivative Instruments and Hedging Activities*, with effectiveness assessed based on changes in the present value of interest payments on the term loan. As such, the gains or losses on these derivatives will be reported in other comprehensive income (loss).

3. RETIREMENT PLANS

Defined Benefit Pension Plans We have non-contributory defined benefit pension plans covering those employees meeting certain eligibility requirements. The plans provide retirement benefits based on years of service and compensation and are subject to modification at any time. It is our practice to fund retirement costs as necessary. The components of net periodic pension cost under these plans for each period are (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Service cost	\$ 2,200	\$ 3,043	\$ 6,181	\$ 6,726
Interest cost	3,276	3,383	9,049	7,558
Expected return on plan assets	(2,998)	(2,891)	(8,544)	(6,645)
Recognized actuarial loss	465	2,097	1,326	4,221

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Net amortization	304	378	723	870
Net periodic pension cost	\$ 3,247	\$ 6,010	\$ 8,735	\$ 12,730

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

3. RETIREMENT PLANS (continued)

In 2007, we contributed \$6.0 million to our qualified plan and \$1.0 million to our non-qualified plan. Total qualified and non-qualified pension plan benefit payments expected during the remainder of fiscal 2007 are approximately \$7.0 million.

Postretirement Benefit Plans We also sponsor health care plans that provide postretirement medical benefits for employees who meet minimum age and service requirements. The plans are contributory and contain cost-sharing features such as deductibles and coinsurance. Our policy is to fund the cost of medical benefits in amounts determined at the discretion of management.

The components of net periodic postretirement benefit cost for each period are (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Service cost	\$ 49	\$ 63	\$ 115	\$ 146
Interest cost	250	236	582	551
Net amortization	(173)	(43)	(402)	(100)
Net periodic postretirement benefit cost	\$ 126	\$ 256	\$ 295	\$ 597

In 2007, we contributed \$0.3 million to our postretirement benefit plans. Future postretirement plan benefit payments expected during the remainder of fiscal 2007 are approximately \$0.3 million.

4. RESTAURANT CLOSING CHARGES

Total accrued restaurant closing costs, included in accrued liabilities and other long-term liabilities, were \$4.8 million as of April 15, 2007 and \$5.0 million as of October 1, 2006. In 2007 and 2006, lease exit costs of \$0.3 million and \$0.1 million, respectively, were charged to operations, resulting from revisions to certain sublease assumptions. Cash payments of \$0.5 million and \$0.4 million, were applied against the restaurant closing costs accrual in 2007 and 2006, respectively.

5. INCOME TAXES

The income tax provisions reflect year-to-date tax rates of 36.0% in 2007 and 37.0% in 2006. The decrease in the effective tax rate compared with a year ago is due primarily to the retroactive reinstatement of the Work Opportunity Tax Credit program recorded as a discrete item in the first quarter of fiscal 2007. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual rate could differ from our current estimates.

6. STOCKHOLDERS EQUITY

Repurchases of Common Stock On November 21, 2006, we announced the commencement of a modified Dutch Auction tender offer (Tender Offer) for up to 5.5 million shares of our common stock at a price per share not less than \$55.00 and not greater than \$61.00, for a maximum aggregate purchase price of \$335.5 million. On December 19, 2006, we accepted for purchase approximately 2.3 million shares of common stock at a purchase price of \$61.00 per share, for a total cost of \$143.2 million.

On December 20, 2006, the Board of Directors authorized an additional program to repurchase up to 3.3 million shares in calendar year 2007. In the second quarter of fiscal 2007, under a 10b5-1 plan, we repurchased 3.2 million shares for \$220.1 million.

The Tender Offer and the additional repurchase program were funded through the new credit facility and available cash, and all shares repurchased were subsequently retired.

Outstanding Stock Repurchase Programs Pursuant to a stock repurchase program authorized by our Board of Directors in September 2005, we have approximately \$100.0 million of repurchase availability, which expires in September 2008. We also have approximately 136,000 shares available to repurchase in calendar year 2007 under the December 20, 2006 stock repurchase authorization.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

6. STOCKHOLDERS EQUITY (continued)

Comprehensive Income Our total comprehensive income, net of taxes, was as follows (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Net earnings	\$ 27,209	\$ 21,787	\$ 64,563	\$ 47,010
Net unrealized gains related to cash flow hedges	457	817	94	1,057
Net realized gains reclassified into net earnings on liquidation of interest rate swaps			(234)	
Total comprehensive income	\$ 27,666	\$ 22,604	\$ 64,423	\$ 48,067

The components of accumulated other comprehensive loss, net of taxes, were as follows at the end of each period (in thousands):

	April 15, 2007	October 1, 2006
Additional minimum pension liability adjustment	\$ (2,393)	\$ (2,393)
Net unrealized gains related to cash flow hedges	457	597
Accumulated other comprehensive loss, net	\$ (1,936)	\$ (1,796)

7. SHARE-BASED EMPLOYEE COMPENSATION

Compensation Expense We offer share-based compensation plans to attract, retain, and motivate key officers, non-employee directors, and employees to work toward the financial success of the Company. The components of share-based compensation expense recognized in each period are as follows (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Stock options	\$ 1,096	\$ 1,178	\$ 4,338	\$ 3,784
Performance-vested stock awards	536	342	1,251	675
Nonvested stock awards	197	180	461	420
Deferred compensation for directors	81	1,046	544	1,684
Total share-based compensation expense	\$ 1,910	\$ 2,746	\$ 6,594	\$ 6,563

Deferred Compensation Plan for Non-Management Directors We maintain a deferred compensation plan for non-management directors under which those who are eligible to receive fees or retainers may choose to defer receipt

of their compensation. The amounts deferred are converted into stock equivalents at the then current market price of our common stock. Effective November 9, 2006, the deferred compensation plan has been amended to eliminate a 25% company match of such deferred amounts and require settlement in shares of our common stock based on the number of stock equivalents at the time of a participant's separation from the Board of Directors. As a result of changing the method of settlement from cash to stock, the deferred compensation obligation has been reclassified from accrued liabilities to capital in excess of par value in the accompanying consolidated balance sheet as of April 15, 2007.

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JACK IN THE BOX INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

8. AVERAGE SHARES OUTSTANDING

The following table reconciles basic weighted-average shares outstanding to diluted weighted-average shares outstanding (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Weighted-average shares outstanding basic	33,060	34,482	34,249	34,766
Assumed additional shares issued upon exercise of stock options, net of shares reacquired at the average market price	756	1,139	838	1,099
Assumed vesting of nonvested stock, net of shares reacquired at the average market price	128	80	126	56
Weighted-average shares outstanding diluted	33,944	35,701	35,213	35,921
Stock options excluded (1)	259	325	301	329
Performance-vested awards excluded (2)	211	148	211	148

(1) These stock options were not included in the computation of diluted earnings per share because the effect would have been antidilutive.

(2) These performance-vested awards were not included in the computation of diluted earnings per share because achievement of the performance metrics necessary for the issuance of the related shares had not been attained as of April 15, 2007 and April 16, 2006.

9. COMMITMENTS, CONTINGENCIES AND LEGAL MATTERS

Commitments We are principally liable for lease obligations on various properties subleased to third parties. We are also obligated under a lease guarantee agreement associated with a Chi-Chi's restaurant property. Due to the bankruptcy of the Chi-Chi's restaurant chain, previously owned by us, we are obligated to perform in accordance with the terms of a guarantee agreement, as well as four other lease agreements, which expire at various dates in 2010 and 2011. During fiscal year 2003, we established an accrual for these lease obligations and do not anticipate incurring any additional charges related to the Chi-Chi's bankruptcy in future years. As of April 15, 2007, our accrual for the lease guarantee was \$1.0 million and the maximum potential amount of future payments was \$1.7 million.

Legal Matters We are subject to normal and routine litigation. In the opinion of management, based in part on the advice of legal counsel, the ultimate liability from all pending legal proceedings, asserted legal claims and known potential legal claims should not materially affect our operating results, financial position or liquidity.

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JACK IN THE BOX INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

10. SEGMENT REPORTING

We operate our business in two operating segments, Jack in the Box and Qdoba Mexican Grill (Qdoba), based on management's structure and internal method of reporting. Based upon certain quantitative thresholds, only Jack in the Box is considered a reportable segment.

Summarized financial information concerning our reportable segment follows (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Jack in the Box revenues	\$640,705	\$602,152	\$1,472,086	\$1,395,031
Jack in the Box earnings from operations	46,124	36,192	107,412	78,283
Interest expense and income taxes are not reported for operating segments in accordance with our method of internal reporting.				

A reconciliation of reportable segment revenues to consolidated revenue follows (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Jack in the Box revenues	\$ 640,705	\$ 602,152	\$ 1,472,086	\$ 1,395,031
Qdoba revenues	19,962	16,611	45,273	36,735
Consolidated revenues	\$ 660,667	\$ 618,763	\$ 1,517,359	\$ 1,431,766

A reconciliation of reportable segment earnings from operations to consolidated earnings from operations follows (in thousands):

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Jack in the Box earnings from operations	\$ 46,124	\$ 36,192	\$ 107,412	\$ 78,283
Qdoba earnings from operations	1,998	1,808	4,228	3,766
Consolidated earnings from operations	\$ 48,122	\$ 38,000	\$ 111,640	\$ 82,049

11. CASH FLOW INFORMATION (in thousands)

Twenty-Eight Weeks Ended	
April 15, 2007	April 16, 2006

Cash paid during the year for:

Interest, net of amounts capitalized	\$ 14,718	\$ 11,194
Income tax payments	60,755	26,996
Capital lease obligations incurred	464	

The presentation of cash flows related to accrued purchases of property and equipment in the consolidated statement of cash flows for the twenty-eight weeks ended April 16, 2006 has changed in accordance with SFAS 95, *Statement of Cash Flows*. As a result, cash flows from operating activities increased and cash flows from investing activities decreased by \$14.2 million. There was no impact of this change on the consolidated statement of cash flows for the year ended October 1, 2006.

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JACK IN THE BOX INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

12. FUTURE APPLICATION OF ACCOUNTING PRINCIPLES

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109, *Accounting for Income Taxes*. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. We are currently evaluating the impact of FIN 48 on our consolidated financial statements, which is effective for fiscal years beginning after December 15, 2006. In September 2006, the SEC issued Staff Accounting Bulletin No. 108 (SAB 108), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 is effective for the first fiscal year ending after November 15, 2006. The adoption of this statement is not expected to have a material impact on our consolidated financial position or results of operations.

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. SFAS 157 clarifies the definition of fair value, describes methods used to appropriately measure fair value, and expands fair value disclosure requirements. This statement applies under other accounting pronouncements that currently require or permit fair value measurements and is effective for fiscal years beginning after November 15, 2007. We are currently in the process of assessing the impact that SFAS 157 will have on our consolidated financial statements.

In September 2006, the FASB issued SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106 and 132(R)*. SFAS 158 requires recognition of the overfunded or underfunded status of a defined benefit plan as an asset or liability. Under SFAS 158, unrecognized prior service costs and actuarial gains and losses must be recognized as a component of accumulated other comprehensive income (loss). Additionally, SFAS 158 requires that companies measure their plan assets and benefit obligations at the end of their fiscal year. SFAS 158 is effective as of the end of fiscal years ending after December 15, 2006, except for the measurement date provisions which are effective for fiscal years ending after December 15, 2008. We will not be able to determine the impact the adoption of SFAS 158 will have on our consolidated financial statements until the end of fiscal year 2007 when such valuation is completed. However, based on valuations performed as of June 30, 2006, had we been required to adopt the provisions of SFAS 158 as of October 1, 2006, our qualified defined benefit plan, unfunded non-qualified defined benefit plan, and postretirement benefit plans would have been underfunded by \$10.5 million, \$36.8 million and \$16.7 million, respectively. To recognize our underfunded positions and to appropriately record our unrecognized prior service costs and actuarial gains and losses as a component of accumulated other comprehensive income (loss), we would have been required to decrease stockholders' equity by \$28.4 million for our defined benefit plans and increase stockholders' equity by approximately \$3.4 million for our postretirement benefit plans. As of October 1, 2006, in accordance with existing pension literature, we have recorded a prepaid benefit cost for our qualified defined benefit plan of \$24.5 million. Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

Table of Contents**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS****Results of Operations**

All comparisons under this heading between 2007 and 2006 refer to the 12-week (quarter) and 28-week (year-to-date) periods ended April 15, 2007 and April 16, 2006, respectively, unless otherwise indicated.

Overview

As of April 15, 2007, Jack in the Box Inc. (the Company) owned, operated, and franchised 2,098 Jack in the Box quick-service restaurants and 353 Qdoba Mexican Grill (Qdoba) fast-casual restaurants, primarily in the western and southern United States.

The Company's primary source of revenue is from retail sales at company-operated restaurants. The Company also derives revenue from sales of food and packaging to Jack in the Box and Qdoba franchises, retail sales from fuel and convenience stores (Quick Stuff), and revenue from franchisees including royalties, based upon a percent of sales, franchise fees and leased real estate.

The Company also recognizes gains from the sale of company-operated restaurants to franchisees which are presented as a reduction of operating costs and expenses in the accompanying consolidated statements of earnings. Effective in the first quarter of 2007, the Company is reporting gains as a discrete line item within operating costs and expenses, rather than within revenues, as previously presented. Last year's gains on sale of company-operated restaurants to franchisees has been reclassified to conform with the current year presentation.

The quick-service restaurant industry has become more complex and challenging in recent years. Challenges presently facing the sector include higher levels of consumer expectations, intense competition with respect to market share, restaurant locations, labor, menu and product development, the emergence of the fast-casual restaurant segment, changes in the economy, including rising oil and gas prices, and trends for healthier eating.

To address these challenges and others, management has developed a strategic plan focused on three key initiatives. The first initiative is a holistic reinvention of the Jack in the Box brand through menu innovation, upgrading guest service and re-imaging Jack in the Box restaurant facilities to reflect the personality of Jack the chain's fictional founder and popular spokesman. The second initiative is a multifaceted growth strategy that includes opening new restaurants and improving the unit economics of each concept. The third strategic initiative is to expand franchising through new restaurant development and the sales of company-operated restaurants to franchisees to generate higher returns and higher margins, while mitigating business-cost and investment risks.

The following summarizes the most significant events occurring in fiscal year 2007:

Restaurant Sales. New product introductions, including our Sirloin Steak n Cheddar and Steak n Mushroom Ciabatta sandwiches, and strong customer response to marketing messages promoting the chain's premium products and value menu contributed to sales growth at Jack in the Box restaurants increasing both the average check and number of transactions. This positive sales momentum resulted in an increase in sales at restaurants open more than one year (same-store sales) of 5.9% at Jack in the Box company-operated restaurants and 3.8% at Qdoba system restaurants.

Jack Ca\$h . We expanded our reloadable Jack Ca\$h card program to include a retail component. The cards are now available at grocery chains such as Safeway, Albertsons, Randalls and Tom Thumb stores.

Re-Image Program. We continued to re-image our Jack in the Box restaurants and remain on pace to re-image 150-200 restaurants in fiscal 2007. According to a proprietary brand image and loyalty study, the newly re-imaged restaurants are expanding their customer base, generating more guest visits and gaining more loyal users.

Stock Repurchases. Pursuant to a modified Dutch Auction tender offer (Tender Offer) in the first quarter and a 10b5-1 plan for a stock repurchase program authorized by our Board of Directors in the second quarter, we repurchased 5.5 million shares of our common stock for \$363.3 million.

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Credit Agreement. In the first quarter, we entered into a new credit agreement consisting of a revolving credit facility of \$150 million with a five-year maturity and a term loan facility of \$475 million with a six-year maturity.

Debt Prepayment. Using our available cash resources, in the second quarter we prepaid without penalty \$60 million of our term loan which is expected to result in annualized interest savings of approximately \$2 million.

Interest Rate Swaps. To reduce exposure to rising interest rates, we converted \$200 million of our term loan at floating rates to a fixed interest rate for the next three years by entering into two interest rate swap contracts.

The following table sets forth, unless otherwise indicated, the percentage relationship to total revenues of certain items included in the Company's consolidated statements of earnings.

STATEMENTS OF EARNINGS DATA

	Twelve Weeks Ended		Twenty-Eight Weeks Ended	
	April 15, 2007	April 16, 2006	April 15, 2007	April 16, 2006
Revenues:				
Restaurant sales	75.7%	78.8%	75.9%	78.8%
Distribution and other sales	19.7	17.5	19.4	17.3
Franchise restaurant revenues	4.6	3.7	4.7	3.9
Total revenues	100.0%	100.0%	100.0%	100.0%
Operating costs and expenses:				
Restaurant costs of sales (1)	31.0%	31.1%	31.0%	31.5%
Restaurant operating costs (1)	50.7	51.3	50.6	51.6
Distribution and other costs of sales (1)	98.9	99.1	99.2	98.9
Franchise restaurant costs (1)	42.5	43.8	40.8	40.8
Selling, general and administrative expenses	10.5	11.2	10.5	11.1
Gains on sale of company-operated restaurants	(1.1)	(1.2)	(0.9)	(1.0)
Earnings from operations	7.3	6.1	7.4	5.7

(1) As a percentage of the related sales and/or revenues.

The following table summarizes the number of systemwide restaurants:

SYSTEMWIDE RESTAURANT UNITS

	April 15, 2007	October 1, 2006	April 16, 2006
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Jack in the Box:

Company-operated	1,456	1,475	1,510
Franchised	642	604	546
Total system	2,098	2,079	2,056

Qdoba:

Company-operated	73	70	63
Franchised	280	248	222
Total system	353	318	285

Consolidated:

Company-operated	1,529	1,545	1,573
Franchised	922	852	768
Total system	2,451	2,397	2,341

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Restaurant sales increased \$12.6 million, or 2.6%, in the quarter and \$24.2 million, or 2.1% year-to-date. This sales growth primarily reflects an increase in per store average (PSA) sales at Jack in the Box and Qdoba company-operated restaurants, offset in part by a decrease in the number of company-operated restaurants. Same-store sales at Jack in the Box company-operated restaurants increased 6.4% and 5.9%, respectively, in 2007 compared with a year ago, reflecting an increase in both average check and transactions primarily due to the success of new product introductions and continued focus on our brand reinvention initiatives. The number of Jack in the Box company-operated restaurants decreased by 54 since a year ago, primarily reflecting the sale of company-operated restaurants to franchisees, which was partially offset by an increase in Qdoba company-operated restaurants.

Distribution and other sales, which include Quick Stuff fuel and convenience store sales, grew to \$129.8 million and \$293.6 million, respectively, in 2007 from \$108.1 million and \$248.1 million in 2006. Distribution sales to Jack in the Box and Qdoba franchisees grew primarily due to an increase in the number of franchised restaurants serviced by our distribution centers. Sales from our Quick Stuff locations increased primarily due to an increase in the number of locations to 57 at the end of the quarter from 47 a year ago, offset in part by a decrease in PSA fuel gallons sold.

Franchised restaurant revenues, which include rents, royalties and fees from restaurants operated by franchisees, increased to \$30.4 million and \$71.9 million, respectively, in 2007 from \$22.8 million and \$56.0 million in 2006, primarily reflecting growth in the number of franchised restaurants and increases in PSA sales at franchised restaurants. The number of franchised restaurants at the end of the quarter grew to 922 from 768 a year ago, reflecting the franchising of Jack in the Box company-operated restaurants and new restaurant development by Jack in the Box and Qdoba franchisees.

Costs and Expenses

Restaurant costs of sales, which include food and packaging costs, increased to \$155.2 million and \$357.3 million, respectively, in 2007 from \$151.6 million and \$355.5 million in 2006. As a percentage of restaurant sales, restaurant costs of sales were 31.0% in both periods of 2007 compared with 31.1% and 31.5%, respectively, in 2006. The lower percent of sales rates in 2007 are due to favorable product mix changes year-to-date and modest selling price increases in both periods, partially offset by slightly higher ingredient costs in the quarter.

Restaurant operating costs increased to \$253.8 million and \$583.4 million, respectively, in 2007 from \$250.4 million and \$581.6 million in 2006. As a percentage of restaurant sales, restaurant operating costs improved to 50.7% and 50.6%, respectively, in 2007 from 51.3% and 51.6% in 2006. The percentage improvement in 2007 is primarily due to fixed-cost leverage on same-store sales growth and lower costs for utilities.

Distribution and other cost of sales increased to \$128.4 million and \$291.2 million, respectively, in 2007 from \$107.1 million and \$245.3 million in 2006, primarily reflecting an increase in the related sales. In the quarter, these costs as a percent of the related sales decreased primarily due to increases in distribution volumes resulting from strong sales at Jack in the Box franchised restaurants. The year-to-date percentage increased primarily due to a decrease in our per gallon fuel margins offset in part by increases in distribution volumes.

Franchised restaurant costs, principally rents and depreciation on properties leased to Jack in the Box franchisees, increased to \$12.9 million and \$29.3 million, respectively, in 2007 from \$10.0 million and \$22.9 million in 2006, due primarily to an increase in the number of franchised restaurants.

Selling, general and administrative expenses (SG&A) were \$69.6 million and \$158.9 million, respectively, in 2007 compared with \$69.1 million and \$158.7 million in 2006. SG&A expenses improved to 10.5% of revenues in both periods of 2007 compared with 11.2% and 11.1%, respectively, in 2006 due primarily to the leverage from higher sales and franchise revenues, lower pension expense, as well as the impact of the Company's refranchising strategy.

Gains on sale of company-operated restaurants to franchisees were \$7.2 million and \$14.4 million, respectively, from the sale of 15 and 30 Jack in the Box restaurants, in 2007 compared with \$7.5 million and \$14.2 million, from the sale of 13 and 30 Jack in the Box restaurants, in 2006. The average gain per restaurant in 2007 and 2006 are related to the specific sales and cash flows of the restaurants sold. We continued our strategy of selectively selling Jack in the Box company-operated restaurants to franchisees with the goal of generating higher returns and margins while mitigating business-cost and investment risks.

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Interest expense, net increased \$1.8 million in the quarter and \$3.3 million year-to-date. In the quarter and year-to-date, higher average bank borrowings and increased interest rates incurred on our credit facility contributed to the increase. This increase was offset in part by an increase in interest income of \$1.8 million in the quarter and \$4.4 million year-to-date, reflecting higher cash balances and interest rates on invested cash. Year-to-date interest expense, net also includes a \$1.9 million charge to write off deferred financing fees associated with our prior credit facility.

The income tax provisions reflect a decrease in the effective tax rate to 36.0% in 2007 from 37.0% in 2006 due primarily to the retroactive reinstatement of the Work Opportunity Tax Credit program recorded as a discrete item in the first quarter of fiscal 2007. We expect the annual tax rate for fiscal year 2007 to be 36% - 37%. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual rate could differ from our current estimates.

Net Earnings

Net earnings were \$27.2 million in the quarter, or \$.80 per diluted share, in 2007 compared to \$21.8 million, or \$.61 per diluted share, in 2006. Year-to-date net earnings were \$64.6 million, or \$1.83 per diluted share, in 2007 compared to \$47.0 million, or \$1.31 per diluted share, in 2006.

Liquidity and Capital Resources

General. Cash and cash equivalents decreased \$156.8 million to \$77.1 million at April 15, 2007 from \$233.9 million at the beginning of the fiscal year. This decrease is primarily due to the use of cash to repurchase the Company's common stock, the repayment of our prior credit facility, a \$60.0 million prepayment made on the Company's new credit facility and property and equipment expenditures, which were offset in part by borrowings under the Company's new credit facility, cash flows provided by operating activities and proceeds from the issuance of common stock and from sales of restaurants to franchisees. We generally reinvest available cash flows from operations to develop new or enhance existing restaurants, to repurchase shares of our common stock and to reduce debt.

Financial Condition. As is common in the restaurant industry, we maintain relatively low levels of accounts receivable and inventories, and our vendors grant trade credit for purchases such as food and supplies. We also continually invest in our business through the addition of new units and refurbishment of existing units, which are reflected as long-term assets.

Capital Expenditures. We used cash flows of \$68.7 million for purchases of property and equipment in 2007 compared with \$61.8 million in 2006. In 2007, we also incurred capital lease obligations of \$0.5 million. The increase in capital expenditures compared with a year ago primarily relates to our on-going comprehensive re-image program. We expect capital expenditures to be \$160 - \$170 million in fiscal 2007.

Sale of Company-Operated Restaurants. We have continued our strategy of selectively franchising Jack in the Box company-operated restaurants to franchisees, selling 15 and 30 restaurants respectively, 2007 compared with 13 and 30 a year ago. Year to date proceeds from the sale of company-operated restaurants were \$19.3 million in 2007 and \$18.8 million in 2006.

New Financing. On December 15, 2006, we replaced our existing credit facility with a new credit facility intended to provide a more flexible capital structure and facilitate the execution of our strategic plan. The new credit facility is comprised of (i) a \$150.0 million revolving credit facility maturing on December 15, 2011 and (ii) a \$475.0 million term loan maturing on December 15, 2012, initially both with London Interbank Offered Rate (LIBOR) plus 1.375%. As part of the credit agreement, we may also request the issuance of up to \$75.0 million in letters of credit, the outstanding amount of which reduces the net borrowing capacity under the agreement. The new credit facility requires the payment of an annual commitment fee based on the unused portion of the credit facility. The credit facility's interest rates and the annual commitment rate are based on a financial leverage ratio, as defined in the credit agreement. Our obligations under the new credit facility are secured by first priority liens and security interests in the capital stock, partnership, and membership interests owned by us and (or) our subsidiaries, and any proceeds thereof, subject to certain restrictions set forth in the credit agreement. Additionally, the credit agreement includes a negative pledge on all tangible and intangible assets (including all real and personal property) with customary exceptions.

We borrowed \$475.0 million under the term loan facility and used the proceeds to repay all borrowings under the prior credit facility, to pay related transaction fees and expenses and to repurchase a portion of our outstanding stock. On April 13, 2006, we elected to make, without penalty, a \$60.0 million optional prepayment of our term loan,

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which will be applied to the remaining scheduled principal installments in the direct order of maturity. The prepayment will reduce the interest rate on the credit facility by 25 basis points to LIBOR plus 1.125%, which is expected to result in an annualized interest savings of approximately \$2.0 million. At April 15, 2007, we had no borrowings under the revolving credit facility and had letters of credit outstanding of \$0.3 million. Loan origination costs associated with the new credit facility were \$7.4 million and are included as deferred costs in other assets, net in the accompanying condensed consolidated balance sheet as of April 15, 2007.

Letter of Credit Agreement. To reduce our letter of credit fees, we entered into a cash-collateralized letter of credit agreement in October 2004. At April 15, 2007, we had letters of credit outstanding under this agreement of \$43.4 million, which were collateralized by approximately \$47.8 million of cash and cash equivalents. Although we intend to continue this arrangement, we have the ability to terminate the cash-collateralized letter of credit agreement thereby eliminating the restrictions on and cash equivalents.

Interest Rate Swaps. Concurrent with the termination of our prior credit facility, we liquidated three related interest rate swap agreements and reversed the fair value of the swaps recorded as a component of accumulated other comprehensive loss, net. We realized a net gain of \$0.4 million, included in interest expense, net in the accompanying consolidated statement of earnings for the year-to-date period ended April 15, 2007. To reduce our exposure to rising interest rates under our new credit facility, in March 2007, we entered into two interest rate swap agreements that will effectively convert \$200.0 million of our variable rate term loan borrowings to a fixed rate basis for three years.

Debt Covenants. We are subject to a number of covenants under our various debt instruments, including limitations on additional borrowings, acquisitions, loans to franchisees, capital expenditures, lease commitments, stock repurchases and dividend payments, as well as requirements to maintain certain financial ratios, cash flows and net worth. As of April 15, 2007, we were in compliance with all debt covenants.

Debt Outstanding. Total debt outstanding increased to \$435.9 million at April 15, 2007 from \$291.8 million at the beginning of the fiscal year. Current maturities of long-term debt decreased \$31.6 million and long-term debt, net of current maturities increased \$175.7 million due to borrowings under the new credit facility. At October 1, 2006, \$29.1 million was classified as current under the prior credit facility related to a clause in the agreement requiring prepayments based on an excess cash flow calculation.

Repurchases of Common Stock. On November 21, 2006, we announced the commencement of a modified Dutch Auction tender offer (Tender Offer) for up to 5.5 million shares of our common stock at a price per share not less than \$55.00 and not greater than \$61.00, for a maximum aggregate purchase price of \$335.5 million. On December 19, 2006, we accepted for purchase approximately 2.3 million shares of common stock at a purchase price of \$61.00 per share, for a total cost of \$143.2 million.

On December 20, 2006, the Board of Directors authorized an additional program to repurchase up to 3.3 million shares in calendar year 2007. In the second quarter of 2007, under a 10b5-1 plan, we repurchased 3.2 million shares for \$220.1 million.

The Tender Offer and the additional repurchase program were funded through the new credit facility and available cash, and all shares repurchased were subsequently retired.

Outstanding Stock Repurchase Programs. Pursuant to a stock repurchase program authorized by our Board of Directors in September 2005, we have approximately \$100.0 million of repurchase availability, which expires in September 2008. We also have approximately 136,000 shares available to repurchase in calendar year 2007 under the December 20, 2006 stock repurchase authorization.

Future Liquidity. We require capital principally to grow the business through new restaurant construction, as well as to maintain, improve and refurbish existing restaurants, and for general operating purposes. Our primary short-term and long-term sources of liquidity are expected to be cash flows from operations, the revolving bank credit facility, the sale of company-operated restaurants to franchisees and the sale and leaseback of certain restaurant properties. Based upon current levels of operations and anticipated growth, we expect that cash flows from operations, combined with other financing alternatives in place or available, will be sufficient to meet our capital expenditure, working capital and debt service requirements.

Discussion of Critical Accounting Policies

We have identified the following as our most critical accounting policies, which are those that are most important to the portrayal of the Company's financial condition and results and require management's most subjective

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and complex judgments. Information regarding our other significant accounting policies are disclosed in Note 1 of our most recent Annual Report on Form 10-K filed with the SEC.

Share-based Compensation We account for share-based compensation in accordance with Statement of Financial Accounting Standards (SFAS) 123R. Under the provisions of SFAS 123R, share-based compensation cost is estimated at the grant date based on the award's fair-value as calculated by an option pricing model and is recognized as expense ratably over the requisite service period. The option pricing models require various highly judgmental assumptions including volatility, forfeiture rates, and expected option life. If any of the assumptions used in the model change significantly, share-based compensation expense may differ materially in the future from that recorded in the current period.

Retirement Benefits We sponsor pension and other retirement plans in various forms covering those employees who meet certain eligibility requirements. Several statistical and other factors which attempt to anticipate future events are used in calculating the expense and liability related to the plans, including assumptions about the discount rate, expected return on plan assets and the rate of increase in compensation levels, as determined by the Company using specified guidelines. In addition, our outside actuarial consultants also use certain statistical factors such as turnover, retirement and mortality rates to estimate our future benefit obligations. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower turnover and retirement rates or longer or shorter life spans of participants. These differences may impact the amount of pension expense we record.

Self Insurance We are self-insured for a portion of our losses related to workers' compensation, general liability, automotive, medical and dental programs. In estimating our self insurance accruals, we utilize independent actuarial estimates of expected losses, which are based on statistical analyses of historical data. These assumptions are closely monitored and adjusted when warranted by changing circumstances. Should a greater amount of claims occur compared to what was estimated or medical costs increase beyond what was expected, accruals might not be sufficient, and additional expense may be recorded.

Long-lived Assets Property, equipment and certain other assets, including amortized intangible assets, are reviewed for impairment when indicators of impairment are present. This review includes a restaurant-level analysis that takes into consideration a restaurant's operating cash flows, the period of time since a restaurant has been opened or remodeled, and the maturity of the related market. When indicators of impairment are present, we perform an impairment analysis on a restaurant-by-restaurant basis. If the sum of undiscounted future cash flows is less than the net carrying value of the asset, we recognize an impairment loss by the amount which the carrying value exceeds the fair value of the asset. Our estimates of future cash flows may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance.

Goodwill and Other Intangibles We also evaluate goodwill and intangible assets not subject to amortization annually or more frequently if indicators of impairment are present. If the determined fair values of these assets are less than the related carrying amounts, an impairment loss is recognized. The methods we use to estimate fair value include future cash flow assumptions, which may differ from actual cash flows due to, among other things, economic conditions or changes in operating performance. During the fourth quarter of fiscal 2006, we reviewed the carrying value of our goodwill and indefinite life intangible assets and determined that no impairment existed as of October 1, 2006.

Allowances for Doubtful Accounts Our trade receivables consist primarily of amounts due from franchisees for rents on subleased sites, royalties and distribution sales. We continually monitor amounts due from franchisees and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our franchisees to make required payments. This estimate is based on our assessment of the collectibility of specific franchisee accounts, as well as a general allowance based on historical trends, the financial condition of our franchisees, consideration of the general economy and the aging of such receivables. We have good relationships with our franchisees and high collection rates; however, if the future financial condition of our franchisees were to deteriorate, resulting in their inability to make specific required payments, we may be required to increase the allowance for doubtful accounts may be required.

Legal Accruals The Company is subject to claims and lawsuits in the ordinary course of its business. A determination of the amount accrued, if any, for these contingencies is made after analysis of each matter. We continually evaluate such accruals and may increase or decrease accrued amounts as we deem appropriate.

Table of Contents**Future Application of Accounting Principles**

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS 109, *Accounting for Income Taxes*. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. We are currently evaluating the impact of FIN 48 on our consolidated financial statements, which is effective for fiscal years beginning after December 15, 2006.

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Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on our consolidated financial statements upon adoption.

Cautionary Statements Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities law. These forward-looking statements are principally contained in the sections captioned, Notes to Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements are generally identifiable by the use of the words anticipate, assume, believe, strategy, estimate, seek, expect, intend, plan, project, may, will, would, and similar expressions. Forward-looking statements are based on management's current plans and assumptions and are subject to known and unknown risks and uncertainties, which may cause actual results to differ materially from expectations. You should not place undue reliance on forward-looking statements. The following are some of the considerations and factors that could materially affect our results.

Whether new interior and exterior designs will foster increases in sales at re-imaged restaurants and yield the desired return on investment.

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The risk of widespread negative publicity, whether or not based in fact, which affects consumer perceptions about the health, safety or quality of food and beverages served at our restaurants.

Costs may exceed projections, including costs for food ingredients, fuel, utilities, real estate, insurance, equipment, technology, construction of new and remodeled restaurants, and labor including increases in minimum wage, workers compensation and other insurance and healthcare.

There can be no assurances that the Company's growth objectives in the regional domestic markets in which it operates restaurants and convenience stores will be met or that the new facilities will be profitable. Anticipated and unanticipated delays in development, sales softness and restaurant closures may have a material adverse effect on the Company's results of operations. The development and profitability of restaurants can be adversely affected by many factors, including the ability of the Company and its franchisees to select and secure suitable sites on satisfactory terms, costs of construction, the availability of financing and general business and economic conditions.

Aggressive competition from numerous and varied competitors (some with significantly greater financial resources) in all areas of business, including new concepts, facility design, competition for labor, new product introductions, promotions and discounting. Additionally, the trend toward convergence in grocery, deli and other types of food services may increase the number of our competitors.

The realization of gains from the sales of company-operated restaurant to existing and new franchisees depends upon various factors, including sales trends, the financing market and economic conditions. The number of franchises sold and the amount of gain realized from the sale of an on-going business may not be consistent from quarter-to-quarter and may not meet expectations.

The risks and costs of legal claims such as class actions involving employees, franchisees, shareholders or consumers, including costs related to potential settlement or judgments.

The impact on the Company's financial results from changes in accounting standards, policies or practices or related interpretations by auditors or regulatory entities, including changes in tax accounting or tax laws.

Information security risks and the Company's costs or exposures associated with maintaining the security of information and the use of cashless payments. Such risks include increased investment in technology and costs of compliance with consumer protection and other laws.

The risks, and potential impact upon sales and expenses, of significant demographic changes, adverse weather, economic conditions such as inflation or recession or political conditions such as terrorist activity or the effects of war, or other significant events, particularly in California and Texas where approximately 70% of Jack in the Box restaurants are located; new legislation and governmental regulation; the possibility of unforeseen events affecting the food service industry in general and other factors over which the Company has no control can adversely affect our results of operation.

This discussion of uncertainties is not exclusive. Additional risk factors associated with our business are mentioned in Management's Discussion and Analysis in this Form 10-Q and detailed in our Annual Report on Form 10-K for fiscal year 2006 filed with the SEC. Jack in the Box Inc. assumes no obligation and does not intend to update these forward-looking statements.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our primary exposure relating to financial instruments is changes in interest rates. We use interest rate swaps agreements to reduce exposure to interest rate fluctuations. At April 15, 2007, we had two interest rate swap agreements having an aggregate notional amount of \$200.0 million expiring April 1, 2010. These agreements effectively convert a portion of our variable rate bank debt to fixed-rate debt and have an average pay rate of 4.87%, yielding a fixed-rate of 6.00% including the term loan's applicable margin of 1.125%.

Our credit facility, which is comprised of a revolving credit facility and a term loan, bears interest at an annual rate equal to the prime rate or LIBOR plus an applicable margin based on a financial leverage ratio. As of April 15, 2007, the applicable margin for the LIBOR-based revolving loans and term loan was set at 1.375%. A hypothetical 100 basis point increase in short-term interest rates, based on the outstanding balance of our revolving credit facility and term loan at April 15, 2007, would result in an estimated increase of \$2.2 million in annual interest expense. The estimated increase is based on holding the unhedged portion of bank debt at its April 15, 2007 level.

Changes in interest rates also impact our pension expense, as do changes in the expected long-term rate of return on our pension plan assets. An assumed discount rate is used in determining the present value of future cash outflows currently expected to be required to satisfy the pension benefit obligation when due. Additionally, an assumed long-term rate of return on plan assets is used in determining the average rate of earnings expected on the funds invested or to be invested to provide the benefits to meet our projected benefit obligation. A hypothetical 25 basis point reduction in the assumed discount rate and expected long-term rate of return on plan assets would result in an estimated increase of \$1.5 million and \$0.5 million, respectively, in our future annual pension expense.

We are also exposed to the impact of commodity and utility price fluctuations related to unpredictable factors such as weather and various other market conditions outside our control. Our ability to recover increased costs through higher prices is limited by the competitive environment in which we operate. From time-to-time we enter into futures and option contracts to manage these fluctuations. Open commodity futures and option contracts at April 15, 2007 were not significant.

At April 15, 2007, we had no other material financial instruments subject to significant market exposure.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures, as such term is defined under Rules 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this quarterly report.

There were no changes in the Company's internal control over financial reporting during the period covered by this quarterly report on Form 10-Q that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

There is no information required to be reported for any items under Part II, except as follows:

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to normal and routine litigation. In the opinion of management, based in part on the advice of legal counsel, the ultimate liability from all pending legal proceedings, asserted legal claims and known potential legal claims should not materially affect our operating results, financial position and liquidity.

Table of Contents**ITEM 1A. RISK FACTORS**

There have been no material changes to the risk factors previously disclosed in the Company's Form 10-K for the year ended October 1, 2006. You should review the brief discussion of some of those risk factors appearing under the heading "Cautionary Statements Regarding Forward-Looking Statements" and throughout Management's Discussion and Analysis in this Form 10-Q.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On December 20, 2006, the Board of Directors authorized a program to repurchase up to 3.3 million shares in calendar year 2007. The following table summarizes shares repurchased pursuant to this program during the quarter ended April 15, 2007:

	(a) Total number of shares purchased	(b) Average price paid per share	(c) Total number of shares purchased as part of publicly announced programs	(d) Maximum dollar value that may yet be purchased under the programs
January 22, 2007 – February 21, 2007		\$		\$ 100,000,000(1)
February 22, 2007 – March 21, 2007	1,814,400	\$ 69.31	1,814,400	\$ 100,000,000(1)
March 22, 2007 – April 15, 2007	1,349,577	\$ 69.83	1,349,577	\$ 100,000,000(1)
Total	3,163,977	\$ 69.53	3,163,977	\$ 100,000,000(1)

(1) Pursuant to a stock repurchase program authorized by our Board of Directors in September 2005, we have approximately \$100 million of repurchase availability, which expires in September 2008. Under the December 20, 2006 stock repurchase authorization, we have approximately

136,000 shares
available to
repurchase in
calendar year
2007.

We did not pay any cash or other dividends during the last two fiscal years. Our credit agreement provides for a remaining aggregate amount of \$297 million for the repurchase of our common stock and \$50 million for the potential payment of cash dividends. However, we do not anticipate paying dividends in the foreseeable future.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Our annual meeting of stockholders was held February 16, 2007, at which the following matters were voted as indicated:

	For	Withheld	Abstain	
1. Election of the following directors to serve until the next annual meeting of stockholders and until their successors are elected and qualified.				
Michael E. Alpert	31,112,017	676,520		
George Fellows	31,632,410	156,127		
Anne B. Gust	31,550,520	238,017		
Alice B. Hayes, Ph.D.	31,660,270	128,267		
Murray H. Hutchison	31,661,920	126,617		
Linda A. Lang	30,660,773	1,127,764		
Michael W. Murphy	31,649,543	138,994		
David M. Tehle	31,707,433	81,104		
			Broker	
	For	Against	Abstain	Non-Votes
2. Ratification of appointment of KPMG LLP as independent registered public accountants	31,037,233	747,182	4,122	2,108,279
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ITEM 6. EXHIBITS

Number Description

- 3.1 Restated Certificate of Incorporation, as amended, which is incorporated herein by reference from registrant's Annual Report on Form 10-K for the fiscal year ended October 3, 1999.
- 3.2 Amended and Restated Bylaws, which are incorporated herein by reference from the registrant's Current Report on Form 8-K dated November 13, 2006.
- 10.1 Credit Agreement dated as of December 15, 2006 by and among Jack in the Box Inc. and the lenders named therein, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated December 15, 2006.
- 10.2 Collateral Agreement dated as of December 15, 2006 by and among Jack in the Box Inc. and the lenders named therein, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated December 15, 2006.
- 10.3 Guaranty Agreement dated as of December 15, 2006 by and among Jack in the Box Inc. and the lenders named therein, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated December 15, 2006.
- 10.4* Amended and Restated 1992 Employee Stock Incentive Plan, which is incorporated herein by reference from registrant's Registration Statement on Form S-8 (No. 333-26781) filed May 9, 1997.
- 10.5* Jack in the Box Inc. 2002 Stock Incentive Plan, which is incorporated herein by reference from the registrant's Definitive Proxy Statement dated January 18, 2002 for the Annual Meeting of Stockholders on February 22, 2002.
- 10.5.1* Form of Restricted Stock Award for certain executives under the 2002 Stock Incentive Plan, which is incorporated herein by reference from registrant's Quarterly Report on Form 10-Q for the quarter ended January 19, 2003.
- 10.6* Supplemental Executive Retirement Plan, which is incorporated herein by reference from registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2001.
- 10.6.1* First Amendment dated as of August 2, 2002 to the Supplemental Executive Retirement Plan, which is incorporated herein by reference from registrant's Annual Report on Form 10-K for the fiscal year ended September 29, 2002.
- 10.6.2* Second Amendment dated as of November 9, 2006 to the Supplemental Executive Retirement Plan, which is incorporated herein by reference from the registrant's Annual Report on Form 10-K for the year ended October 1, 2006.
- 10.6.3* Third Amendment dated as of February 15, 2007 to the Supplemental Executive Retirement Plan.
- 10.7* Amended and Restated Performance Bonus Plan effective October 2, 2000, which is incorporated herein by reference from the registrant's Definitive Proxy Statement dated January 13, 2006 for the Annual Meeting of Stockholders on February 17, 2006.

- 10.7.1* Bonus Program for Fiscal 2007 Under the Performance Bonus Plan, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated September 18, 2006.
- 10.8* Deferred Compensation Plan for Non-Management Directors, which is incorporated herein by reference from registrant's Definitive Proxy Statement dated January 17, 1995 for the Annual Meeting of Stockholders on February 17, 1995.
- 10.8.1* Amended and Restated Deferred Compensation Plan for Non-Management Directors effective November 9, 2006, which is incorporated herein by reference from the registrant's Annual Report on Form 10-K for the year ended October 1, 2006.
- 10.9* Amended and Restated Non-Employee Director Stock Option Plan, which is incorporated herein by reference from registrant's Annual Report on Form 10-K for the fiscal year ended October 3, 1999.
- 10.10* Form of Compensation and Benefits Assurance Agreement for Executives, which is incorporated herein by reference from the registrant's Quarterly Report on Form 10-Q for the quarter ended July 9, 2006.

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Number	Description
10.11*	Form of Indemnification Agreement between Jack in the Box Inc. and certain officers and directors, which is incorporated herein by reference from registrant's Annual Report on Form 10-K for the fiscal year ended September 29, 2002.
10.13*	Executive Deferred Compensation Plan, which is incorporated herein by reference from registrant's Quarterly Report on Form 10-Q for the quarter ended January 19, 2003.
10.14(a)*	Schedule of Restricted Stock Awards, which is incorporated herein by reference from the registrant's Annual Report on Form 10-K for the year ended October 1, 2006.
10.15*	Executive Retention Agreement between Jack in the Box Inc. and Gary J. Beisler, President and Chief Executive Officer of Qdoba Restaurant Corporation, which is incorporated herein by reference from registrant's Quarterly Report on Form 10-Q for the quarter ended April 13, 2003.
10.16*	Amended and Restated 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated February 24, 2005.
10.16.1*	Form of Restricted Stock Award for certain executives under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated October 24, 2005.
10.16.2*	Form of Stock Option Awards under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated September 10, 2004.
10.16.3*	Jack in the Box Inc. Non-Employee Director Stock Option Award Agreement under the 2004 Stock Incentive Plan, which is incorporated herein by reference from the registrant's Current Report on Form 8-K dated November 10, 2005.
10.21*	Executive Compensation Base Salaries effective October 2, 2006, which is incorporated herein by reference from the registrant's Annual Report on Form 10-K for the year ended October 1, 2006.
10.23*	Summary of Director Compensation effective fiscal 2007, which is incorporated herein by reference from the registrant's Annual Report on Form 10-K for the year ended October 1, 2006.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Management contract or compensatory

plan.

ITEM 15(b) All required exhibits are filed herein or incorporated by reference as described in Item 15(a)(3).

ITEM 15(c) All supplemental schedules are omitted as inapplicable or because the required information is included in the consolidated financial statements or notes thereto.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized and in the capacities indicated.

JACK IN THE BOX INC.

By: /S/ JERRY P. REBEL
Jerry P. Rebel
Executive Vice President
and Chief Financial Officer
(Principal Financial Officer)
(Duly Authorized Signatory)

Date: May 16, 2007

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