DUNKIN' BRANDS GROUP, INC. Form 10-Q May 09, 2012 Table of Contents

FORM 10-Q

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended March 31, 2012

OR

" TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from

Commission file number 001-35258

DUNKIN BRANDS GROUP, INC.

(Exact name of registrant as specified in its charter)

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Delaware (State or other jurisdiction of 20-4145825 (I.R.S. Employer

incorporation or organization)

Identification No.)

130 Royall Street

Canton, Massachusetts 02021

(Address of principal executive offices) (zip code)

(781) 737-3000

(Registrants telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant has (1) 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 x NO "

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES x NO "

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

Large accelerated filer " Accelerated filer

Non-accelerated filer x Smaller Reporting Company

Indicate by check mark whether the Registrant is a shell company (as defined in rule 12b-2 of the Exchange Act) YES "NO x

As of May 4, 2012, 120,451,178 shares of common stock of the registrant were outstanding.

DUNKIN BRANDS GROUP, INC. AND SUBSIDIARIES

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Part I. Financial Information Item 1. Financial Statements

DUNKIN BRANDS GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(In thousands, except share data)

(Unaudited)

Assets Assets Canal Cash Equivalents Scape (a)		Manah 21	Dagambar 21
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Cash and cash equivalents \$ 206,005 246,715 Accounts receivable, net of allowance for doubtful accounts of \$2,369 and \$2,713 of March 31, 2012 and December 31, 2011, respectively 36,835 37,122 Notes and other receivables, net of allowance for doubtful accounts of \$1,751 and \$2,321 as of March 31, 2012 and December 31, 2011, respectively 7,963 21,665 Assets held for sale 2,006 1,266 1,266 Deferred income taxes, net 48,521 48,387 30,007 Restricted assets of advertising funds 30,844 31,017 Prepaid expenses and other current assets 22,630 20,302 Total current assets 354,854 406,474 406,474 406,474 Property and equipment, net of accumulated depreciation of \$108,112 and \$103,541 as of March 31, 2012 and 200 184,920 185,360 Investments in joint ventures 157,374 164,636 160,007 184,920 185,360 Investments in joint ventures 157,007 184,920 185,360 184,920 185,360 Investments in joint ventures 157,008 180,925 890,929 185,360 180,929 185,360 180,929 180,929	Assets		
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Restricted assets of advertising funds 30,894 31,017 Prepaid expenses and other current assets 22,630 20,302 Total current assets 354,854 406,474 Property and equipment, net of accumulated depreciation of \$108,112 and \$103,541 as of March 31, 2012 and 184,920 185,360 Inceptive and equipment, net of accumulated depreciation of \$108,112 and \$103,541 as of March 31, 2012 and 184,920 185,360 Inceptive and equipment, net of accumulated depreciation of \$108,112 and \$103,541 as of March 31, 2012 and 184,920 185,360 Inceptive and equipment, net of accumulated depreciation of \$108,112 and \$103,541 as of March 31, 2012 and 184,920 185,360 Inceptive and equipment, net of accumulated depreciation of \$108,112 and \$103,541 as of March 31, 2012 and 184,920 185,360 Other assets \$15,737 and 184,920 184,920 184,920 184,930 185,360 Total assets \$3,157,961 \$3,157,961 \$3,224,018 32,240,18 32,240,18 Liabilities, Common Stock, and Equity \$16,000 \$1,965 49,65 49,65 49,65 49,65 49,65 49,65 49,65 49,65 49,65	Assets held for sale	2,006	1,266
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Current liabilities: Image: Current portion of long-term debt \$ 16,000 14,965 Capital lease obligations 303 232 Accounts payable 7,662 9,651 Income taxes payable, net 21,124 15,630 Liabilities of advertising funds 51,243 50,547 Deferred income 24,237 24,918 Other current liabilities 135,335 200,597 Total current liabilities 255,904 316,540 Long-term debt, net 1,446,072 1,453,344 Capital lease obligations 6,781 4,928 Unfavorable operating leases acquired 20,803 21,440 Deferred income 17,787 16,966	Liabilities Common Stock and Equity		
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Long-term debt, net 1,446,072 1,453,344 Capital lease obligations 6,781 4,928 Unfavorable operating leases acquired 20,803 21,440 Deferred income 17,787 16,966	other current nationales	155,555	200,377
Long-term debt, net 1,446,072 1,453,344 Capital lease obligations 6,781 4,928 Unfavorable operating leases acquired 20,803 21,440 Deferred income 17,787 16,966	Total current liabilities	255,904	316.540
Capital lease obligations 6,781 4,928 Unfavorable operating leases acquired 20,803 21,440 Deferred income 17,787 16,966			220,070
Capital lease obligations 6,781 4,928 Unfavorable operating leases acquired 20,803 21,440 Deferred income 17,787 16,966	Long-term debt, net	1,446,072	1,453,344
Unfavorable operating leases acquired20,80321,440Deferred income17,78716,966			
Deferred income 17,787 16,966			21,440
Deferred income taxes, net 575,111 578,660		17,787	
	Deferred income taxes, net	575,111	578,660

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Other long-term liabilities	86,165	86,204
Total long-term liabilities	2,152,719	2,161,542
Commitments and contingencies (note 11)		
Stockholders equity:		
Preferred stock, \$0.001 par value; 25,000,000 shares authorized; no shares issued and outstanding at March 31, 2012 and December 31, 2011, respectively		
Common stock, \$0.001 par value; 475,000,000 shares authorized and 120,288,827 and 120,136,631 shares		
issued and outstanding at March 31, 2012 and December 31, 2011, respectively	120	119
Additional paid-in capital	1,460,860	1,478,291
Accumulated deficit	(726, 125)	(752,075)
Accumulated other comprehensive income	13,629	19,601
Total stockholders equity of Dunkin Brands	748,484	745,936
Noncontrolling interests	854	
Total equity	749,338	745,936
Total liabilities, common stock, and equity	\$ 3,157,961	3,224,018

 $See\ accompanying\ notes\ to\ unaudited\ consolidated\ financial\ statements.$

DUNKIN BRANDS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

		Three months ended	
	March 31, 2012	March 26,	
Revenues:	2012	2011	
Franchise fees and royalty income	\$ 96,044	85,959	
Rental income	22,939	22,131	
Sales of ice cream products	22,723	22,716	
Other revenues	10,666	8,407	
Other revenues	10,000	0,407	
Total revenues	152,372	139,213	
Operating costs and expenses:			
Occupancy expenses franchised restaurants	12,920	12,288	
Cost of ice cream products	16,818	15,124	
General and administrative expenses, net	57,840	53,886	
Depreciation	6,189	6,126	
Amortization	6,865	7,082	
Impairment charges	9	653	
Total operating costs and expenses	100,641	95,159	
Equity in net income of joint ventures	3,464	782	
-1y y /	2,121		
Operating income	55,195	44,836	
Other income (expense):			
Interest income	118	115	
Interest expense	(16,696)	(33,882)	
Loss on debt extinguishment and refinancing transactions		(11,007)	
Other gains, net	60	476	
Total other expense	(16,518)	(44,298)	
Income before income taxes	38,677	538	
Provision for income taxes	12,763	2,261	
Net income (loss) including noncontrolling interests	25,914	(1,723)	
Net loss attributable to noncontrolling interests	(36)		
<i>6</i> · · · · · · · · · · · · · · · · · · ·	()		
Net income (loss) attributable to Dunkin Brands	\$ 25,950	(1,723)	
	<u> </u>	(1,720)	
Earnings (loss) per share:			
Class L basic and diluted	n/a	0.85	
Common basic	\$ 0.22	(0.51)	
Common diluted	\$ 0.21	(0.51)	
Cash dividends declared per common share	\$ 0.15	(0.51)	
cush dividends declared per common share	ψ 0.13		

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See accompanying notes to unaudited consolidated financial statements.

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DUNKIN BRANDS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

(In thousands, except per share data)

(Unaudited)

	Three months ended	
	March 31, 2012	March 26, 2011
Net income (loss) including noncontrolling interests	\$ 25,914	(1,723)
Other comprehensive income (loss), net:		
Effect of foreign currency translation	(4,536)	5,033
Other	(1,436)	(76)
Total other comprehensive income (loss)	(5,972)	4,957
Comprehensive income	19,942	3,234
Comprehensive loss attributable to noncontrolling interests	(36)	
Comprehensive income attributable to Dunkin Brands	\$ 19,978	3,234

See accompanying notes to unaudited consolidated financial statements.

DUNKIN BRANDS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

	Three months ended	
	March 31, 2012	March 26, 2011
Cash flows from operating activities:		
Net income (loss) including noncontrolling interests	\$ 25,914	(1,723)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,054	13,208
Amortization of deferred financing costs and original issue discount	1,323	1,582
Loss on debt extinguishment and refinancing transactions		11,007
Impact of unfavorable operating leases acquired	(616)	(852)
Deferred income taxes	(3,649)	726
Impairment charges	9	653
Provision for (recovery of) bad debt	(781)	602
Share-based compensation expense	628	241
Equity in net income of joint ventures	(3,464)	(782)
Dividends received from joint ventures, net	4,389	
Other, net	389	(118)
Change in operating assets and liabilities:		
Accounts, notes, and other receivables, net	14,814	31,480
Other current assets	(2,521)	2,679
Accounts payable	(1,555)	