

DUNKIN' BRANDS GROUP, INC.

Form 10-Q

May 09, 2012

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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 to

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
incorporation or organization)

20-4145825
(I.R.S. Employer

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 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 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

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

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

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DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES

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Table of Contents**Part I. Financial Information**
Item 1. Financial Statements**DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES****Consolidated Balance Sheets****(In thousands, except share data)****(Unaudited)**

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
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
Deferred income taxes, net	48,521	48,387
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 December 31, 2011, respectively	184,920	185,360
Investments in joint ventures	157,374	164,636
Goodwill	891,025	890,992
Other intangible assets, net	1,500,582	1,507,219
Restricted cash	431	269
Other assets	68,775	69,068
Total assets	\$ 3,157,961	3,224,018
Liabilities, Common Stock, and Equity		
Current liabilities:		
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
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.

Table of Contents**DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES****Consolidated Statements of Operations****(In thousands, except per share data)****(Unaudited)**

	Three months ended	
	March 31,	March 26,
	2012	2011
Revenues:		
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
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
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)	
Net income (loss) attributable to Dunkin' Brands	\$ 25,950	(1,723)
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	

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**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.

Table of Contents**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)	