

DUNKIN' BRANDS GROUP, INC.
Form 10-Q
November 06, 2013
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FORM 10-Q

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

For the quarterly period ended September 28, 2013

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)

Delaware
(State or other jurisdiction of incorporation or organization)
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.)

20-4145825
(I.R.S. Employer Identification No.)

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 October 31, 2013, 106,673,032 shares of common stock of the registrant were outstanding.

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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)

| | September 28, 2013 | December 29, 2012 |
|---|-----------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$209,800 | 252,618 |
| Accounts receivable, net of allowance for doubtful accounts of \$2,503 and \$2,483 as of September 28, 2013 and December 29, 2012, respectively | 46,124 | 32,407 |
| Notes and other receivables, net of allowance for doubtful accounts of \$854 and \$1,204 as of September 28, 2013 and December 29, 2012, respectively | 9,837 | 20,649 |
| Assets held for sale | 1,606 | 2,400 |
| Deferred income taxes, net | 47,412 | 47,263 |
| Restricted assets of advertising funds | 35,021 | 31,849 |
| Prepaid income taxes | 3,283 | 10,825 |
| Prepaid expenses and other current assets | 22,158 | 21,769 |
| Total current assets | 375,241 | 419,780 |
| Property and equipment, net of accumulated depreciation of \$102,364 and \$109,747 as of September 28, 2013 and December 29, 2012, respectively | 178,639 | 181,172 |
| Equity method investments | 171,025 | 174,823 |
| Goodwill | 891,880 | 891,900 |
| Other intangible assets, net | 1,459,235 | 1,479,784 |
| Restricted cash | 319 | 367 |
| Other assets | 73,619 | 69,687 |
| Total assets | \$3,149,958 | 3,217,513 |
| Liabilities, Redeemable Noncontrolling Interests, and Stockholders' Equity | | |
| Current liabilities: | | |
| Current portion of long-term debt | \$5,000 | 26,680 |
| Capital lease obligations | 403 | 371 |
| Accounts payable | 11,955 | 16,256 |
| Liabilities of advertising funds | 52,897 | 45,594 |
| Deferred income | 22,745 | 24,683 |
| Other current liabilities | 177,071 | 239,931 |
| Total current liabilities | 270,071 | 353,515 |
| Long-term debt, net | 1,823,226 | 1,823,278 |
| Capital lease obligations | 7,116 | 7,251 |
| Unfavorable operating leases acquired | 17,354 | 19,061 |
| Deferred income | 16,840 | 15,720 |
| Deferred income taxes, net | 563,571 | 569,126 |
| Other long-term liabilities | 65,464 | 79,587 |
| Total long-term liabilities | 2,493,571 | 2,514,023 |
| Commitments and contingencies (note 12) | | |
| Redeemable noncontrolling interests | 5,113 | — |
| Stockholders' equity: | — | — |

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| | | |
|--|-------------|--------------|
| Preferred stock, \$0.001 par value; 25,000,000 shares authorized; no shares issued and outstanding at September 28, 2013 and December 29, 2012, respectively | | |
| Common stock, \$0.001 par value; 475,000,000 shares authorized; 107,065,302 issued and 106,648,002 outstanding at September 28, 2013; and 106,146,984 shares issued and outstanding at December 29, 2012 | 107 | 106 |
| Additional paid-in capital | 1,202,808 | 1,251,498 |
| Treasury stock, at cost | (17,190) |) — |
| Accumulated deficit | (809,286) |) (914,094) |
| Accumulated other comprehensive income | 4,764 | 9,141 |
| Total stockholders' equity of Dunkin' Brands | 381,203 | 346,651 |
| Noncontrolling interests | — | 3,324 |
| Total stockholders' equity | 381,203 | 349,975 |
| Total liabilities, redeemable noncontrolling interests, and stockholders' equity | \$3,149,958 | 3,217,513 |

See accompanying notes to unaudited consolidated financial statements.

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DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except per share data)

(Unaudited)

| | Three months ended | | Nine months ended | |
|------------------------------------|--------------------|---------------|-------------------|---------------|
| | September 28, | September 29, | September 28, | September 29, |
| | 2013 | 2012 | 2013 | 2012 |
| Revenues: | | | | |
| Franchise fees and royalty income | \$117,486 | 107,847 | 334,045 | 309,819 |
| Rental income | 25,437 | 24,918 | 72,924 | 73,859 |
| Sales of ice cream products | 30,429 | 27,118 | 86,818 | 78,283 |
| Sales at company-owned restaurants | 6,250 | 5,913 | 18,261 | 16,706 |
| Other revenues | 6,715 | 5,923 | 18,615 | 17,811 |
| Total revenues | 186,317 | 171,719 | 530,663 | 496,478 |
| Operating costs and expenses: | | | | |