

DUNKIN' BRANDS GROUP, INC.

Form 10-Q

May 07, 2014

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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 March 29, 2014

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 May 2, 2014, 106,344,586 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)

	March 29, 2014	December 28, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$202,420	256,933
Accounts receivable, net of allowance for doubtful accounts of \$3,191 and \$2,599 as of March 29, 2014 and December 28, 2013, respectively	47,870	47,162
Notes and other receivables, net of allowance for doubtful accounts of \$972 and \$659 as of March 29, 2014 and December 28, 2013, respectively	8,682	32,603
Deferred income taxes, net	46,222	46,461
Restricted assets of advertising funds	35,579	31,493
Prepaid income taxes	20,461	25,699
Prepaid expenses and other current assets	23,490	21,409
Total current assets	384,724	461,760
Property and equipment, net of accumulated depreciation of \$97,789 and \$105,834 as of March 29, 2014 and December 28, 2013, respectively	177,090	182,858
Equity method investments	169,307	170,644
Goodwill	890,391	891,598
Other intangible assets, net of accumulated amortization of \$205,451 and \$200,248 as of March 29, 2014 and December 28, 2013, respectively	1,445,517	1,452,205
Other assets	69,291	75,625
Total assets	\$3,136,320	3,234,690
Liabilities, Redeemable Noncontrolling Interests, and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$—	5,000
Capital lease obligations	458	432
Accounts payable	11,633	12,445
Liabilities of advertising funds	50,176	49,077
Deferred income	28,740	28,426
Other current liabilities	176,890	248,918
Total current liabilities	267,897	344,298
Long-term debt, net	1,813,245	1,818,609
Capital lease obligations	7,055	6,996
Unfavorable operating leases acquired	16,300	16,834
Deferred income	11,835	11,135
Deferred income taxes, net	557,769	561,714
Other long-term liabilities	64,116	62,816
Total long-term liabilities	2,470,320	2,478,104
Commitments and contingencies (note 10)		
Redeemable noncontrolling interests	4,802	4,930
Stockholders' equity:		
Preferred stock, \$0.001 par value; 25,000,000 shares authorized; no shares issued and outstanding at March 29, 2014 and December 28, 2013, respectively	—	—

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Common stock, \$0.001 par value; 475,000,000 shares authorized; 107,501,189 issued and 106,758,284 outstanding at March 29, 2014; 106,876,919 shares issued and 106,646,219 shares outstanding at December 28, 2013	107	107
Additional paid-in capital	1,182,523	1,196,426
Treasury stock, at cost	(34,771) (10,773)
Accumulated deficit	(757,145) (779,741)
Accumulated other comprehensive income	2,587	1,339
Total stockholders' equity	393,301	407,358
Total liabilities, redeemable noncontrolling interests, and stockholders' equity	\$3,136,320	3,234,690

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	
	March 29, 2014	March 30, 2013
Revenues:		
Franchise fees and royalty income	\$106,712	103,765
Rental income	22,447	22,432
Sales of ice cream products	28,671	23,580
Sales at company-owned restaurants	6,316	5,771
Other revenues	7,802	6,310
Total revenues	171,948	161,858
Operating costs and expenses:		
Occupancy expenses—franchised restaurants	13,012	12,776
Cost of ice cream products	19,748	15,986
Company-owned restaurant expenses	6,363	5,655
General and administrative expenses, net	59,714	55,577
Depreciation	4,913	5,848
Amortization of other intangible assets	6,405	6,582
Long-lived asset impairment charges	123	248
Total operating costs and expenses	110,278	102,672
Net income of equity method investments	3,100	3,087
Other operating income, net	4,327	1,186
Operating income	69,097	63,459
Other income (expense):		
Interest income	69	114