

# Krispy Kreme Reports First Quarter 2024 Financial Results and Reaffirms Full Year 2024 Guidance

First quarter Net Revenue grows 5.7%, Organic Revenue increases 6.7%

Delivered Fresh Daily expansion to accelerate with McDonald's nationwide rollout

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CHARLOTTE, N.C.--(BUSINESS WIRE)--Krispy Kreme, Inc. (NASDAQ: DNUT) ("Krispy Kreme", "KKI", or the "Company") today reported financial results for the quarter ended March 31, 2024.

## First Quarter Highlights (vs Q1 2023)

- Net revenue grew 5.7% to \$442.7 million
- Organic revenue grew 6.7% to \$440.9 million
- GAAP net loss of \$6.7 million
- GAAP net loss attributable to KKI of \$8.5 million
- Adjusted EBITDA grew 5.9% to \$58.2 million
- Global Points of Access increased 2,404, or 19.4% to 14,814

"First-quarter results exceeded our expectations, driven by increased digital sales and strong consumer demand, highlighted by a record setting Valentine's Day with specialty doughnuts available in 33 countries around the world," said Josh Charlesworth, CEO.

"Our strategy of making fresh Krispy Kreme doughnuts more available globally is providing impressive results," continued Charlesworth. "We are modernizing how we make and move doughnuts to ensure high quality, profitable growth. Our Delivered Fresh Daily expansion is accelerating into more grocers, convenience stores and quick service restaurants. We're excited about our recently announced agreement with McDonald's, which is expected to more than 12,000 new points of access in the U.S. by the end of 2026. We'll support much of this nationwide rollout using existing capacity, while adding distribution with other major customers as we grow," he said.

Financial Highlights \$ in millions, except per share data	Quarter Ended		
	March 31, 2024	April 2, 2023	Change
<b>GAAP:</b>			
Net revenue	\$ 442.7	\$ 419.0	5.7%
Operating income	\$ 11.9	\$ 14.9	(20.3)%
Operating income margin	2.7 %	3.6 %	(90) bps
Net (loss)/income	\$ (6.7)	\$ 1.6	nm
Net loss attributable to KKI	\$ (8.5)	\$ (0.3)	nm
Diluted loss per share	\$ (0.05)	\$ 0.00	\$ (0.05)
<b>Non-GAAP:</b>			
Organic revenue <sup>(1)</sup>	\$ 440.9	\$ 413.3	6.7%
Adjusted net income, diluted <sup>(1)</sup>	\$ 11.3	\$ 15.3	(25.8)%
Adjusted EBITDA <sup>(1)</sup>	\$ 58.2	\$ 54.9	5.9%
Adjusted EBITDA margin <sup>(1)</sup>	13.1 %	13.1 %	nm
Adjusted diluted EPS <sup>(1)</sup>	\$ 0.07	\$ 0.09	\$ (0.02)

Notes:

(1) Non-GAAP figures – please refer to Reconciliation of Non-GAAP Financial Measures.

Key Operating Metrics \$ in millions	Quarter Ended		
	March 31, 2024	April 2, 2023	Change
Global Points of Access	14,814	12,410	19.4%
Sales per Hub (U.S.) TTM	\$ 4.9	\$ 4.6	6.5%
Sales per Hub (International) TTM	\$ 10.2	\$ 9.8	4.1%
Digital Sales as a Percent of Retail Sales	23.0 %	19.6 %	340 bps

## **First Quarter 2024 Consolidated Results (vs Q1 2023)**

Krispy Kreme's first quarter results reflect continued year-over-year growth as the Company continued to execute upon our omni-channel strategy. Net revenue grew 5.7% to \$442.7 million, compared to \$419.0 million. GAAP net loss was \$6.7 million compared to prior year net income of \$1.6 million. GAAP diluted loss per share was \$(0.05), a decline of \$(0.05) from the same quarter last year.

Total company organic revenue grew 6.7%, fueled by a 19.4% increase in Points of Access and the success of global brand activations including Valentine's Day and St. Patrick's Day doughnuts among others. Digital sales as a percent of retail sales increased 340 basis points to 23.0% of sales, due to a focus on owned channel improvements and increasing product availability through third parties.

Adjusted EBITDA in the quarter grew 5.9% to \$58.2 million, with Adjusted EBITDA margins flat at 13.1%. Adjusted Net Income, diluted declined 25.8% to \$11.3 million in the quarter. Adjusted Diluted EPS declined to \$0.07 from \$0.09 in the same quarter last year, primarily driven by increased depreciation and amortization and interest expenses, as the Company continues to invest in global expansion.

## **First Quarter 2024 Segment Results (vs Q1 2023)**

**U.S.:** In the U.S. segment, net revenue grew \$14.6 million, or 5.2%, with organic revenue growth of 7.4%. Revenue growth was driven by increased Points of Access ("POA") as we continue to accelerate our Delivered Fresh Daily strategy, combined with successful specialty doughnut collections linked to seasonal events. The gap between organic revenue growth and net revenue growth was primarily attributable to the exit of the Branded Sweet Treats business.

Sales per hub in the U.S. increased 6.5% to \$4.9 million while DFD average sales per door per week remained stable at \$640. Digital sales as a percentage of U.S. Fresh retail doughnut sales increased 480 basis points to 19.3% benefiting from successful marketing integrations and an expanded delivery radius.

U.S. Adjusted EBITDA increased 10.6% to \$42.6 million with Adjusted EBITDA margin expansion of 70 basis points to 14.4% tied to labor and waste optimization and productivity benefits from the Company's Hub and Spoke model.

**International:** In the International segment, which is now made up of all equity owned businesses including Japan and Canada, saw net revenue grow \$12.8 million, or 11.4%. International organic revenue grew 9.8%, driven by record POA growth of 917, or nearly 24% growth, and successful marketing activations.

International Adjusted EBITDA grew 8.2% to \$20.5 million with adjusted EBITDA margin declining approximately 50 basis points, as lower volumes in the U.K. continued to more than offset strength in Canada and Mexico.

**Market Development:** In the Market Development segment, which is now comprised of our franchise businesses both domestically in the U.S. and internationally, net revenue and organic revenue declined \$3.6 million, or 14.1%, largely driven by a one-off timing impact of equipment sales in the prior year.

Market Development Adjusted EBITDA grew 3.0% to \$11.9 million. Adjusted EBITDA margins expanded 900 basis points to 54.1%, due to the timing of lower margin equipment sales and the expansion of the Company's Hub and Spoke model throughout international franchises.

## **Balance Sheet and Capital Expenditures**

During the first quarter of 2024, the Company invested \$29.1 million in capital expenditures, driven primarily by investments in the Hub and Spoke model in preparation for the U.S. expansion of our Delivered Fresh Daily network, information technology investments, and continued expansion at Insomnia Cookies.

As of March 31, 2024 the Company has total available liquidity of \$133.6 million, including \$33.1 million of cash and cash equivalents as well as undrawn capacity of roughly \$100.5 million under available credit facilities. In 2023, the Company extended maturities of its primary debt facility to 2028 and as of March 31, 2024 has total debt of \$946.2 million and net debt of \$913.1 million.

## **2024 Financial Guidance**

Krispy Kreme reaffirms the following guidance for the full year 2024 (vs FY2023)

- Net Revenue growth of +5% to +7%
- Organic Revenue growth of +6% to +8%
- Adjusted EBITDA growth of +8% to +11%
- Adjusted Diluted EPS of \$0.27 to \$0.31
- Income Tax rate between 26% and 28%
- Capital Expenditures of 7% to 8% of net revenue
- Interest Expense, net of \$55 million to \$65 million

The above guidance assumes nominal impact from foreign exchange. The Company continues to expect to reduce its net leverage in 2024, as it makes progress towards its 2026 goal of approximately 2.0x to 2.5x net leverage.

On October 3, 2023, the Company announced it is exploring strategic alternatives for Insomnia Cookies. Guidance for the full year 2024 includes operations from Insomnia Cookies.

## **Definitions**

The following definitions apply to terms used throughout this press release:

- **Global Points of Access:** Reflects all locations at which fresh doughnuts or cookies can be purchased. We define global points of access to include all Hot Light Theater Shops, Fresh Shops, Carts and Food Trucks, DFD Doors and Cookie Shops, at both Company-owned and franchise locations as of the end of the respective reporting period. We monitor global points of access as a metric that informs the growth of our omni-channel presence over time and believe this metric is useful to investors to understand our footprint in each of our segments.
- **Hubs:** Reflects locations where fresh doughnuts are produced and processed for sale at any point of access. We define Hubs to include self-sustaining Hot Light Theater Shops and Doughnut Factories, at both Company-owned and franchise locations as of the end of the respective reporting period.
- **Sales Per Hub:** Sales per Hub equals Fresh Revenues from Hubs with Spokes, divided by the average number of Hubs with Spokes at the end of the five most recent quarters.
- **Fresh Revenues from Hubs with Spokes:** Fresh Revenues include product sales generated from our Doughnut Shop business (including digital), as well as DFD sales, but excluding sales from Branded Sweet Treats. It also excludes all Insomnia Cookies revenues as the measure is focused on the Krispy Kreme business. Fresh Revenues from Hubs with Spokes equals the Fresh Revenues derived from those Hubs currently producing product for other shops, Carts and Food Trucks, and/or DFD doors, but excluding Fresh Revenues derived from those Hubs not currently producing product for other shops, Carts and Food Trucks, and/or DFD doors.
- **Free Cash Flow:** Defined as cash provided by operating activities less purchases of property and equipment.

## **Conference Call**

Krispy Kreme will host a public conference call at 8:30 AM Eastern Time today to discuss its results for the first quarter of 2024. The conference call can be accessed by dialing 1 (800) 715-9871 and entering the conference ID 5985470. International participants can access the call via the corresponding number listed [HERE](#) and entering the conference ID 5985470. To listen to the live audio webcast and Q&A, visit the Krispy Kreme investor relations website at [investors.krispykreme.com](http://investors.krispykreme.com). A replay and transcript of the webcast will be available on the website within 24 hours after the call. Krispy Kreme's earnings press release and related materials will also be available on the investor relations section of the Company's website.

## **About Krispy Kreme**

Headquartered in Charlotte, N.C., Krispy Kreme is one of the most beloved and well-known sweet treat brands in the world. Our iconic Original Glazed® doughnut is universally recognized for its hot-off-the-line, melt-in-your-mouth experience. Krispy Kreme operates in 39 countries through its unique network of fresh doughnut shops, partnerships with leading retailers, and a rapidly growing digital business with more than 14,000 fresh points of access. Our purpose of touching and enhancing lives through the joy that is Krispy Kreme guides how we operate every day and is reflected in the love we have for our people, our communities and the planet. Connect with Krispy Kreme Doughnuts at [www.KrispyKreme.com](http://www.KrispyKreme.com), or on one of its many social media channels, including [www.Facebook.com/KrispyKreme](https://www.facebook.com/KrispyKreme) and [www.Twitter.com/KrispyKreme](https://www.twitter.com/KrispyKreme).