

KRISPY KREME REPORTS THIRD QUARTER 2024 FINANCIAL RESULTS

11/07/2024

Third quarter Net Revenue of \$379.9 million, Organic Revenue increases 3.5%

CHARLOTTE, N.C.--(BUSINESS WIRE)-- Krispy Kreme, Inc. (NASDAQ: DNUT) (“Krispy Kreme”, “KKI”, or the “Company”) today reported financial results for the quarter ended September 29, 2024.

Third Quarter Highlights (vs Q3 2023)

- Net revenue of \$379.9 million
- Organic revenue grew 3.5% to \$376.4 million
- GAAP net income of \$37.6 million, linked to the sale of a majority ownership stake of Insomnia Cookies (\$39.6 million net income attributable to KKI)
- Adjusted EBITDA of \$34.7 million
- GAAP operating cash flow of \$3.3 million
- Global Points of Access (“POA”) increased 2,417, or 18.0%, to 15,811

“Krispy Kreme delivered a seventeenth consecutive quarter of year-over-year organic sales growth driven by increased Delivered Fresh Daily and digital sales,” said Josh Charlesworth, CEO.

“Consumers ask us every day, ‘When can you bring Krispy Kreme to my town?’ hence our strategy of making our fresh doughnuts more available around the world. The successful start of our nationwide U.S. rollout at McDonald’s, which began in Chicago in October and continues next week across Ohio and Indiana, is a major milestone on this journey, and we now expect to be delighting Krispy Kreme’s fans with our melt-in-your-mouth doughnuts fresh daily in nearly 2,000 McDonald’s restaurants by the end of 2024.”

“Now well into my first year as CEO, we have streamlined and focused our business with the sale of our majority stake in Insomnia Cookies complete and the acceleration of our US DFD expansion underway. To better align our talent and our capital to our

business priorities, we are now restructuring our management teams to concentrate on maximizing our profitable expansion of the U.S. while focusing international efforts on the wider adoption of our capital-light franchise model. With our resources prioritized to the things that matter most, I believe that these changes will result in a bigger and better Krispy Kreme,” Charlesworth continued.

Financial Highlights

	Quarter Ended		
	September 29, 2024	October 1, 2023	Change
<i>\$ in millions, except per share data</i>			
GAAP:			
Net revenue	\$ 379.9	\$ 407.4	(6.8)%
Operating loss	\$ (16.0)	\$ (2.1)	nm
Operating loss margin	(4.2)%	(0.5)%	(370) bps
Net income/(loss)	\$ 37.6	\$ (40.3)	nm
Net income/(loss) attributable to KKI	\$ 39.6	\$ (40.5)	nm
Diluted income/(loss) per share	\$ 0.23	\$ (0.24)	\$ 0.47
Non-GAAP ⁽¹⁾ :			
Organic revenue	\$ 376.4	\$ 363.8	3.5%
Adjusted net (loss)/income, diluted	\$ (2.5)	\$ 4.4	nm
Adjusted EBITDA	\$ 34.7	\$ 43.7	(20.7)%
Adjusted EBITDA margin	9.1%	10.7%	(160) bps
Adjusted diluted (loss)/income per share	\$ (0.01)	\$ 0.03	\$ (0.04)

Notes:

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

Key Operating Metrics

<i>\$ in millions</i>	Quarter Ended		
	September 29, 2024	October 1, 2023	Change
Global Points of Access	15,811	13,394	18.0%
Sales per Hub (U.S.) TTM	\$ 4.9	\$ 4.8	2.1%
Sales per Hub (International) TTM	\$ 10.1	\$ 9.9	2.0%
Digital Sales as a Percent of Doughnut Shop Sales	15.5%	12.6%	290 bps

Third Quarter 2024 Consolidated Results (vs Q3 2023)

Krispy Kreme's third-quarter results reflect the sale of a majority ownership stake of Insomnia Cookies. The business is now fully focused on its core strategy of producing, selling and distributing fresh doughnuts daily and executing on its profitable U.S. growth strategy and capital light international model. Net revenue was \$379.9 million in Q3 2024, a decline of 6.8%, compared to \$407.4 million in the same quarter last year. GAAP Net Income was \$37.6 million, including the gain on divestiture of a controlling interest in Insomnia Cookies, compared to prior year net loss of \$40.3 million. GAAP diluted earnings per share was \$0.23, compared to a loss of \$0.24 in the same quarter last year.

Total company organic revenue grew 3.5% compared to the same quarter in the prior year. Delivered Fresh Daily ("DFD") sales and digital sales both grew 15%, more than offsetting expected consumer softness in U.S. Retail and the U.K.

Adjusted EBITDA was \$34.7 million, a decline of 20.7% largely driven by the sale of a majority ownership stake in Insomnia Cookies. Adjusted EBITDA margin declined 160 bps to 9.1%, due to underperformance in the U.K. and incremental vehicle accident claims costs in the U.S. Adjusted Net Loss, diluted was \$2.5 million in the quarter. Adjusted Diluted EPS declined to \$(0.01) from \$0.03 in the same quarter last year.

Third Quarter 2024 Segment Results (vs Q3 2023)

U.S.: In the U.S. segment, net revenue declined \$31.8 million, or 12.2%, driven by the \$43.5 million impact associated with the sale of a majority ownership stake of Insomnia Cookies in July 2024. Organic revenue growth of \$5.5 million, or 2.5%, was driven by a 14% increase in Points of Access and a 21% increase in digital channel revenues.

U.S. Adjusted EBITDA decreased \$8.3 million, or 37.5%, with margin declining 250 basis points to 6.1%, due to incremental vehicle accident claims costs and McDonald's start-up costs, partially offset by pricing and productivity benefits from the Company's Hub and Spoke model. Following successful pilots with a third-party logistics partner in Los Angeles and Washington, DC, the Company launched an RFP on October 9th with several national and regional carriers for daily delivery of fresh doughnuts to grocers, convenience stores, quick service restaurants, and others.

International: In the International segment, net revenue grew \$4.6 million, or 3.7%, with organic revenue growth of \$5.3 million or 4.2%, driven by Canada, Japan, and Australia, which more than offset underperformance in the U.K.

International segment Adjusted EBITDA margin improved sequentially despite the seasonally weaker quarter as actions taken to reduce costs delivered improved results. Year over year, Adjusted EBITDA decreased \$2.2 million, or 8.7%, with a margin decline of 240 basis points to 17.4%, primarily due to pressure in the U.K. where we have welcomed a new management team focused on improving the business.

Market Development: In the Market Development segment, net revenue declined \$0.3 million, or approximately 1.5%, due to the \$2.1 million impact of franchise acquisitions in the third quarter of fiscal 2024. Market Development organic revenue grew \$1.8 million, or approximately 8.6%, with a new market opening in Morocco alongside continued growth in France, Turkey, and Ecuador.

Market Development Adjusted EBITDA grew \$1.5 million, or 14.8%, with margin expansion of 770 basis points delivering Adjusted EBITDA margins of 54.2%, driven by royalty flow through and savings in SG&A.

Balance Sheet and Capital Expenditures

During the third quarter of 2024, Operating Cash Flow was \$3.3 million. The Company invested \$26.1 million, or 6.9% of net revenue, in capital expenditures, driven primarily by the investments in the Hub and Spoke model for the U.S. expansion of the DFD network. During the quarter, the Company received \$117.6 million in net proceeds from the divestiture of Insomnia Cookies and \$45.0 million from the repayment of an intercompany loan due from Insomnia Cookies, which was used to reduce long term debt.

2024 Financial Guidance

We are adjusting our full year guide to reflect the third quarter results, the acceleration of our expansion with McDonald's, and the completion of the Insomnia Cookies transaction in July 2024:

- Net Revenue of \$1,650 to \$1,685 million
- Organic Revenue growth of +5% to +7%
- Adjusted EBITDA of \$205 to \$210 million
- Adjusted Diluted EPS of \$0.18 to \$0.22
- Income Tax rate between 28% and 30%
- Capital Expenditures of 7% to 8% of net revenue
- Interest Expense, net of \$55 million to \$60 million

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 applicable 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 applicable 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 each 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 third quarter of 2024. The conference call can be accessed by dialing 1 (800) 715-9871 and entering the conference ID 1277949. International participants can access the call via the corresponding number listed [HERE](#) and entering the conference ID 1277949. To listen to the live audio webcast and Q&A, visit the Krispy Kreme investor relations website at [INVESTORS.KRISPYKREME.COM](https://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 40 countries through its unique network of fresh doughnut shops, partnerships with leading retailers, and a rapidly growing digital business with more than 15,500 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](https://www.krispykreme.com), or on one of its many social media channels, including [WWW.FACEBOOK.COM/KRISPYKREME](https://www.facebook.com/krispykreme) and [WWW.X.COM/KRISPYKREME](https://www.x.com/krispykreme).