

## **BUS205 – Final Exam Part I**

### **75 Points, Due by Thursday, 12/5, 10 AM**

1. Please perform the following financial analysis using the attached financial statements for Dunkin' Donuts:
  - a. Calculate these ratios for both 2012 and 2011:
    - i. Inventory Turnover
    - ii. # Days Sales in AR
    - iii. Debt/Equity
    - iv. ROI (DuPont Model, with both Margin and Turnover)
    - v. ROE
    - vi. Working Capital
    - vii. Current Ratio
    - viii. Acid-Test Ratio
  - b. Perform a Horizontal Analysis for 2012.
  - c. Perform a Vertical Analysis for both 2012 and 2011.
2. Please evaluate each of your results from above. Do two distinct evaluations:
  - a. How does the company compare to itself from 2012 to 2011? Are the trends favorable or unfavorable?
  - b. How does the company compare to Starbucks for both 2012 and 2011?
3. Decide which company in which you would invest based on your analysis above and clearly explain which of your analysis items influenced this decision.

**DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(In thousands, except share data)

	December 29, 2012	December 31, 2011
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 252,618	246,715
Accounts receivable, net	32,407	37,122
Notes and other receivables, net	20,649	21,665
Assets held for sale	2,400	1,266
Deferred income taxes, net	47,263	48,387
Restricted assets of advertising funds	31,849	31,017
Prepaid income taxes	10,825	—
Prepaid expenses and other current assets	21,769	20,302
Total current assets	419,780	406,474
Property and equipment, net	181,172	185,360
Equity method investments	174,823	164,636
Goodwill	891,900	890,992
Other intangible assets, net	1,479,784	1,507,219
Restricted cash	367	269
Other assets	69,687	69,068
Total assets	\$ 3,217,513	3,224,018
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Current portion of long-term debt	\$ 26,680	14,965
Capital lease obligations	371	232
Accounts payable	16,256	9,651
Income taxes payable, net	—	15,630
Liabilities of advertising funds	45,594	50,547
Deferred income	24,683	24,918
Other current liabilities	239,931	200,597
Total current liabilities	353,515	316,540
Long-term debt, net	1,823,278	1,453,344
Capital lease obligations	7,251	4,928
Unfavorable operating leases acquired	19,061	21,440
Deferred income	15,720	16,966
Deferred income taxes, net	569,126	578,660
Other long-term liabilities	79,587	86,204
Total long-term liabilities	2,514,023	2,161,542
<b>Commitments and contingencies (note 17)</b>		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.001 par value; 25,000,000 shares authorized; no shares issued and outstanding at December 29, 2012 and December 31, 2011, respectively	—	—
Common stock, \$0.001 par value; 475,000,000 shares authorized; 106,146,984 and 120,136,631 shares issued and outstanding at December 29, 2012 and December 31, 2011, respectively	106	119
Additional paid-in capital	1,251,498	1,478,291
Accumulated deficit	(914,094)	(752,075)
Accumulated other comprehensive income	9,141	19,601
Total stockholders' equity of Dunkin' Brands	346,651	745,936
Noncontrolling interests	3,324	—
Total stockholders' equity	349,975	745,936
Total liabilities and stockholders' equity	\$ 3,217,513	3,224,018

See accompanying notes to consolidated financial statements.

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

	Fiscal year ended		
	December 29, 2012	December 31, 2011	December 25, 2010
<b>Revenues:</b>			
Franchise fees and royalty income	\$ 418,940	398,474	359,927
Rental income	96,816	92,145	91,102
Sales of ice cream products	94,659	100,068	84,989
Sales at company-owned restaurants	22,922	12,154	17,362
Other revenues	24,844	25,357	23,755
Total revenues	<u>658,181</u>	<u>628,198</u>	<u>577,135</u>
<b>Operating costs and expenses:</b>			
Occupancy expenses—franchised restaurants	52,072	51,878	53,739
Cost of ice cream products	69,019	72,329	59,175
Company-owned restaurant expenses	23,133	12,854	17,825
General and administrative expenses, net	239,574	227,771	205,795
Depreciation	29,084	24,497	25,359
Amortization of other intangible assets	26,943	28,025	32,467
Impairment charges	1,278	2,060	7,075
Total operating costs and expenses	<u>441,103</u>	<u>419,414</u>	<u>401,435</u>
<b>Net income (loss) of equity method investments:</b>			
Net income, excluding impairment	22,351	16,277	17,825
Impairment charge, net of tax	—	(19,752)	—
Total net income (loss) of equity method investments	<u>22,351</u>	<u>(3,475)</u>	<u>17,825</u>
Operating income	<u>239,429</u>	<u>205,309</u>	<u>193,525</u>
<b>Other income (expense):</b>			
Interest income	543	623	305
Interest expense	(74,031)	(105,072)	(112,837)
Loss on debt extinguishment and refinancing transactions	(3,963)	(34,222)	(61,955)
Other gains, net	23	175	408
Total other expense	<u>(77,428)</u>	<u>(138,496)</u>	<u>(174,079)</u>
Income before income taxes	<u>162,001</u>	<u>66,813</u>	<u>19,446</u>
<b>Provision (benefit) for income taxes</b>			
	54,377	32,371	(7,415)
Net income including noncontrolling interests	<u>107,624</u>	<u>34,442</u>	<u>26,861</u>
Net loss attributable to noncontrolling interests	(684)	—	—
Net income attributable to Dunkin' Brands	<u>\$ 108,308</u>	<u>34,442</u>	<u>26,861</u>
<b>Earnings (loss) per share:</b>			
Class L—basic and diluted	n/a	\$ 6.14	4.87
Common—basic	\$ 0.94	(1.41)	(2.04)
Common—diluted	0.93	(1.41)	(2.04)
Cash dividends declared per common share	0.60	—	—

See accompanying notes to consolidated financial statements.