

# Annual Meeting of Shareholders

JUNE 12, 2012





## Forward-Looking Statements

Some of the information in this presentation represents forward-looking statements that are protected under the Private Securities Litigation Reform Act of 1995. Such statements may reflect our expectations or beliefs about the future, including, without limitation, expectations or beliefs regarding our financial performance. We cannot assure you that we will achieve or realize these expectations. Like any such statements, they are subject to a number of factors, risks and uncertainties that could cause actual results to differ materially from our expectations or beliefs. These factors include items discussed in our SEC filings, including our annual report on Form 10-K for the year ended January 29, 2012. New factors emerge from time to time, and it is not possible for us to predict all such factors or assess the impact of each such factor on Krispy Kreme. If we do make forward-looking statements, we undertake no obligation to update those statements in the future in light of subsequent events. Please note that all of our SEC filings, along with other shareholder relevant information, can be found on the IR portion of our website at [www.krispykreme.com](http://www.krispykreme.com).





## **MISSION:**

To touch and enhance lives through  
the joy that is Krispy Kreme



## **VISION:**

To be the worldwide leader in sharing  
delicious tastes and creating joyful  
memories

# 75th Birthday Logo



**75<sup>TH</sup> BIRTHDAY**



# 75th Birthday Packaging



# 75th Birthday Cups



RAISE YOUR  
COFFEE CUP TO  
**75 YEARS**  
OF OUR ORIGINAL  
GLAZED® DOUGHNUT.



CELEBRATING  
**75 YEARS**  
OF MELT-IN-YOUR-MOUTH JOY.



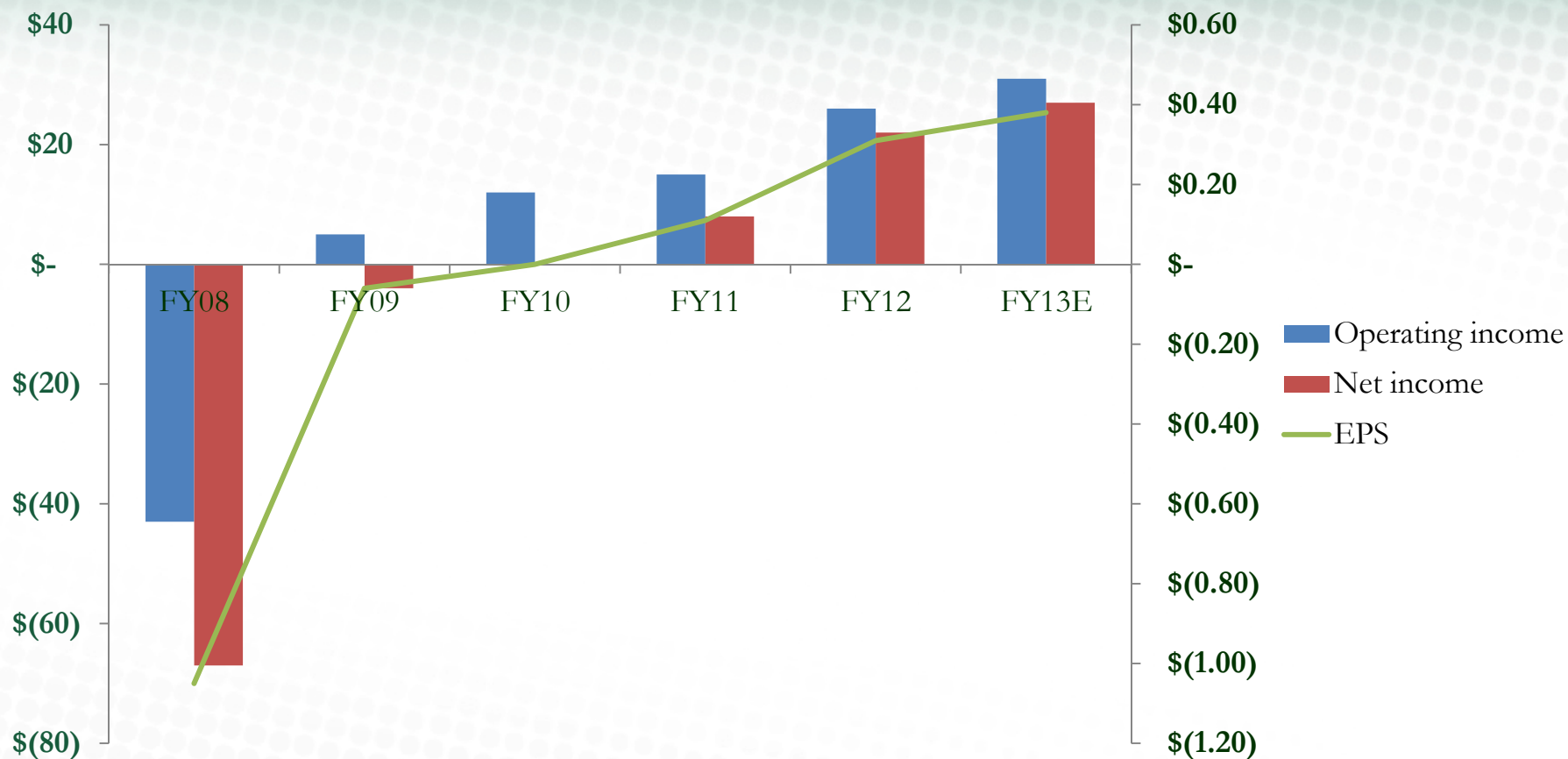


# Financials

# Financial Performance



\$ in millions, except EPS amounts



FY12 and FY13 amounts are adjusted net income and EPS, which:

- Exclude \$4.7MM after tax gain on sale of 30% interest in KK Mexico in FY12
- Include only cash taxes currently payable, consistent with FY08-FY11



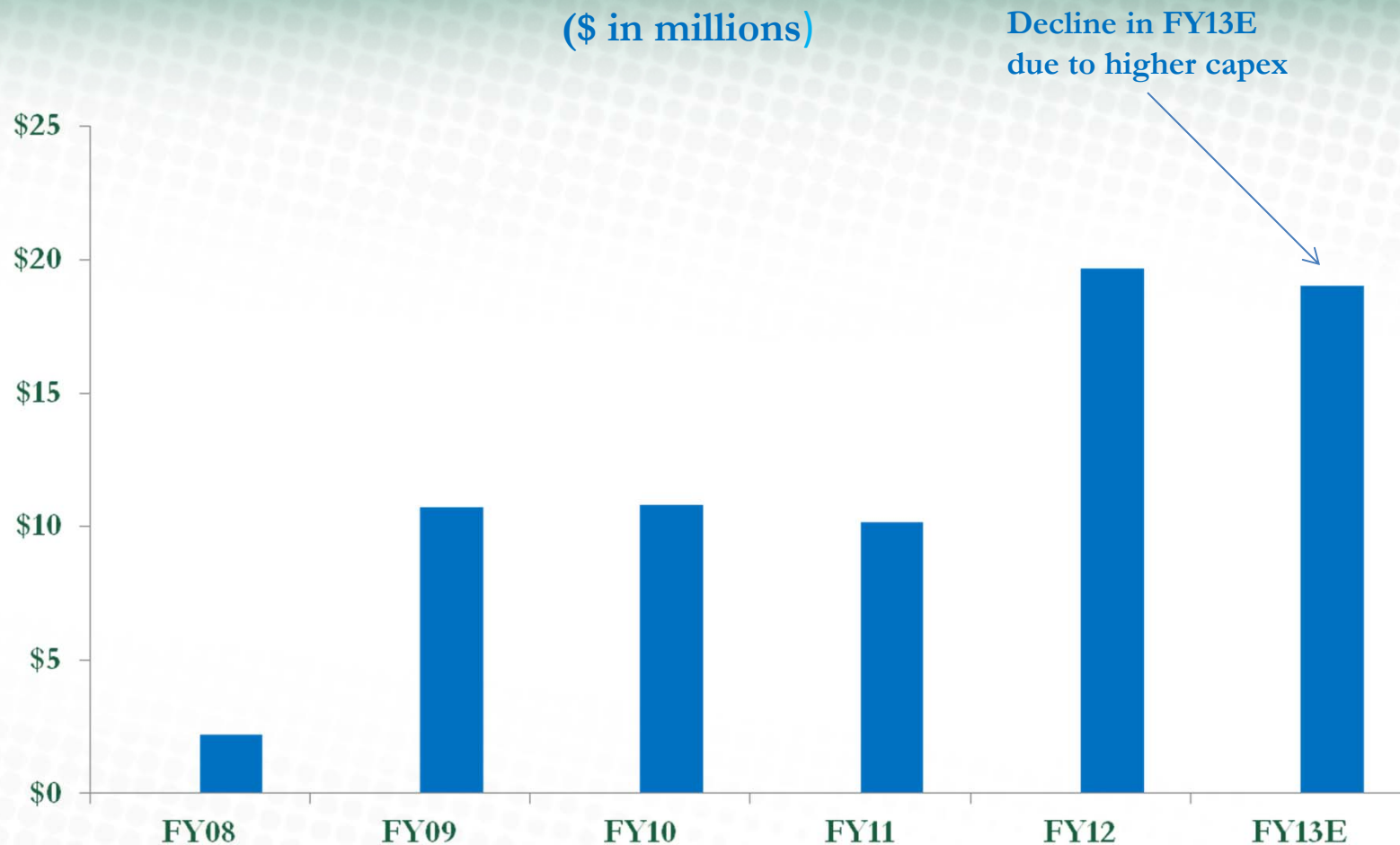
# FY13 Forecast



	Millions	Per share
Net income - FY12	\$ 166	\$ 2.33
Less: gain on sale of 30% interest in KK Mexico	(5)	(0.06)
Less: one-time tax gain	(139)	(1.96)
<b>Adjusted net income - FY12 (low tax rate)</b>	22	<b>0.31</b>
Company's estimated YOY growth	5	0.07
<b>Adjusted net income - FY13E (low tax rate)</b>	27	<b>0.38</b>
Increase in FY13 tax expense - book only - no effect on cash	(11)	(0.15)
Net income - FY13E (45% tax rate)	<u>\$ 16</u>	<u>\$ 0.23</u>

- Recognition of deferred tax assets in Q4 FY12 will cause income tax expense to rise in FY13 compared to FY12.
- Adjusted net income expected to rise by between 14% and 32% over FY12.
- FY13 amounts represent the midpoint of the Company's earnings guidance.
- Company expects to continue to benefit from low cash tax payments.

# Free Cash Flow



Free cash flow is a non-GAAP measure and is defined as cash provided by operating activities minus capital expenditures and scheduled payments of indebtedness.



# Share Repurchase Authorization



- Board of Directors has authorized a share repurchase of up to \$20 million
- Through June 8, the Company had repurchased 2,250,000 shares for a total of \$14.7 million, an average of \$6.51 per share

## **MISSION:**

To touch and enhance lives through  
the joy that is Krispy Kreme



## **VISION:**

To be the worldwide leader in sharing  
delicious tastes and creating joyful  
memories



# Overview



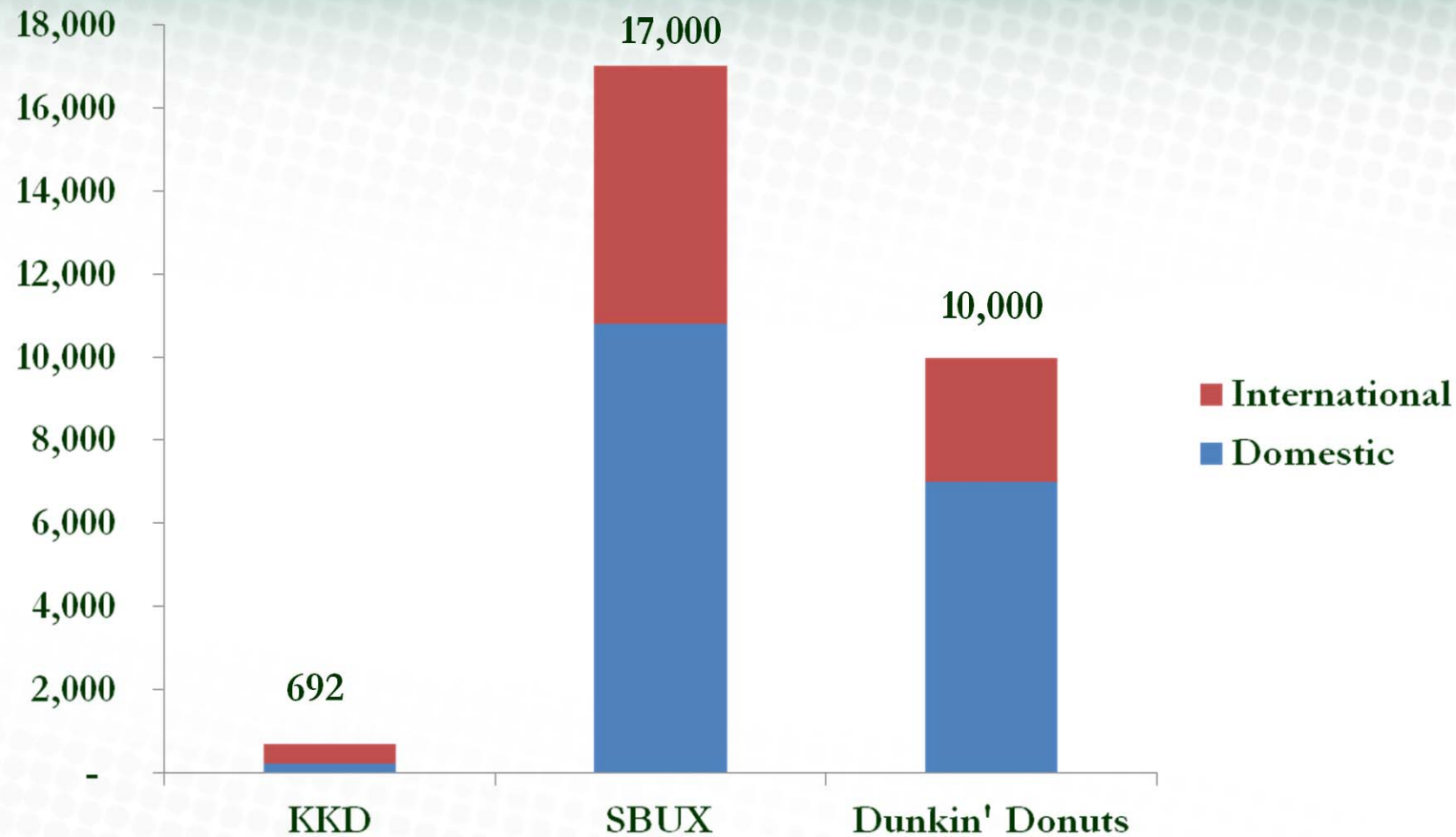
- 75 year old branded retailer & wholesaler of high-quality doughnuts and packaged sweets
- Brand familiarity on par with Starbucks & Dunkin' Donuts
- 692 stores in 21 countries
  - 92 Company-owned shops
  - 142 domestic franchise locations
  - 458 international franchise stores
- Substantial opportunity for continued growth within the QSR category



# Significant Opportunity for Growth



Store Count



# A Retrospective.... And The Way Forward



- Over the past four years, we have
  - Stabilized the business
  - Strengthened the balance sheet
  - Continued international growth
  - Resumed domestic growth
  - Positioned ourselves for the future
- Now, we are turning to
  - Better understanding our consumers' desires
  - Accelerating growth to realize our full potential
  - Building sustainable profits and long-term value



# Strategic Initiatives



- Refine “small shop” format
- Improve shop operations and execution
- Continue renovation of older locations
- Develop and deploy new products
- Improve off-premises economics through new products and better management and marketing
- Increase franchisee support and reduce logistics costs
- Continue building domestic and international new store pipeline

- Stabilized the business
- Strengthened the balance sheet
- Continued international growth
- Resumed domestic growth
- Positioned ourselves for the future

- Now, we are turning to
  - Better understanding our consumers’ desires
  - Accelerating growth to realize our full potential
  - Building sustainable profits and long-term value

# Expand Our Worldwide Presence



Australia - 19



Bahrain - 2



Canada - 5



China - 3



Dominican Republic - 2



Indonesia - 12



Japan - 37



Kuwait - 20



Lebanon - 9



Malaysia - 7



Mexico - 73



Philippines - 30



Puerto Rico - 4



Qatar - 2



Saudi Arabia - 88



South Korea - 58



Thailand - 4



Turkey - 14



UAE - 20



United Kingdom - 49



United States - 234

**692 stores in 21 countries**

# International



- Expansion since FY06 has been dramatic
- Increasing resources to support franchise development
- We have added significant new resources since FY11 to catch up with significant growth, and will add more in FY13

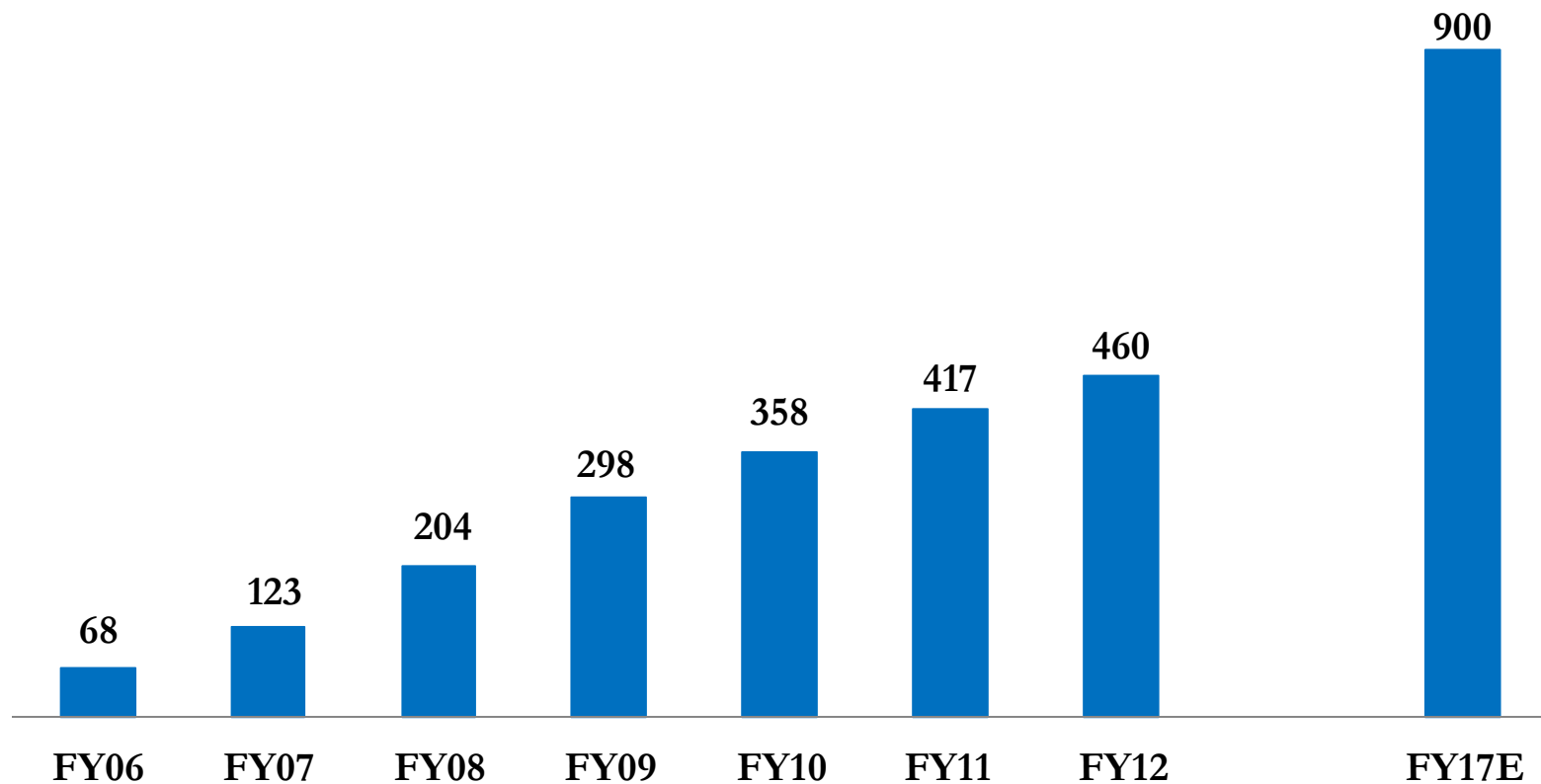




# International



## International Franchise Stores



# International Growth



Targeted expansion for  
the next 5 years

Brazil  
Russia \*  
India \*

China \*

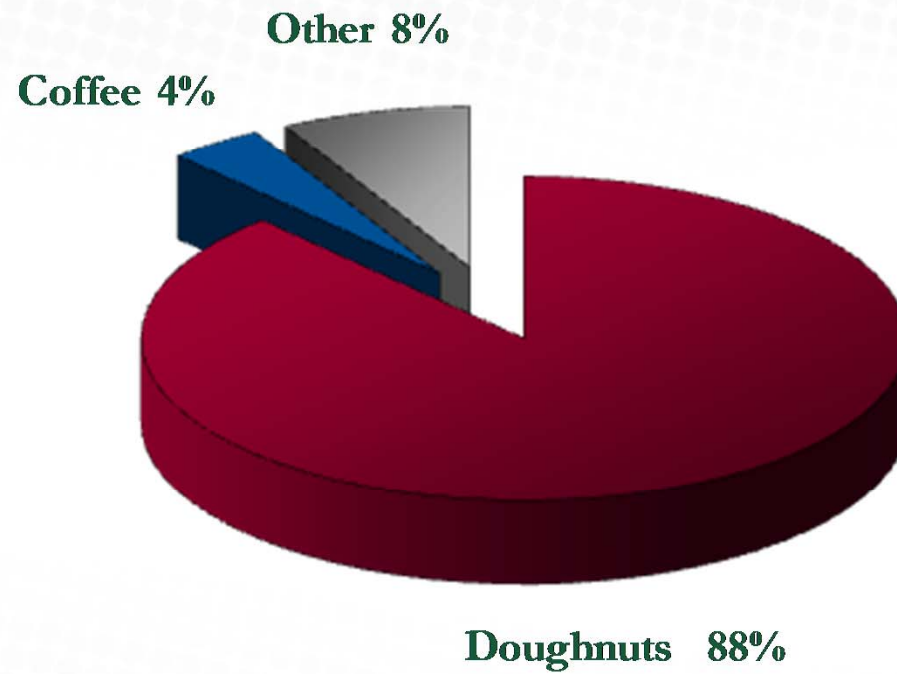
---

Europe  
South America  
Central America

\* initial agreements signed



# Retail Product Sales Mix





# New Coffee Program



- National program launched in August 2011
- Three new signature coffees
  - House blend, dark roast and house decaf
  - Extensively tested with consumers
- New marketing campaign
  - Exciting and engaging creative campaign
  - Merchandising plan to maximize consumer touch points
  - Social media, PR and local relationship marketing plans to deliver the message
  - Growing coffee sales is a multi-year proposition



# Coffee Profit Opportunity



## Goal

Grow coffee from 4% to 12% of retail sales by end of FY15

## Economics

8% growth in same stores sales

3 - 4 percentage point growth in operating margin at retail shops



# Refine “Small Shop” Format



- Stimulate an increase in on-premises sales through greater convenience for current and future guests
- Reduce operating costs and investment
- Complete small factory store model to increase small market penetration
- Improve production efficiencies
- Enable store employees to focus on excellence in customer satisfaction



# Domestic Growth



Continuing to improve store economics is the key to accelerating growth domestically



# Company Store Economics - The Future



- Keys to better restaurant economics
  - Lower upfront investment – smaller shops
  - Lower operating costs
    - Occupancy
    - Labor
    - Ingredients
- Higher average unit volumes through
  - Increased visit frequency
  - Enhanced focus on beverage
  - More consumer use occasions





# Small Shop Formats



- Satellites served by nearby factory stores
  - Focus of FY10-12 Company development
- Small factory stores
  - Focus of FY13-14 Company development
- Both shop types are retail only - no wholesale distribution





# FY13-14 Shop Development



- Focus on small factories
  - Primarily free-standing units
    - Working to better understand the investment/revenue tradeoff between free-standing and in-line units
  - Expected higher revenues from free-standing units should more than offset higher cost



# 110M – A New Idea



Installed in Gastonia, NC - May 9, 2012 – Patent Pending 61/642,843

# Wholesale Profit Drivers



- 🍩 Doors served
- 🍩 AUV per door
- 🍩 Return %
- 🍩 Miles driven





# Conclusion



- Continued progress on strategic initiatives in both our on-premises and wholesale distribution channels
- Positioned for accelerated growth in both revenue and earnings over the long term
- Strong cash flow and low debt
- Continued international expansion, higher beverage penetration and small store development will be the keys to continued growth

