

Dunkin Brands (DNKN)

| | |
|--------------------------|------------------|
| Price: | \$34.02 |
| Market Cap: | \$3,591,151,200 |
| Cash: | \$165,640,000 |
| Debt: | \$1,480,590,000 |
| Net Cash: | -\$1,314,950,000 |
| Enterprise Value: | \$4,906,101,200 |
| Target Market Cap: | \$340,234,016 |
| Target Enterprise Value: | \$1,655,184,016 |

| | |
|--------------------------|---------|
| Price/Book: | 11.14 |
| EV/FCF: | 34.04 |
| Net Tang. Asset/Share: | -\$5.29 |
| Avg. Year 1-5 FCF/Share: | \$1.03 |
| 5 Years of FCF: | \$5.17 |
| Net Tang. Asset+5 FCF: | -\$0.12 |

| | |
|----------------------------------|---------|
| Net Tang. Asset Yr. 5/Share: | -\$1.82 |
| Avg. Year FCF/Share: | \$1.03 |
| Year 5 Disposition FCF Multiple: | 5.0 |
| Year 5 Disposition Price: | \$3.35 |
| Gain Year 5: | \$3.35 |

| | |
|--|---------|
| Net Tang. Asset+5 FCF+ Gain Disposition: | \$3.22 |
| IRR: | -37.58% |

Assumed Deal Details

| | | |
|--------------------|--------|-----------------|
| Debt | 60.00% | \$2,154,690,720 |
| Equity | 40.00% | \$1,436,460,480 |
| Shares Outstanding | | 105,560,000 |

Levered Return

| | |
|------------------------------|------------------|
| New market cap in 5 years | \$340,234,016 |
| Nominal Gain for Equity | -\$3,250,917,184 |
| Levered Equity Return | -204.78% |

The co. was founded in the 1950s, and was acquired by a consortium of PE firms back in 2005, and recently IPOd in July 2011 for \$19.00/share. Shares enjoyed a decent runup over the 1.5 years since being listed on the market exchange, about a 35% compounded annual growth. I was shocked at the low revenue figures (\$500MM), until I looked into the business model, which is 100% franchised business, which realizes revenue from 1) royalties, 2) product sales to franchisees, 3) JV in international markets, 4) rental income. Domestic ice cream sales outsourced to Dean Foods in early 2000s, and now they generate \$100MM in ice cream product revenue from Canadian/UK franchisees. Ice cream manufacturing site is located in Canada and co. owned.

15% of revenue is from rental income and primarily from Dunkin' domestic. Co. owns 96 properties and leased 952 locations. They either lease or sublease these properties. 16,000 franchisees domestic/internationally, but they only own 30.

The co. owns Dunkin Donuts and Baskin Robbins. We were drawn to the stock since the co. announced expansion in So. Cal. The co. has limited presence in the Western US, and Dunkin Donut revenue/store is \$64K, higher than domestic Baskin Robbins at \$17K. They can saturate the donut market in the West, providing more growth potential utilizing the recognized brand.

The stock is much too pricey at \$5BB EV. From an investor's standpoint, they might be buying into the growth, especially if they were to expand in Western US and China. The first question that comes to mind is, why didn't they expand into the West sooner? The West, especially LA, San Fran, San Diego, Las Vegas, Seattle, Phoenix could definitely support at least 500 stores combined.

We don't want to speculate on the wind, but if KFC can do well in China, we think Dunkin could grow as well. The co. has done well in Korea, Japan and we believe the next step would be China.

We wouldn't touch the stock, but we believe the insurance like business model, driven by a growing revenue base coming from an ever growing, insurance agent like franchisee base. Also, it is like a tech co. which owns a portfolio of patents and derives revenue off the royalty payments.

We don't like the fact a 1100 employee co. costs \$240 MM in SG&A.

Co. nets about \$30MM from ice cream, \$40MM from rental income. \$630MM Revenue and \$360MM cash expense, netting \$270MM annually. Interest expense expensive at around 7% annually (\$100MM/\$1.45BB)

We are one of the world's leading franchisors of quick service restaurants ("QSRs") serving hot and cold coffee and baked goods, as well as hard serve ice cream. We franchise restaurants under our Dunkin' Donuts and Baskin-Robbins brands. With approximately 16,800 points of distribution in 58 countries, we believe that our portfolio has strong brand awareness in our key markets. We operate our business in four segments: Dunkin' Donuts U.S., Dunkin' Donuts International, Baskin-Robbins International and Baskin-Robbins U.S. In 2011, our Dunkin' Donuts segments generated revenues of \$453.0 million, or 75% of our total segment revenues, of which \$437.7 million was in the U.S. segment and \$15.3 million was in the international segment. In 2011, our Baskin-Robbins segments generated revenues of \$150.3 million, of which \$108.6 million was in the international segment and \$41.7 million was in the U.S. segment. As of December 31, 2011, there were 10,083 Dunkin' Donuts points of distribution, of which 7,015 were in the U.S. and 3,068 were international, and 6,711 Baskin-Robbins points of distribution, of which 4,254 were international and 2,457 were in the U.S.

| Company Name: | | Dunkin Brands | | | Income Statement | |
|--------------------------|-------------------|---|------------------------|---------------------------------|--------------------|--------|
| Ticker Symbol: | DNKN | Market Capitalization: | \$3,591,151,200.00 | Revenue: | \$664,980,000.00 | 100.0% |
| Last Price: | \$34.02 | Total Debt: | \$1,480,590,000.00 | Cost of Goods Sold: | \$160,990,000.00 | 24.2% |
| Net Cash/Share: | -\$12.46 | Total Cash: | \$165,640,000.00 | Gross Profit: | \$503,990,000.00 | 75.8% |
| Net Cash to Last Price: | -36.62% | Net Cash/(Debt): | -\$1,314,950,000.00 | EBITDA: | \$298,240,000.00 | 44.8% |
| Shares Outstanding: | 105,560,000 | Enterprise Value: | \$4,906,101,200.00 | Net Income: | \$85,430,000.00 | 12.8% |
| Industry: | Restaurants | Current EV/Share: | \$46.48 | | | |
| Sector: | Consumer Cyclical | EBITDA: | \$259,860,000.00 | Balance Sheet | | |
| Institutional Ownership: | #VALUE! | EV/EBITDA Multiple: | 18.88 | Cash: | \$165,640,000.00 | |
| Mutual Fund Ownership: | #VALUE! | EV/EBITDA Multiple Average Year 1-5: | 18.23 | Short Term Investment: | \$0.00 | |
| Insider Ownership: | #VALUE! | EV/FCF Multiple (excluding acquisition): | 34.04 | A/R: | \$41,790,000.00 | |
| Retail Ownership: | #VALUE! | EV/FCF Multiple Average Year 1-5 (excluding acquisition): | 44.99 | PP&E: | \$200,000,000.00 | |
| Float: | #VALUE! | Upper Range | | Assets: | \$3,134,220,000.00 | |
| | | DCF: EV/EBITDA Terminal Value | | A/P: | \$9,650,000.00 | |
| | | Implied TV from 3 X EV/EBITDA Multiple | \$853,107,779.50 | Deferred Tax: | \$566,030,000.00 | |
| 52 week low: | Error | Enterprise Value | \$853,107,779.50 | Other Liabilities: | \$744,440,000.00 | |
| Today from 52 week low: | #VALUE! | Cash at Year 5: | \$710,912,176.48 | Short term Debt: | \$20,360,000.00 | |
| 52 week high: | Error | Debt at Year 5: | \$1,480,590,000.00 | Long Term Debt: | \$1,460,230,000.00 | |
| Today from 52 week high: | #VALUE! | Equity Value Year 5: | \$83,429,955.98 | Liabilities: | \$2,800,710,000.00 | |
| 50 day Moving Average: | Error | Equity/Share at Year 5: | \$0.79 | Retained Earnings: | -\$948,420,000.00 | |
| 200 day Moving Average: | Error | Annualized Return: | -52.88% | Paid-In Capital: | \$1,251,330,000.00 | |
| | | Lower Range | | Treasury Stock: | \$0.00 | |
| | | DCF: Net Tangible Asset excluding Cash/Debt Terminal Value | | Stockholder's Equity: | \$322,510,000.00 | |
| | | Year 5 Net Tangible Assets excluding cash and debt | -\$432,540,000.00 | Cash Flow | | |
| | | Enterprise Value | -\$432,540,000.00 | Net Income: | 34,440,000.00 | |
| | | Cash at Year 5: | \$710,912,176.48 | Depreciation/Amortization: | 52,520,000.00 | |
| | | Debt at Year 5: | \$1,480,590,000.00 | Change in Working capital: | 32,920,000.00 | |
| | | Equity Value Year 5: | -\$1,202,217,823.52 | Cash from Operating Activities: | 162,700,000.00 | |
| | | Equity/Share at Year 5: | -\$11.39 | Capital Expenditures: | -18,600,000.00 | |
| | | Annualized Return: | -180.34% | Cash from Investing Activities: | -19,810,000.00 | |
| | | EVA | | Total Cash Dividends Paid: | 0.00 | |
| | | EVA today: | \$266,722,685.88 | Issuance (Retirement) of Stock: | 389,680,000.00 | |
| | | EVA in 5 Years: | \$1,833,994,396.30 | Issuance (Retirement) of Debt: | -404,610,000.00 | |
| | | EVA/Share: | \$17.37 | Cash from Financing Activities: | -30,070,000.00 | |
| | | Cash at Year 5: | \$710,912,176.48 | Profitability Margins | | |
| | | Debt at Year 5: | \$1,480,590,000.00 | Debt to Equity: | 459.08% | |
| | | Equity Value Year 5: | \$1,064,316,572.78 | Return on Assets: | 1.10% | |
| | | Equity/Share at Year 5: | \$10.08 | Return on Capital: | 1.91% | |
| | | Annualized return | 47.05% | Return on Equity: | 10.68% | |
| | | Current Net Tangible Asset | | | | |
| | | Net Tangible Asset/Share: | -\$19.37 | | | |
| | | Net Tangible Asset/Share in Year 5: | -\$15.90 | | | |
| | | Annualized return | -3.87% | | | |
| | | Current Equity Price: | \$34.02 | | | |
| | | Selling at Discount? | Premium | | | |
| | | Appreciation Potential: | -156.95% | | | |
| | | Dividend Model | | | | |
| | | Next Year Dividend | \$65,085,180.12 | | | |
| | | WACC: | 9.02% | | | |
| | | Dividend: | \$63,336,000.00 | | | |
| | | Net Income: | \$85,430,000.00 | | | |
| | | Competitors | | | | |
| Average EV to EBITDA: | N/A | | | | | |
| Company EV to EBITDA: | 18.88 | | | | | |
| Average EV to EBIT: | N/A | | | | | |
| Company EV to EBITA: | 28.68 | | | | | |

SN VALUATION

LBO Analysis

| | | | | | | | |
|---|---------------|------------------------------------|--------------|------------------------------------|-------------------------|------------------------------|---------------|
| WACC Terminal Value: | N/A | Intrinsic Price in 5 Years: | 4.26 | Non-LBO Forecast | Non-LBO Forecast | Desired Return Rate | 20.00% |
| EV/EBITDA with 3X Multiple Terminal Value: | \$0.79 | Market Price: | 34.02 | Year 1 Target | 22.46 | Implied Today's Price | 1.71 |
| Net Tangible Asset Terminal Value: | \$0.00 | LBO Price: | 34.02 | Year 2 Target | 14.82 | Overvalued/(Undervalued) | 1885.86% |
| EV/EBITDA with Today's Multiple Terminal Value: | \$6.18 | Premium to Market Price: | 0.00% | Year 3 Target | 9.78 | | |
| EVA Enterprise Value: | \$10.08 | LBO Price/Intrinsic Price Target: | -33.99% | Year 4 Target | 6.46 | | |
| Dividend Discount Model: | N/A | LBO Price/EV/EBIT Exit Price: | -33.63% | Year 5 Target | 4.26 | | |
| Average (Excluding Dividend Discount): | \$4.26 | Implied IRR at today's EV/EBITDA: | -28.91% | Implied IRR (Market Price): | -33.99% | | |
| | | 5 Year Return: | -87.47% | | | | |

| Current Evaluation | | | | Exit Evaluation | | | |
|-------------------------------|-----------------------|-------------------------------|-----------------------|-------------------------------|----------------------|-------------------------------|----------------------|
| Current Market Price: | 34.02 | LBO Price: | 34.02 | Exit Price: | 4.26 | Exit Price: | 6.18 |
| Outstanding Shares: | 105,560,000 | Outstanding Shares: | 105,560,000 | Outstanding Shares: | 105,560,000 | Outstanding Shares: | 105,560,000 |
| Market Capitalization: | 3,591,151,200 | Market Capitalization: | 3,591,151,200 | Market Capitalization: | 449,978,751 | Market Capitalization: | 652,168,476 |
| Available Cash: | 165,640,000 | Available Cash: | 165,640,000 | Available Cash: | 710,912,176 | Available Cash: | 710,912,176 |
| Debt: | 1,480,590,000 | Debt: | 1,480,590,000 | Debt: | 1,480,590,000 | Debt: | 1,480,590,000 |
| Net Cash: | -1,314,950,000 | Net Cash: | -1,314,950,000 | Net Cash: | -769,677,824 | Net Cash: | -769,677,824 |
| Enterprise Value: | 4,906,101,200 | Enterprise Value: | 4,906,101,200 | Enterprise Value: | 1,219,656,575 | Enterprise Value: | 1,421,846,299 |
| Original EV/EBITDA: | 28.68 | EV/EBITDA: | 28.68 | EV/EBITDA at 5 Years: | 5.44 | EV/EBITDA at 5 Years: | 5.00 |
| Original EV/EBITDA: | 18.88 | EV/EBITDA: | 18.88 | EV/EBITDA at 5 Years: | 8.81 | EV/EBITDA at 5 Years: | 5.04 |
| Competitor Average EV/EBIT: | N/A | | | | | | |
| Competitor Average EV/EBITDA: | N/A | | | | | | |

| Enterprise Valuation Calculation During Holding Period | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Time Period | 0 | Adjusted for LBO | 1 | 2 | 3 | 4 | 5 |
| Annualized Price Targets based off LBO Price: | 34.02 | 43.87 | 28.96 | 19.11 | 12.62 | 8.33 | 5.50 |
| Shares Outstanding: | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 |
| Market Capitalization: | 3,591,151,200 | 4,630,640,174 | 3,056,558,402 | 2,017,550,255 | 1,331,729,513 | 879,038,076 | 580,228,892 |
| Available Cash: | 165,640,000 | 165,640,000 | 265,539,806 | 369,926,292 | 478,889,192 | 592,520,034 | 710,912,176 |
| Debt: | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 |
| Net Cash: | -1,314,950,000 | -1,314,950,000 | -1,215,050,194 | -1,110,663,708 | -1,001,700,808 | -888,069,966 | -769,677,824 |
| Enterprise Value: | 4,906,101,200 | 5,945,590,174 | 4,271,608,596 | 3,128,213,963 | 2,333,430,321 | 1,767,108,043 | 1,349,906,716 |
| EBIT | 207,340,000 | 207,340,000 | 202,713,240 | 207,967,505 | 5 | 218,793,392 | 224,369,260 |
| EV/EBIT: | 23.66 | 28.68 | 21.07 | 15.04 | 466,686,064.15 | 8.08 | 6.02 |
| EBITDA | 259,860,000 | 259,860,000 | 256,283,640 | 262,609,313 | 269,061,499 | 275,642,729 | 282,355,584 |
| EV/EBITDA: | 18.88 | 18.88 | 16.67 | 11.91 | 8.67 | 6.41 | 4.78 |

| Enterprise Valuation Calculation During Holding Period | | | | | | | |
|--|----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| Time Period | 0 | Adjusted for LBO | 1 | 2 | 3 | 4 | 5 |
| Annualized Price Targets based off LBO Price: | 34.02 | 43.87 | 43.56 | 45.97 | -9.49 | 51.02 | 53.66 |
| Shares Outstanding: | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 | 105,560,000 |
| Market Capitalization: | 3,591,151,200 | 4,630,640,174 | 4,597,865,055 | 4,852,920,516 | -1,001,700,665 | 5,385,952,613 | 5,664,235,876 |
| Available Cash: | 165,640,000 | 165,640,000 | 265,539,806 | 369,926,292 | 478,889,192 | 592,520,034 | 710,912,176 |
| Debt: | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 | 1,480,590,000 |
| Net Cash: | -1,314,950,000 | -1,314,950,000 | -1,215,050,194 | -1,110,663,708 | -1,001,700,808 | -888,069,966 | -769,677,824 |
| Enterprise Value: | 4,906,101,200 | 5,945,590,174 | 5,812,915,249 | 5,963,584,224 | 143 | 6,274,022,579 | 6,433,913,700 |
| EBIT | 207,340,000 | 207,340,000 | 202,713,240 | 207,967,505 | 5 | 218,793,392 | 224,369,260 |
| EV/EBIT: | 23.66 | 28.68 | 28.68 | 28.68 | 28.68 | 28.68 | 28.68 |
| EBITDA | 259,860,000 | 259,860,000 | 256,283,640 | 262,609,313 | 269,061,499 | 275,642,729 | 282,355,584 |
| EV/EBITDA: | 18.88 | 18.88 | 22.68 | 22.71 | 0.00 | 22.76 | 22.79 |

| | | | | | | | |
|------------------------------|----------------------|-----------------------------|----------------------|-----------|----------------|---|----------------|
| LBO Price | 34.02 | Equity Partners: | 5,064,621,200 | Weighting | 100.00% | Annualized Return for Equity Partners: | -33.63% |
| Shares Outstanding | 105,560,000 | Debt Partners: | 0 | | 0.00% | | |
| Market Capitalization | 3,591,151,200 | Total Funds for LBO: | 5,064,621,200 | | 100.00% | | |
| Debt | 1,473,470,000 | | | | | | |
| Cash | 165,640,000 | | | | | | |
| Enterprise Value | 4,898,981,200 | | | | | | |
| Capital Investment | 5,064,621,200 | | | | | | |

| Book Value | Enterprise Value | Stock Valuation | Debt Reduction | | | | |
|--------------------------|------------------|----------------------------|----------------|--------------------------|----------------|---------------------------|----------------|
| Beginning Book Value | 322.51 | Beginning Enterprise Value | 4,906.10 | Current Market Price | \$34.02 | Starting Debt | 1,453.00 |
| Year 5 Book Value | 689.00 | Year 5 Enterprise Value | 1,421.85 | Year 5 Market Price | \$6.18 | Debt Repayment | 0.00 |
| Annualized Return | 16.40% | Annualized Return | -21.94% | Annualized Return | -28.91% | Year 5 Ending Debt | 1,453.00 |
| | | | | | | % of Starting Debt | 100.00% |

SN VALUATION

LBO Pro Forma Income Statement

Name:

Dunkin Brands

Ticker:

DNKN

| | Historical | | | | Forecasted | | | | |
|--|----------------------------|----------------------------|----------------------------|----------------------------|------------|---------|---------|---------|---------|
| | 52 weeks ending 2008-12-27 | 52 weeks ending 2009-12-26 | 52 weeks ending 2010-12-25 | 53 weeks ending 2011-12-31 | 2013 | 2014 | 2015 | 2016 | 2017 |
| Revenue | 544.93 | 538.08 | 577.14 | 628.20 | 640.76 | 653.58 | 666.65 | 679.98 | 693.58 |
| COGS | 104.99 | 99.40 | 112.91 | 124.21 | 128.15 | 130.72 | 133.33 | 136.00 | 138.72 |
| Gross margin | 439.94 | 438.68 | 464.23 | 503.99 | 512.61 | 522.86 | 533.32 | 543.99 | 554.87 |
| SG&A | 196.84 | 197.00 | 223.62 | 240.62 | 249.90 | 254.90 | 259.99 | 265.19 | 270.50 |
| R&D | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Unusual expense | 331.86 | 4.83 | 69.03 | 56.03 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other operating expense | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation is: Excluded from COGS | | | | | 60.00 | 60.00 | 60.00 | 60.00 | 60.00 |
| Operating Income (EBITA) | -88.76 | 236.85 | 171.58 | 207.34 | 202.71 | 207.97 | 213.33 | 218.79 | 224.37 |
| Interest income/(expense) | -115.95 | -115.02 | -112.53 | -104.45 | -100.67 | -100.67 | -100.67 | -100.67 | -100.67 |
| Gain (loss) on sale of asset | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other | -3.93 | 1.07 | 0.41 | 0.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Income before tax | -260.77 | 74.28 | 19.45 | 66.81 | 102.05 | 107.30 | 112.66 | 118.13 | 123.70 |
| Tax | 9.13 | 39.27 | -7.41 | 32.37 | 35.72 | 37.55 | 39.43 | 41.34 | 43.30 |
| Income after tax | -269.90 | 35.01 | 26.86 | 34.44 | 66.33 | 69.74 | 73.23 | 76.78 | 80.41 |
| Minority Interest | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Equity in affiliates | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Net income | -269.90 | 35.01 | 26.86 | 34.44 | 66.33 | 69.74 | 73.23 | 76.78 | 80.41 |
| *Figures are in millions (\$) | | | | | | | | | |
| EPS (based off today's share count) | -\$2.56 | \$0.33 | \$0.25 | \$0.33 | \$0.63 | \$0.66 | \$0.69 | \$0.73 | \$0.76 |
| P/E (historical today's price; forecasted intrinsic price) | -13.31 | 102.58 | 133.70 | 104.27 | 35.74 | 22.43 | 14.10 | 8.88 | 5.60 |
| Revenue Growth | N/A | -1.26% | 7.26% | 8.85% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Tax Rate | -3.50% | 52.87% | -38.10% | 48.45% | 35.00% | 35.00% | 35.00% | 35.00% | 35.00% |
| Implied Debt Interest Rate | 0.00% | -7.92% | -6.03% | -7.09% | -6.93% | -6.93% | -6.93% | -6.93% | -6.93% |
| Margins | | | | | | | | | |
| COGS | 19.27% | 18.47% | 19.56% | 19.77% | 20.00% | 20.00% | 20.00% | 20.00% | 20.00% |
| Gross margin | 80.73% | 80.44% | 80.44% | 80.23% | 80.00% | 80.00% | 80.00% | 80.00% | 80.00% |
| SG&A | 36.12% | 36.61% | 38.75% | 38.30% | 39.00% | 39.00% | 39.00% | 39.00% | 39.00% |
| R&D | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Unusual expense | 60.90% | 0.90% | 11.96% | 8.92% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Other operating expense | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Depreciation is: Excluded from COGS | 0.00% | 0.00% | 0.00% | 0.00% | 9.36% | 9.18% | 9.00% | 8.82% | 8.65% |
| Operating Income (EBITA) | -16.29% | 44.02% | 29.73% | 33.01% | 31.64% | 31.82% | 32.00% | 32.18% | 32.35% |
| Interest income/(expense) | -21.28% | -21.38% | -19.50% | -16.63% | -15.71% | -15.40% | -15.10% | -14.80% | -14.51% |
| Gain (loss) on sale of asset | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Other | -0.72% | 0.20% | 0.07% | 0.03% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Income before tax | -47.85% | 13.80% | 3.37% | 10.64% | 15.93% | 16.42% | 16.90% | 17.37% | 17.84% |
| Tax | 1.68% | 7.30% | -1.28% | 5.15% | 5.57% | 5.75% | 5.91% | 6.08% | 6.24% |
| Income after tax | -49.53% | 6.51% | 4.65% | 5.48% | 10.35% | 10.88% | 11.43% | 11.98% | 12.55% |
| Minority Interest | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Equity in affiliates | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Net income | -49.53% | 6.51% | 4.65% | 5.48% | 10.35% | 10.67% | 10.98% | 11.29% | 11.59% |

SN VALUATION

LBO Adjusted Proforma Balance Sheet

| | Error | | | | | Adjustment | | Adjusted Proforma | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------------|------------------|------------------|------------------|------------------|-------------|-------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | | As of 2009-12-26 | As of 2010-12-25 | As of 2011-12-31 | As of 2012-09-29 | + | - | | | | | | |
| Cash | #VALUE! | 53.21 | 134.10 | 246.72 | 165.64 | | | 165.64 | 265.54 | 369.93 | 478.89 | 592.52 | 710.91 |
| Short term investment | Error | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash and Short term | #VALUE! | 53.21 | 134.10 | 246.72 | 165.64 | | | 165.64 | 265.54 | 369.93 | 478.89 | 592.52 | 710.91 |
| Accounts Receivable | Error | 32.89 | 35.24 | 37.12 | 41.79 | | | 41.79 | 41.79 | 41.79 | 41.79 | 41.79 | 41.79 |
| Other receivables | Error | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Receivables | #VALUE! | 32.89 | 35.24 | 37.12 | 41.79 | | | 41.79 | 41.79 | 41.79 | 41.79 | 41.79 | 41.79 |
| Total Inventory | Error | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | Error | 39.56 | 28.32 | 20.30 | 21.12 | | | 21.12 | 21.12 | 21.12 | 21.12 | 21.12 | 21.12 |
| Other Current Assets | Error | 158.41 | 42.01 | 80.67 | 80.91 | | | 80.91 | 80.91 | 80.91 | 80.91 | 80.91 | 80.91 |
| Current Assets | #VALUE! | 284.07 | 239.67 | 384.81 | 309.46 | 0.00 | 0.00 | 309.46 | 409.36 | 513.75 | 622.71 | 736.34 | 854.73 |
| PP&E, Gross | | 288.90 | 288.94 | 300.00 | 300.00 | | | 300.00 | 320.00 | 340.00 | 360.00 | 380.00 | 400.00 |
| Change in Depreciation | | 62.91 | 57.83 | 52.52 | 52.52 | | | 52.52 | 53.57 | 54.64 | 55.73 | 56.85 | 57.99 |
| Accumulated Depreciation | | 103.54 | 78.71 | 100.00 | 100.00 | | | 100.00 | 153.57 | 208.21 | 263.95 | 320.80 | 378.78 |
| PP&E, Net | 185.36 | 209.66 | 193.28 | 200.00 | 200.00 | | | 200.00 | 166.43 | 131.79 | 96.05 | 59.20 | 21.22 |
| Goodwill | Error | 887.85 | 888.65 | 890.99 | 891.91 | 0.00 | | 891.91 | 891.91 | 891.91 | 891.91 | 891.91 | 891.91 |
| Intangibles | Error | 1,570.18 | 1,535.66 | 1,507.22 | 1,486.79 | | | 1,486.79 | 1,486.79 | 1,486.79 | 1,486.79 | 1,486.79 | 1,486.79 |
| Long term investments | Error | 147.90 | 169.28 | 164.64 | 175.90 | | | 175.90 | 175.90 | 175.90 | 175.90 | 175.90 | 175.90 |
| Other long term assets | Error | 87.03 | 76.05 | 69.34 | 70.16 | | | 70.16 | 70.16 | 70.16 | 70.16 | 70.16 | 70.16 |
| Long Term Assets | #VALUE! | 2,902.62 | 2,862.92 | 2,832.19 | 2,824.76 | | | 2,824.76 | 2,791.19 | 2,756.55 | 2,720.81 | 2,683.96 | 2,645.98 |
| Total Assets | #VALUE! | 3,186.69 | 3,102.59 | 3,217.00 | 3,134.22 | 0.00 | 0.00 | 3,134.22 | 3,200.55 | 3,270.29 | 3,343.52 | 3,420.30 | 3,500.71 |
| Accounts Payable | Error | 10.72 | 9.82 | 9.65 | 9.65 | | | 9.65 | 9.65 | 9.65 | 9.65 | 9.65 | 9.65 |
| Accrued Expense | Error | 27.00 | 37.27 | 39.74 | 39.74 | | | 39.74 | 39.74 | 39.74 | 39.74 | 39.74 | 39.74 |
| Other current Liabilities | Error | 206.64 | 220.75 | 251.95 | 185.39 | | | 185.39 | 185.39 | 185.39 | 185.39 | 185.39 | 185.39 |
| Total Current Liabilities | 0.00 | 244.36 | 267.84 | 301.34 | 234.78 | 0.00 | 0.00 | 234.78 | 234.78 | 234.78 | 234.78 | 234.78 | 234.78 |
| Notes Payables/Short Term Debt | Error | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Current port. Of LT Debt/Capital Leases | Error | 0.22 | 12.71 | 15.20 | 20.36 | | | 20.36 | 20.36 | 20.36 | 20.36 | 20.36 | 20.36 |
| Long term Debt | Error | 1,446.32 | 1,847.02 | 1,453.34 | 1,453.00 | 0.00 | 0.00 | 1,453.00 | 1,453.00 | 1,453.00 | 1,453.00 | 1,453.00 | 1,453.00 |
| Capital Lease Obligations | Error | 5.22 | 5.16 | 4.93 | 7.23 | | | 7.23 | 7.23 | 7.23 | 7.23 | 7.23 | 7.23 |
| Total Interest Earning Debt | 0.00 | 1,451.76 | 1,864.89 | 1,473.47 | 1,480.59 | 0.00 | 0.00 | 1,480.59 | 1,480.59 | 1,480.59 | 1,480.59 | 1,480.59 | 1,480.59 |
| Deferred Income tax | Error | 618.32 | 586.34 | 578.66 | 566.03 | | | 566.03 | 566.03 | 566.03 | 566.03 | 566.03 | 566.03 |
| Minority Interest | Error | 0.00 | 0.00 | 0.00 | 3.47 | | | 3.47 | 3.47 | 3.47 | 3.47 | 3.47 | 3.47 |
| Other liabilities | Error | 139.68 | 121.98 | 124.61 | 515.84 | | | 515.84 | 515.84 | 515.84 | 515.84 | 515.84 | 515.84 |
| Total Liabilities | 0.00 | 2,454.12 | 2,841.05 | 2,478.08 | 2,800.71 | 0.00 | 0.00 | 2,800.71 | 2,800.71 | 2,800.71 | 2,800.71 | 2,800.71 | 2,800.71 |
| Redeemable Preferred Stock | Error | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non-redeemable Preferred Stock | Error | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Common Stock | Error | 1,232.04 | 840.62 | 0.12 | 0.12 | | 0.00 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 | 0.12 |
| Additional Paid-in capital | Error | 192.50 | 195.21 | 1,478.29 | 1,251.21 | 0.00 | 0.00 | 1,251.21 | 1,251.21 | 1,251.21 | 1,251.21 | 1,251.21 | 1,251.21 |
| Dividends Paid | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Retained Earnings | Error | -657.25 | -741.41 | -752.08 | -948.42 | | 0.00 | -948.42 | -882.09 | -812.35 | -739.12 | -662.34 | -581.93 |
| Treasury Stock | Error | -1.11 | -1.81 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Equity | Error | 4.43 | 13.63 | 19.60 | 19.60 | | 0.00 | 19.60 | 19.60 | 19.60 | 19.60 | 19.60 | 19.60 |
| Total Equity | 0.00 | 770.61 | 306.24 | 745.93 | 322.51 | 0.00 | 0.00 | 322.51 | 388.84 | 458.58 | 531.81 | 608.59 | 689.00 |
| Liability + Equity | 0.00 | 3,224.73 | 3,147.29 | 3,224.01 | 3,123.22 | 0.00 | 0.00 | 3,123.22 | 3,189.55 | 3,259.29 | 3,332.52 | 3,409.30 | 3,489.71 |
| Variance | #VALUE! | -38.04 | -44.70 | -7.01 | 11.00 | | | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 | 11.00 |
| Debt/Equity | #DIV/0! | 1.88 | 6.09 | 1.98 | 4.59 | | | 4.59 | 3.81 | 3.23 | 2.78 | 2.43 | 2.15 |
| Inventory Turnover | #VALUE! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Inventory Turnover Days | #VALUE! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | | | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! | #DIV/0! |
| Days Inventory Outstanding | #VALUE! | 0.00 | 0.00 | 0.00 | 0.00 | | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable Turnover | #VALUE! | 16.36 | 16.38 | 16.92 | 15.33 | | | 15.03 | 15.33 | 15.64 | 15.95 | 16.27 | 16.60 |
| Accounts Receivable Turnover Days | #VALUE! | 22.31 | 22.29 | 21.57 | 23.80 | | | 24.28 | 23.80 | 23.34 | 22.88 | 22.43 | 21.99 |
| Days Payable Outstanding | #VALUE! | 39.36 | 31.74 | 28.36 | 27.48 | | | 28.36 | 27.48 | 26.95 | 26.42 | 25.90 | 25.39 |
| Days Sales Outstanding | #VALUE! | 22.31 | 22.29 | 21.57 | 23.80 | | | 21.57 | 24.28 | 23.80 | 23.34 | 22.88 | 22.43 |
| Cash Conversion Cycle | #VALUE! | -17.05 | -9.46 | -6.79 | -3.68 | | | -6.79 | -3.20 | -3.14 | -3.08 | -3.02 | -2.96 |
| Net tangible assets/share | #VALUE! | (\$1.47) | (\$5.94) | (\$1.44) | (\$5.29) | | | (\$4.66) | (\$4.00) | (\$3.31) | (\$2.58) | (\$1.82) | (\$1.82) |

SN VALUATION

LBO Adjusted Proforma Cash Flow

| | 52 weeks ending 2008-12-27 | 52 weeks ending 2009-12-26 | 52 weeks ending 2010-12-25 | 53 weeks ending 2011-12-31 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|---------------|---------------|---------------|---------------|---------------|
| Net Income | -269.90 | 35.01 | 26.86 | 34.44 | 66.33 | 69.74 | 73.23 | 76.78 | 80.41 |
| Depreciation | 66.30 | 62.91 | 57.83 | 52.52 | 53.57 | 54.64 | 55.73 | 56.85 | 57.99 |
| Net Income + Depreciation | -203.60 | 97.92 | 84.69 | 86.96 | 119.90 | 124.39 | 128.96 | 133.63 | 138.39 |
| Amortization | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred Taxes | -24.15 | 18.30 | -28.39 | -11.36 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Non Cash Items | 332.35 | 7.14 | 61.73 | 54.19 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Change in Working capital | -29.92 | -7.28 | 110.98 | 32.92 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Receivable | 0.00 | #VALUE! | -2.35 | -1.68 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Receivables | 0.00 | #VALUE! | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Inventory | 0.00 | #VALUE! | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Prepaid Expenses | 0.00 | #VALUE! | 11.24 | 8.02 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Accounts Payable | 0.00 | #VALUE! | -0.90 | -0.17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Operating Activities | 74.68 | 116.08 | 229.01 | 162.71 | 119.90 | 124.39 | 128.96 | 133.63 | 138.39 |
| Capital Expenditures Expenditures | -27.52 | -18.01 | -15.36 | -18.60 | -20.00 | -20.00 | -20.00 | -20.00 | -20.00 |
| Long term investment | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Other Investing Activities | 0.09 | 0.00 | -0.25 | -1.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Investing Activities | -27.43 | -18.01 | -15.61 | -19.81 | -20.00 | -20.00 | -20.00 | -20.00 | -20.00 |
| Financing Cash flow items | 2.24 | 1.66 | -17.73 | -15.14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Cash Dividends Paid | 0.00 | 0.00 | -500.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issuance (Retirement) of Stock | -1.47 | -0.57 | -3.00 | 389.68 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issuance (Retirement) of Current Portion Debt | - | - | - | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issuance (Retirement) of Long Term Debt | 63.99 | -209.56 | 388.14 | -404.61 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash from Financing Activities | 64.76 | -208.47 | -132.59 | -30.07 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Foreign Exchange effect | -0.45 | -0.03 | 0.08 | -0.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Beginning Cash Balance | #VALUE! | Error | 53.21 | 134.10 | 165.64 | 265.54 | 369.93 | 478.89 | 592.52 |
| Net Change in Cash | 111.56 | -110.43 | 80.89 | 112.61 | 99.90 | 104.39 | 108.96 | 113.63 | 118.39 |
| Ending Cash Balance | Error | 53.21 | 134.10 | 246.71 | 265.54 | 369.93 | 478.89 | 592.52 | 710.91 |
| Capex to Revenue | 5.05% | 3.35% | 2.66% | 2.96% | 3.12% | 3.06% | 3.00% | 2.94% | 2.88% |
| Depreciation to Sales | 12.17% | 11.69% | 10.02% | 8.36% | 8.36% | 8.36% | 8.36% | 8.36% | 8.36% |
| Amortization to Sales | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| A/R to Sales | #VALUE! | 6.11% | 6.11% | 5.91% | 5.79% | 5.68% | 5.57% | 5.46% | 5.35% |
| Distributable FCF Yield | 0.96% | 2.00% | 4.35% | 2.91% | 2.04% | 2.13% | 2.22% | 2.32% | 2.41% |
| Dividend Yield | 0.00% | 0.00% | -13.92% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| FCF (Ops-Investing-Dividends) | 47.16 | 98.07 | 713.65 | 144.11 | 99.90 | 104.39 | 108.96 | 113.63 | 118.39 |

SN VALUATION

LBO Debt Schedule

| | Proforma | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| Net Change in Cash | 112.61 | 99.90 | 104.39 | 108.96 | 113.63 | 118.39 |
| Current Portion Debt Repayment | | | | | | |
| Long Term Debt Repayment | | | | | | |
| Outstanding Debt | 1473.36 | 1473.36 | 1473.36 | 1473.36 | 1473.36 | 1473.36 |
| Current Portion Debt Balance | 20.36 | 20.36 | 20.36 | 20.36 | 20.36 | 20.36 |
| Long Term Debt Balance | 1,453.00 | 1,453.00 | 1,453.00 | 1,453.00 | 1,453.00 | 1,453.00 |
| Forward Libor Curve | | 3.00% | 3.00% | 3.00% | 3.00% | 3.00% |
| Spread | | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| Interest Rate | | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |
| Interest Expense | | 103.14 | 103.14 | 103.14 | 103.14 | 103.14 |
| Cash Balance | | 246.72 | | | | |
| Interest @ 1.0% | | 2.47 | 2.47 | 2.47 | 2.47 | 2.47 |
| Net Interest Expense/(Income) | | 100.67 | 100.67 | 100.67 | 100.67 | 100.67 |
| Net Interest Rate | | 6.93% | 6.93% | 6.93% | 6.93% | 6.93% |
| EBITDA | | 202.71 | 207.97 | 213.33 | 218.79 | 224.37 |
| EBITDA/Interest Expense Coverage | | 1.97 | 2.02 | 2.07 | 2.12 | 2.18 |

Interest Rate Coverage Table

| Debt Rating | 2013 | 2014 | 2015 | 2016 | 2017 |
|-------------|------|------|------|------|------|
| AAA | | | | | |
| AA | | | | | |
| A+ | | | | | |
| A | | | | | |
| A- | | | | | |
| BBB | | | | | |
| BB+ | | | | | |
| BB | | | | | |
| B+ | | | | | |
| B | | B | B | B | B |
| B- | B- | | | | |
| CCC | | | | | |
| CC | | | | | |
| C | | | | | |
| D | | | | | |

*Source: NYU; Professor Damodaran

Altman Z Score

Company Name:

Dunkin Brands

Ticker:

DNKN

| Period | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|------------------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Working Capital | #VALUE! | 39.71 | -28.17 | 74.68 | 174.58 | 278.97 | 387.93 | 501.56 | 619.95 |
| Total Assets | #VALUE! | 3,186.69 | 3,102.59 | 3,134.22 | 3,200.55 | 3,270.29 | 3,343.52 | 3,420.30 | 3,500.71 |
| X1 | #VALUE! | 0.01 | -0.01 | 0.02 | 0.05 | 0.09 | 0.12 | 0.15 | 0.18 |
| Retained Earnings | Error | -657.25 | -741.41 | -948.42 | -882.09 | -812.35 | -739.12 | -662.34 | -581.93 |
| Total Assets | #VALUE! | 3,186.69 | 3,102.59 | 3,134.22 | 3,200.55 | 3,270.29 | 3,343.52 | 3,420.30 | 3,500.71 |
| X2 | #VALUE! | -0.21 | -0.24 | -0.30 | -0.28 | -0.25 | -0.22 | -0.19 | -0.17 |
| EBITDA | -88.76 | 236.85 | 171.58 | 207.34 | 262.71 | 267.97 | 273.33 | 278.79 | 284.37 |
| Total Assets | #VALUE! | 3,186.69 | 3,102.59 | 3,134.22 | 3,200.55 | 3,270.29 | 3,343.52 | 3,420.30 | 3,500.71 |
| X3 | #VALUE! | 0.07 | 0.06 | 0.07 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| Market Value of Equity | 3,591.15 | 3,591.15 | 3,591.15 | 3,591.15 | 2,370.42 | 1,564.65 | 1,032.78 | 681.71 | 449.98 |
| Total Liabilities | 0.00 | 2,454.12 | 2,841.05 | 2,800.71 | 2,800.71 | 2,800.71 | 2,800.71 | 2,800.71 | 2,800.71 |
| X4 | #DIV/0! | 1.46 | 1.26 | 1.28 | 0.85 | 0.56 | 0.37 | 0.24 | 0.16 |
| Net Sales | 544.93 | 538.08 | 577.14 | 628.20 | 640.76 | 653.58 | 666.65 | 679.98 | 693.58 |
| Total Assets | #VALUE! | 3,186.69 | 3,102.59 | 3,134.22 | 3,200.55 | 3,270.29 | 3,343.52 | 3,420.30 | 3,500.71 |
| X5 | #VALUE! | 0.17 | 0.19 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 |
| Altman Z Score | #VALUE! | 1.02 | 0.78 | 0.79 | 0.66 | 0.56 | 0.52 | 0.52 | 0.54 |

$$Z = 1.2 \times X1 + 1.4 \times X2 + 3.3 \times X3 + 0.6 \times X4 + 1.0 \times X5$$

Z-SCORE ABOVE 3.0 –The company is considered 'Safe' based on the financial figures only.

Blue

Z-SCORE BETWEEN 2.7 and 2.99 – 'On Alert'. This zone is an area where one should 'Exercise Caution'.

Green

Z-SCORE BETWEEN 1.8 and 2.7 – Good chance of the company going bankrupt within 2 years.

Yellow

Z-SCORE BELOW 1.80- Probability of Financial Catastrophe is Very High.

Red