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Krispy Kreme, Inc. (DNUT)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Steve West
Vice President-Investor Relations, Krispy Kreme, Inc.

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

OTHER PARTICIPANTS

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

David Palmer
Analyst, Evercore Group LLC

Gautam Nanda
Analyst, Citigroup Global Markets, Inc.

Daniel Guglielmo
Analyst, Capital One Securities, Inc.

MANAGEMENT DISCUSSION SECTION

Operator: Hello, everyone, and thank you for standing by. My name is Paige, and I will be your conference operator today. At this time, I would like to welcome everyone to the Krispy Kreme Second Quarter 2026 Earnings Call. All lines have been placed on mute to prevent any background noise. After the company's prepared remarks, they will host a question-and-answer session. [Operator Instructions]

I would now like to turn the call over to Steve West, Krispy Kreme, Vice President of Investor Relations. Steve, please go ahead.

Steve West

Vice President-Investor Relations, Krispy Kreme, Inc.

Good morning, everyone. And welcome to Krispy Kreme's second quarter 2026 earnings call. Joining me are President and Chief Executive Officer, Josh Charlesworth; and Chief Financial Officer, Raphael Duvivier. The second quarter earnings release and accompanying presentation are available on our Investor Relations website at investors.krispykreme.com. This call will also be available on our website and contains forward-looking statements.

Forward-looking statements including those of expectations, future events, or financial performance are based on current expectations and are subject to risks and uncertainties. Actual events or results could differ materially from those forward-looking statements due to factors described in the cautionary statements in our earnings release, Annual Report on Form 10-K filed with the SEC and in other SEC filings we make from time to time. We assume no obligation to update any forward-looking statement except as may be required by law.

Additionally, we will reference certain non-GAAP financial measures. Information about these non-GAAP measures and reconciliations to the closest comparable GAAP measures is available in our earnings release. Any reference to percentage growth when discussing second quarter results is a comparison to the second quarter of 2025, unless otherwise indicated.

I will now turn the call over to Josh.

Joshua Alan Charlesworth

President, Chief Executive Officer & Director, Krispy Kreme, Inc.

Thank you, Steve, and good morning, everyone. Second quarter highlighted continued significant progress on our turnaround to strengthen the balance sheet, reduce leverage and drive sustainable, profitable growth. Our year-to-date results demonstrate the success of the actions we are taking to grow the business and improve profitability. We remain confident in our ability to deliver our 2026 financial targets, and are maintaining our previously issued guidance.

Krispy Kreme remains a compelling global growth story, supported by increasing consumer demand for our iconic fresh doughnuts, even in a dynamic macro environment. Unlocking that demand remains our priority, and we are doing so through our two largest opportunities; profitable US expansion and capital-light international franchise growth.

In the second quarter, demand for our fresh iconic doughnuts across the US and international markets drove systemwide sales growth of 2.6%, excluding the impact of the now ended McDonald's USA partnership from last year. Overall, our goal remains to deliver systemwide sales of more than $2 billion in 2026.

Adjusted EBITDA margin significantly increased by 340 basis points as our focus on optimizing operations and logistics, along with driving more profitable sales per door in fresh delivery is translating into stronger financial performance.

Now, let's move to the four pillars of our turnaround plan and the progress we are making on each. One, refranchising; two, improving returns on capital; three, expanding margins; and four, driving sustainable profitable US growth. Our first pillar, refranchising, enables us to drive more profitable systemwide sales growth, while accelerating new shop development through a capital-light model. So far this year, we have completed two transactions that advanced this strategy in Japan and the Western US, both of which contributed to a reduction in net debt. Last year, approximately 25% of systemwide sales were generated by franchisees.

Today, franchisees account for 42% of systemwide sales. Through additional refranchising efforts, our goal remains to reach approximately 50% of systemwide sales generated by franchisees beginning next year. As we evaluate additional refranchising opportunities, we remain focused on identifying the right partners both in international markets and the US to maximize value and position our brand for long-term growth.

The second pillar of our turnaround is improving returns on capital. Across the business, we are significantly reducing capital intensity and improving our utilization of existing assets, while our franchisees invest to support brand growth. As a result, we reduced our CapEx in the first half of the year by 70% compared to last year, which will contribute to achieving positive free cash flow in 2026.

We are pleased to have entered into agreements for three new international franchise markets this year, including the Netherlands, Estonia, and Mauritius, achieving our goal of three to four new markets in 2026. The continued strength of the Krispy Kreme brand is reflected in the interest we see from prospective franchise partners around the world, and we remain focused on pursuing additional opportunities to expand our global footprint through our capital-light franchise model.

Year-to-date, we have opened 59 new shops, driven by growth in Japan, Brazil, South Korea, and the Middle East. All but two of these shops were opened by franchisees, and we remain on track to achieve our goal of opening at least 100 shops in 2026. While our international development pipeline remains an important driver of capital-light growth, we are also focused on US growth, while leveraging existing manufacturing capacity to expand fresh delivery.

Our current network utilization is only about 25%, demonstrating the opportunity to expand to more locations without incremental capacity investment. Walmart and Target, along with other strategic partners, are still significantly under-penetrated, and we can support additional growth through the same facilities that currently deliver to more than 7,600 doors nationwide.

The third pillar of our turnaround is expanding margins. We are simplifying the business and reducing costs across the P&L, resulting in significant margin improvement versus last year driven by the US segment.

In the US, we are making doughnuts more efficiently through enhanced production planning, labor optimization, and streamlined hub operations, all leading to a meaningful reduction in labor spend. We continue to increase delivery efficiency through improved route management, demand planning, and the optimization of production, and delivery schedules.

Now that we have successfully outsourced our US logistics, we have greater cost predictability and reduced operational risk, enabling our teams to focus on what they do best making fresh doughnuts. After completing a successful test of a new AI-enabled platform for fresh delivery demand planning, we are now rolling it out across our company network. Based on the preliminary results, we expect this advanced technology solution will reduce out-of-stocks on the shelf, while also minimizing returns.

The fourth pillar of our turnaround is sustainable profitable growth in the US across our doughnut shops, digital channels and fresh delivery partners. Our doughnut shops are the largest driver of sustainable, profitable growth in the US. The strength of our doughnut shops has been driven by our recently expanded core menu, led by our iconic Original Glazed doughnut, supported by five seasonal doughnut collections each year, and a steady cadence of innovative, limited time offerings. Each plays a key role, but it's the combination that makes them so successful.

Our core menu provides consistency and value. Our seasonal collections deliver new flavors and variety, and our LTOs create excitement and cultural relevance. Together, they keep the brand fresh and engaging for consumers, stimulate curiosity and drive sustained demand. We further support demand through targeted marketing and promotional programs that reinforce value and encourage larger purchases.

Promotions such as our discounted second dozen offer provide value for consumers, while driving doughnut sales and growth in average ticket size. Sales through our growing digital channel have grown 8% year-over-year, and now represent approximately 22% of total US retail sales. This is driven by improvements in our proprietary digital platforms, including easier payment options and the growth of our loyalty program. This now includes nearly 18 million members in the US who visit typically 30% more frequently than non-loyalty members.

In fresh delivery, we know that when our doughnuts are available in the right places and in the right quantities with strategic partners, we can generate higher average weekly sales and profitability. During the second quarter, we added more than 200 doors with strategic partners such as Walmart, Target, Kroger and Sam's Club.

A key component of our continued success in increasing average weekly sales per door is strengthening our relationships with these key strategic partners. Target is a great example of how deeper collaboration can unlock additional growth opportunities, and create value for both organizations.

We're expanding our relationship with Target to enhance merchandising and checkout placement. And beginning in September, Krispy Kreme products will be available for purchase on target.com. We believe this expanded relationship reflects the confidence leading retailers have in the strength of our brand, and creates additional opportunities to increase sales and expand our fresh delivery network.

Much of our progress in fresh delivery has been led by Suk Nicholas, who we recently announced as our Chief Commercial Officer. Her primary focus is to accelerate growth, expand key partnerships, strengthen customer relationships, and build world-class commercial capabilities across markets. Additionally, we continue to stay closely attuned to evolving consumer trends, including the use of GLP-1 and other weight loss medications.

Last quarter, I discussed the conclusion from our research, which found Krispy Kreme consumers who use these medications are just as likely as non-users to purchase sweet treats for holidays and special occasions. With our differentiated fresh doughnuts typically purchased two to three times per year, primarily for sharing occasions, we believe Krispy Kreme is well-positioned in this context.

While we continue to monitor this trend, among other macro factors, we remain focused on expanding the ways consumers experience and share Krispy Kreme, including through our high-performing minis category. Featuring doughnut minis, doughnut dots and Mini Crullers, this category offers consumers compelling value and greater variety.

Overall, we are pleased with the continued progress on our turnaround, extending the momentum that began late last year. We believe the actions we have taken are positioning Krispy Kreme for sustainable, profitable growth for the long-term, and delivering the results our turnaround plan was designed to achieve, improved financial flexibility, reduced capital intensity, expanded margins through greater operational efficiency, and improved sustainable, profitable US growth.

With that, Raphael will now review our second quarter financials.

Raphael Duvivier

Chief Financial Officer, Krispy Kreme, Inc.

Thank you, Josh. I'm pleased with another quarter of improvements in our financial performance, driven by the execution of our turnaround plan. We remain focused on sustainable, profitable growth through quality sales and effective cost management across the P&L. We continue to delever the balance sheet through increased adjusted EBITDA and increase our profitability by expanding our adjusted EBITDA margin.

Net revenue was $331 million in the second quarter, down 13%, reflecting our planned refranchising of the Western US and Japan. Excluding refranchising, we were essentially flat on organic revenue basis. In fact, systemwide sales were $497 million, up 2.6% in constant currency when excluding the impact from McDonald's USA in the prior year period. This reflects the strength of Krispy Kreme brand around the world.

ADJUSTED EBITDA of $28.8 million increased 43%, driven by productivity initiatives across our network and cost controls at the corporate-level. This represents the fourth consecutive quarter of adjusted EBITDA growth and an acceleration versus our first quarter adjusted EBITDA growth of 38%. During the quarter, our consolidated adjusted EBITDA margin improved 340 basis points to 8.7% through our intense focus on driving sustainable, profitable growth.

In our US segment, organic revenue increased 0.1%, driven by the strategic closure of underperforming fresh delivery doors. Excluding the McDonald's impact from last year, US organic revenue was up 4.4%, driven mostly by growth in digital and our retail shops. In fresh delivery, we have taken disciplined actions to improve the productivity of our doors. Our average weekly sales per door in the US, now inclusive of both company and franchise-operated doors, were approximately $697, an increase of 33% year-over-year.

Adjusted EBITDA for the US segment increased 38% to $13.8 million, reflecting continued traction from our turnaround plan more than offsetting the impact of our refranchising efforts. We benefited from cost control initiatives and increased efficiency, including outsourcing our US logistic network, savings in SG&A, and eliminating costs related to the now ended McDonald's USA partnership. Those initiatives drove an adjusted EBITDA margin increase of about 370 basis point to 8%.

In our international segment, organic revenue decreased 5.1% due mostly to declines in UK and Australia, partially offset by growth in Canada. Adjusted EBITDA of $14.2 million declined 22% year-over-year, driven by the refranchising of Japan. Additionally, our adjusted EBITDA margin for the international business was 12.1%, which was a 160 basis point lower year-over-year due mostly to a change in mix from the Japan refranchising.

In our Market Development segment, organic revenue increased 14.4%, driven by growth in royalty revenues from Middle East, Japan, and Brazil. Adjusted EBITDA increased 117% to $19.4 million due to refranchising of the Western US and Japan and increased royalty revenue. Adjusted EBITDA margin decreased to 47.3%, driven by a higher domestic versus international revenue mix associated with refranchising. Our adjusted earnings per share improved $0.12 year-over-year, about $0.02 of which was due to our refranchising deals.

Moving to our balance sheet, we continue to deleverage, and ended the quarter with a net leverage ratio of 5.4 times our trailing four quarters of adjusted EBITDA. Our leverage ratio has improved by 1.3 turns versus our reported ratio of 6.7 times at the end of 2025, and more than 2 turns during last year's second quarter. We are pleased with the progress, but continue to focus on reducing our leverage ratio to additional net debt reduction and adjusted EBITDA growth.

Additionally, our free cash flow improved by more than $100 million in the first half of 2026 as compared to the first half of last year, driven by focus on reducing our capital intensity. CapEx year-to-date of $16.1 million decreased 70% versus the first half of 2025. We continue to focus our invested capital on repairs and maintenance of existing infrastructure, which is in line with our asset-light business model, and we believe will contribute meaningfully to free cash flow generation during the year.

Before providing our guidance update, I wanted to discuss our long-term refranchising philosophy. We believe our attractive franchise margins advance our capital-light growth strategy. As Josh mentioned, we added three international franchise markets this year, and we are working to add more. We also continue discussions to refranchise additional markets, to trusted partners, to grow our brand around the world.

We believe this will lead to higher margins, reduce CapEx, and generate more free cash flow than only the markets ourselves. While some refranchising deals can be dilutive to the income statement, we believe it's important to build them from a discounted cash flow perspective. Our refranchising deals intend to be accretive to free cash flow over time by increasing high-margin royalty stream and reducing CapEx, which we believe will increase long-term shareholder value.

Moving to our financial targets, I'm pleased to say we're maintaining our previously stated full year guidance metrics as laid out in our earnings release. Some key metrics include; net revenue of $1.25 billion to $1.35 billion; systemwide sales growth of 2% to 4% in constant currency; adjusted EBITDA of $140 million to $150 million; capital expenditures of $50 million to $60 million.

Given the dynamic changes over the last four quarters, I want to provide some additional color on the rest of the year. The fourth quarter is typically stronger due to seasonality and thus, we expect to see higher growth and margins in the fourth quarter than in the third quarter. Additionally, as a reminder, in the third quarter of 2025, we reported a $9.3 million cyber-related insurance gain. Adjusted EBITDA in the third quarter of 2025 would have been $31.3 million excluding this gain.

With that, I will now turn it over to Josh for his closing remarks.

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.

We are pleased to have delivered another consecutive quarter of significant progress on our turnaround to strengthen the balance sheet, reduce leverage, and drive sustainable, profitable growth. We're confident in the foundation we're building for Krispy Kreme's next era of growth, and believe our results continue to demonstrate that we are well on our way.

Operator, you may now open the line up for Q&A.

QUESTION AND ANSWER SECTION

Operator: We will now begin the question-and-answer session. [Operator Instructions] Your first question comes from the line of Brian Harbour with Morgan Stanley. Your line is open. Please go ahead.

Brian Harbour
Analyst, Morgan Stanley & Co. LLC

Q

Yeah, thanks. Good morning, guys. Just when I think about sort of EBITDA margins, I mean, you don't have a longer term target out there right now. But like you've obviously completed quite a bit here. On the cost side, you've sort of completed the outsourcing of delivery. I mean, where do you see this going over time or as we think about kind of upside into next year and beyond, what will be the key margin drivers? And where do you see that going?

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

A

Hey, Brian. How are you? This is Raphael. Look, we're happy with the turnaround plan. I think, as you said, look, this the fourth quarter we're seeing the results. It's more important than the first quarter where we're seeing the two deals that we already did. Japan and the Western US flow to the P&L. So, you're seeing that impact, and you see the margin coming up, right. So, as we complete more deals and we continue to move our agenda to become capital-light, we believe margin will continue to increase and as well drive more free cash flow by doing so.

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.
A

And I'll just add, as you mentioned, the outsourcing of logistics in the US. Yes, we've completed that transition, but most of the benefits of our logistics optimization have not really yet come through to the P&L. We're seeing greater cost certainty, improved service levels, and efficiencies. These are, at the moment, more than offsetting any inflation on gas prices, for example. So, we'd expect to see over time the benefits to margin of that logistics outsourcing as well.

Brian Harbour
Analyst, Morgan Stanley & Co. LLC
Q

Okay. Which of the DFD, I guess like which of the retailers are performing best for you right now? And do you continue to still have some net closures or are there things, places that you're still rationalizing? It seems like Walmart and Target are more of the focus for growth, but could you talk more about what's working best there? And should that continue to drive kind of that increase in average weekly sales?

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.
A

Yeah. We're working closely with our strategic partners. You mentioned Walmart, Target, there are others, Kroger, Publix, just to mention a couple more. Costco, Sam's Club, as well in the club channel, very promising. We work closely with those both to expand distribution where the conditions are right, where we can make sure we have sustainable, profitable sales.

That's why we made the interventions that we made last year, but also where we already are, that we're improving in-store merchandising, placement of the product. And that's why we've not only increased the number of doors where we distribute so far this year in the US by about 450 doors. But we've also increased the average weekly sales in our whole network by over 30% compared to a year ago.

So, to your overall question, yes, we're very pleased with the fresh delivery channel. It was important to make interventions on it last year, and we continue to work with those partners to improve the whole network. Most recently, even adding dotcom availability with the likes of kroger.com, walmart.com, and soon, target.com.

Operator: Your next question comes from the line of David Palmer with Evercore ISI. Your line is open. Please go ahead.

David Palmer
Analyst, Evercore Group LLC
Q

Great. Thank you. I'm looking at your margin stuff for the quarter and actually your US organic sales. It looked like the US organic sales were better than we would have thought. And EBITDA margins we could have envisioned stronger than what they were. So, I'm just wondering, are there any ramp costs or any call-outs this quarter that you would point out? You talked about some of the expansion you're doing with certain retailers. So, maybe there's something there that we should be thinking about in modeling into the second half. And I have a quick follow-up.

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.
A

Sure. I'll start with the growth and I'll hand over to Raphael to talk about the margins too. Both important, they go hand in hand. Actually you're right. We saw strong underlying growth in the second quarter in the US. If you exclude the McDonald's business that we exited from last year, the organic growth was up 4.4% in the second quarter.

We're seeing popularity both with our popular and affordable Original Glazed doughnuts, especially these second dozen promotions that are driving additional volume and ticket, but also our doughnut innovations. As I described earlier, this cadence of limited time offerings backed up by seasonal program is generating a lot of engagement with the brand. So, yeah, it's good to see the underlying growth coming through, but also the profit. Raphael?

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

A

Yeah. Hey, David. Look, on the US margin, look, we are pleased with the results in the quarter, right? If I look at the margin, we were almost double the US margin compared to last quarter. And you have to remember as well that the Q3 and Q4, the second half is stronger for us. So, you should see higher margins as we get into the balance of the year.

David Palmer
Analyst, Evercore Group LLC

Q

That's great. And I guess international sales, anything to point out? Looked like organic sales were maybe a little lighter. Any trends you want to call out there or actions that you're taking in your key international markets? And I'll pass it on.

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

A

Yeah. So, look, with international, we continue to see strong growth in Canada. Even in places like Japan, we are also just going back because we recently were franchised, but they are growing, right? So, it's not hitting that segment anymore, but they opened five shops already this quarter.

We did see some decline in our company-owned UK market. It's mostly from door rationalization that we did last year, plus the extreme hot weather, which affected both sales and profits. But we feel confident on the team's turnaround plan as we head to the second half of the year.

David Palmer
Analyst, Evercore Group LLC

Q

Thanks, guys.

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

A

Thanks, David.

Operator: Your next question comes from the line of Sara Senatore with Bank of America. Your line is open. Please go ahead.

Q

Hi. This is [ph] Ashlyn (00:28:11) on for Sara. Good morning, guys. I was just wondering if you could give a little more color on what is happening in the UK and Australia. It sounds like those markets are still kind of weighing on international. So, I'm curious whether the pressure is mostly demand or brand relevance. And when you have markets that are underperforming, does that make refranchising more attractive because a local partner may be kind of better positioned to fix them or more challenging because it weighs on valuation?

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

A

Hey, [ph] Ashlyn (00:28:41). This is Raphael. Thanks for the question. Look, as I was just saying, we did see some decline in the UK on the revenue side. There's also a portfolio mix just when you look at the margin that you have to think about it. But yeah, in the UK, we have door rationalization plus extreme hot weather.

Feel confident about the second half. I think your question on the deals is a good one. And look, we're committed to finding the right partners, right? We believe there's a lot of opportunities for us in both Australia and UK. We also said we want to refranchise all the markets outside of the US. We're also working, as we said last quarter on Canada and make sure that we are finding the right partners that can bring capital for us to grow, and continue to develop all the markets.

Q

Great. Thank you for the color. I'll pass it back.

Operator: Your next question comes from the line of Rahul Krotthapalli with JPMorgan. Your line is open. Please go ahead.

Q

Hi. Good morning. This is [indiscernible] (00:29:44) on for Rahul. I'm going to ask on the retail partners after the 450, you've added this year. Kind of where do you see current DFD penetration across the retailers today versus where you wanted to land over the long-term? And if you could share like the current turn in doors and how this will change going forward as you focus on improving profitability?

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.

A

Yeah, one of the great things about the strategic partners that we are growing with is that, we are, you're right, relatively underpenetrated. Typically around about 30% of their network is where we're currently present. And because we're working so closely with them and people are looking for our doughnuts in places where they want them more conveniently, our customers want us to expand more.

What we've learned is growth is great, but it needs to be sustainable profitable growth as well. And so, we've been very focused on making sure that the deliveries are locally made, that way we ensure great quality. We also make sure that the delivery routes are efficient and profitable.

So, we're growing thoughtfully with those customers where those conditions are right, where the traffic is high in the store, where we can secure really good in-store displays, or indeed be on their online platforms. And that's an ongoing journey.

We added 450 already this year on top of about 7,500 that we had at the beginning of the year. So, we're pleased with the momentum that we're seeing with that expansion, a momentum, which always and also ensures profitable growth is key. And that's how we see it going forward.

Q

And then, just a follow-up on competition. Like, where do you see Krispy Kreme positioning themselves amongst the broader space of desserts and sweets? And how has competition kind of changed?

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.

A

That's a great question. We make high-quality, fresh doughnuts made from scratch with our Krispy Kreme-ers preparing the dough, making and decorating the doughnuts in front of the eyes of the customer. And those same doughnuts we sell in our Doughnut Shops, we sell online, and we sell through the fresh delivery channel. So, I'd say that we're pretty unique in the competitive set.

The other thing to remember is, it's a relatively infrequent purchase for people. Most people are buying our doughnuts just two to three times a year for special occasions and sharing. So, we think about all the ways we can bring those doughnuts to people in ways that are a lot more convenient for them, like the fresh delivery expansion we just discussed.

Or indeed digital, where we see us growing 8% right now with our loyalty membership already having reached 18 million for a 400 doughnut shop chain. It's a pretty unique player in the industry. So, we worry mostly about making sure our great doughnuts are high-quality and available and convenient to people rather than the competition.

Operator: Your next question comes from the line of John Tower with Citibank. Your line is open. Please go ahead.

Gautam Nanda
Analyst, Citigroup Global Markets, Inc.

Q

Hi. This is Gautam Nanda on for John Tower. Thanks for the question. Can you provide some insight into commodity inflation during the quarter, and have you begun contracting with suppliers for 2027?

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

A

Hey, how are you? This is Raphael again. Look, we said before and we haven't changed, and we expect low-single-digit commodity. Josh also mentioned that we outsource fully logistic, I'm sorry, and we expect the benefit of it more than offset any potential fuel prices increase over the year. So, we feel good about where we are from a commodity point of view.

Gautam Nanda
Analyst, Citigroup Global Markets, Inc.

Q

Thank you. And just for a follow-up. Could you provide any color on maybe how your retail doors are performing across maybe higher versus lower income zip codes?

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.

A

Yeah, sure. Our overall focus here at Krispy Kreme is making sure we offer great value to our customers. And we're really fortunate with the popular Original Glazed doughnuts, they are also our most affordable doughnuts when they're bought in singles, but actually usually bought in dozens and increasingly in double dozens, where we've been providing additional discounts almost every day to our customers to enable them to buy those at a even better value. And we're seeing that drive volumes, drive ticket and drive results. And so, that's our main focus, is making sure that our doughnuts are available to as many people as possible.

Operator: Your next question comes from the line of Daniel Guglielmo with Capital One Securities. Your line is open. Please go ahead.

Daniel Guglielmo
Analyst, Capital One Securities, Inc.

Q

Hi, everyone. Thank you for taking my questions. Guidance stayed the same this quarter, but the midpoint of adjusted EBITDA represents 3% growth this year on a much stronger capital structure. Can you just highlight why it was so important to bring leverage down before moving on to this next phase of growth for Krispy Kreme?

Raphael Duvivier
Chief Financial Officer, Krispy Kreme, Inc.

A

Hey, Dan. Hi. This is Raphael. Look, good question. I mean, you remember as well that we quoted the impact of Japan and WKS on a full year basis. So, when you adjust for that, you're going to again end up with a lower base this year. So, I think that's already one point.

On the question of the leverage, look, we knew the leverage that we had at 7.5 times, call it a year ago was something we had to work. And we've been working on that because the objective is to continue to do the right deals that not only will help us with leverage, but will fuel our capital-light growth going forward, right?

As we move to a lower CapEx, higher EBITDA margin, and leverage global partners across the globe to grow the brand. And that's what we are already doing, by the way, in a lot of places like we mentioned last quarter and to the same, this one, we've already seen growth in Brazil and Spain, Middle East. And as I was saying before as well on Japan where we're just refranchising with our new partner Unison and then they're proving the business with growth.

Daniel Guglielmo
Analyst, Capital One Securities, Inc.

Q

Great. Great. I appreciate that color. And then, longer-term, with the focus on systemwide sales in the US and internationally, does the existing factory and production footprint across the world support significant growth there over the next few years? Will there be any need for additional capital from franchisees or you are at some point to build that out?

Joshua Alan Charlesworth
President, Chief Executive Officer & Director, Krispy Kreme, Inc.

A

In the US, we currently operate at around about 25% production utilization. So, there's plenty of room for growth, and that's why we have focused on partnering with those fresh delivery partners we've already discussed today or indeed why we're able to capture the digital e-commerce opportunity.

Internationally, the utilization isn't as low, but there's also a lot of opportunity for our franchisees to expand. And we've seen already this year in India, Brazil, Middle East, Japan, our franchisees supporting expansion of new shops, 59 already this year.

We're on track to get over 100 for the full year. And we also have already announced three new international markets on top of the 42 we already operate in. And when we're bringing those partners on, we're sitting down with them and talking about how we're going to build the brand, support them to build the brand in their markets with development.

And so, they're pretty excited about the capital returns that they can see themselves from bringing the brand or expanding the brand around the world. So, it's definitely a lot of opportunity when you remember that the number one reason why people say they may not yet purchase Krispy Kreme, they just don't have as easy access to it. And that applies to the US and around the world.

Operator: There are no further questions at this time. I will now turn the call back to Josh for any closing remarks.

Joshua Alan Charlesworth

President, Chief Executive Officer & Director, Krispy Kreme, Inc.

Well, thank you, everyone, for joining the call. It's important to understand that we're making significant progress on our turnaround. You can hear that as we strengthen the balance sheet and position ourselves for sustainable, profitable growth. I want to thank all our Krispy Kreme-ers around the world for your passion, dedication, and commitment, and we look forward to continuing the momentum throughout 2026 and beyond. Thank you.

Operator: This concludes today's call. Thank you for attending. You may now disconnect.