

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended **October 1, 2023**

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number: **001-40573**



Krispy Kreme, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

37-1701311

(IRS Employer Identification No.)

2116 Hawkins Street, Charlotte, North Carolina 28203

(Address of principal executive offices)

(800) 457-4779

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock, \$0.01 par value per share	DNUT	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had outstanding 168.6 million shares of common stock as of November 6, 2023.

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PART I - FINANCIAL INFORMATION**Item 1. Financial Statements (Unaudited)**

Krispy Kreme, Inc.
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except per share amounts)

	Quarter Ended		Three Quarters Ended	
	October 1, 2023 (13 weeks)	October 2, 2022 (13 weeks)	October 1, 2023 (39 weeks)	October 2, 2022 (39 weeks)
Net revenues				
Product sales	\$ 398,745	\$ 370,216	\$ 1,209,767	\$ 1,102,045
Royalties and other revenues	8,622	7,306	25,432	23,254
Total net revenues	407,367	377,522	1,235,199	1,125,299
Product and distribution costs	101,353	102,870	330,292	299,539
Operating expenses	195,380	177,592	575,953	520,260
Selling, general and administrative expense	68,305	54,801	192,355	160,266
Marketing expenses	12,478	10,995	32,101	32,369
Pre-opening costs	1,059	1,200	2,927	3,514
Other (income)/expenses, net	(1,102)	2,964	(6,051)	1,800
Depreciation and amortization expense	32,007	28,127	89,142	83,782
Operating (loss)/income	(2,113)	(1,027)	18,480	23,769
Interest expense, net	12,807	8,871	36,858	23,808
Other non-operating expense, net	971	1,648	3,031	2,083
Loss before income taxes	(15,891)	(11,546)	(21,409)	(2,122)
Income tax expense	24,367	294	17,121	5,668
Net loss	(40,258)	(11,840)	(38,530)	(7,790)
Net income attributable to noncontrolling interest	199	1,216	2,005	5,113
Net loss attributable to Krispy Kreme, Inc.	\$ (40,457)	\$ (13,056)	\$ (40,535)	\$ (12,903)
Net loss per share:				
Common stock — Basic	\$ (0.24)	\$ (0.08)	\$ (0.24)	\$ (0.08)
Common stock — Diluted	\$ (0.24)	\$ (0.08)	\$ (0.24)	\$ (0.08)
Weighted average shares outstanding:				
Basic	168,224	167,431	168,183	167,353
Diluted	168,224	167,431	168,183	167,353

See accompanying notes to Condensed Consolidated Financial Statements.

Krispy Kreme, Inc.
Condensed Consolidated Statements of Comprehensive Income/(Loss) (Unaudited)
(in thousands)

	Quarter Ended		Three Quarters Ended	
	October 1, 2023 (13 weeks)	October 2, 2022 (13 weeks)	October 1, 2023 (39 weeks)	October 2, 2022 (39 weeks)
	\$ (40,258)	\$ (11,840)	\$ (38,530)	\$ (7,790)
Net loss				
Other comprehensive (loss)/income, net of income taxes:				
Foreign currency translation adjustment	(12,834)	(25,708)	7,552	(61,887)
Unrealized (loss)/income on cash flow hedges, net of income taxes ⁽¹⁾	(2,615)	7,692	(5,110)	24,798
Total other comprehensive (loss)/income	(15,449)	(18,016)	2,442	(37,089)
Comprehensive loss	(55,707)	(29,856)	(36,088)	(44,879)
Net income attributable to noncontrolling interest	199	1,216	2,005	5,113
Foreign currency translation adjustment attributable to noncontrolling interest	(148)	(1,283)	807	(2,186)
Total comprehensive income/(loss) attributable to noncontrolling interest	51	(67)	2,812	2,927
Comprehensive loss attributable to Krispy Kreme, Inc.	\$ (55,758)	\$ (29,789)	\$ (38,900)	\$ (47,806)

⁽¹⁾ Net of income tax benefit/(expense) of \$ 0.9 million and \$ 1.7 million for the quarter and three quarters ended October 1, 2023, respectively, and (\$ 2.6 million) and (\$ 8.3 million) for the quarter and three quarters ended October 2, 2022, respectively.

See accompanying notes to Condensed Consolidated Financial Statements.

Krispy Kreme, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except per share amounts)

	As of	
	(Unaudited) October 1, 2023	January 1, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,711	\$ 35,371
Restricted cash	430	359
Accounts receivable, net	49,854	51,089
Inventories	35,063	46,239
Taxes receivable	17,886	18,263
Prepaid expense and other current assets	31,118	26,953
Total current assets	160,062	178,274
Property and equipment, net	517,528	472,358
Goodwill	1,092,000	1,087,908
Other intangible assets, net	949,463	966,088
Operating lease right of use asset, net	448,569	417,381
Other assets	19,581	26,528
Total assets	\$ 3,187,203	\$ 3,148,537
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 43,492	\$ 40,034
Current operating lease liabilities	49,408	43,160
Accounts payable	178,725	225,276
Accrued liabilities	164,577	104,424
Structured payables	88,838	103,575
Total current liabilities	525,040	516,469
Long-term debt, less current portion	827,429	739,052
Noncurrent operating lease liabilities	441,732	412,759
Deferred income taxes, net	109,925	143,124
Other long-term obligations and deferred credits	34,067	38,258
Total liabilities	1,938,193	1,849,662
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$ 0.01 par value; 300,000 shares authorized as of both October 1, 2023 and January 1, 2023; 168,594 and 168,137 shares issued and outstanding as of October 1, 2023 and January 1, 2023, respectively	1,686	1,681
Additional paid-in capital	1,437,488	1,426,105
Shareholder note receivable	(3,820)	(4,813)
Accumulated other comprehensive loss, net of income tax	(7,516)	(9,151)
Retained deficit	(275,698)	(217,490)
Total shareholders' equity attributable to Krispy Kreme, Inc.	1,152,140	1,196,332
Noncontrolling interest	96,870	102,543
Total shareholders' equity	1,249,010	1,298,875
Total liabilities and shareholders' equity	\$ 3,187,203	\$ 3,148,537

See accompanying notes to Condensed Consolidated Financial Statements.

Krispy Kreme, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(in thousands, except per share amounts)

	Accumulated Other Comprehensive Income/(Loss)									
	Common Stock		Accumulated Other Comprehensive Income/(Loss)							
	Shares Outstanding	Amount	Additional Paid-in Capital	Shareholder Note Receivable	Foreign Currency Translation Adjustment	Income/(Loss) on Cash Flow Hedges	Unrealized Loss on Employee Benefit Plans	Retained (Deficit)/Earnings	Noncontrolling Interest	Total
Balance at January 1, 2023	168,137	\$ 1,681	\$ 1,426,105	\$ (4,813)	\$ (23,028)	\$ 14,251	\$ (374)	\$ (217,490)	\$ 102,543	\$ 1,298,875
Net (loss)/income for the quarter ended April 2, 2023	—	—	—	—	—	—	—	—	(301)	1,945
Other comprehensive income/(loss) for the quarter ended April 2, 2023 before reclassifications	—	—	—	—	11,200	(781)	—	—	(108)	10,311
Reclassification from AOCI	—	—	—	—	—	(2,186)	—	—	—	(2,186)
Share-based compensation	—	—	5,545	—	—	—	—	—	—	5,545
Dividends declared on common stock and equivalents (\$ 0.035 per share)	—	—	—	—	—	—	—	(5,884)	—	(5,884)
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(1,139)	(1,139)
Issuance of common stock upon settlement of RSUs, net of shares withheld	39	1	(1)	—	—	—	—	—	—	—
Other	—	—	—	(17)	—	—	—	1	—	(16)
Balance at April 2, 2023	168,176	\$ 1,682	\$ 1,431,649	\$ (4,830)	\$ (11,828)	\$ 11,284	\$ (374)	\$ (223,674)	\$ 103,241	\$ 1,307,150
Net income/(loss) for the quarter ended July 2, 2023	—	—	—	—	—	—	—	223	(139)	84
Other comprehensive income for the quarter ended July 2, 2023 before reclassifications	—	—	—	—	8,231	918	—	—	1,063	10,212
Reclassification from AOCI	—	—	—	—	—	(446)	—	—	—	(446)
Capital contribution from shareholders, net of loans issued	—	—	—	631	—	—	—	—	—	631
Share-based compensation	—	—	4,824	—	—	—	—	—	—	4,824
Dividends declared on common stock and equivalents (\$ 0.035 per share)	—	—	—	—	—	—	—	(5,889)	—	(5,889)
Distribution to noncontrolling interest	—	—	(4,176)	426	—	—	—	—	(6,357)	(10,107)
Issuance of common stock upon settlement of RSUs, net of shares withheld	8	—	(147)	—	—	—	—	—	—	(147)
Other	—	—	—	(36)	(1)	—	—	—	—	(37)
Balance at July 2, 2023	168,184	\$ 1,682	\$ 1,432,150	\$ (3,809)	\$ (3,598)	\$ 11,756	\$ (374)	\$ (229,340)	\$ 97,808	\$ 1,306,275
Net (loss)/income for the quarter ended October 1, 2023	—	—	—	—	—	—	—	(40,457)	199	(40,258)
Other comprehensive (loss)/income for the quarter ended October 1, 2023 before reclassifications	—	—	—	—	(12,686)	331	—	—	(148)	(12,503)
Reclassification from AOCI	—	—	—	—	—	(2,946)	—	—	—	(2,946)
Share-based compensation	—	—	7,452	—	—	—	—	—	—	7,452
Dividends declared on common stock and equivalents (\$ 0.035 per share) ⁽¹⁾	—	—	—	—	—	—	—	(5,901)	—	(5,901)
Distribution to noncontrolling interest	—	—	(649)	—	—	—	—	—	(988)	(1,637)
Issuance of common stock upon settlement of RSUs, net of shares withheld	410	4	(1,466)	—	—	—	—	—	—	(1,462)
Other	—	—	1	(11)	1	—	—	—	(1)	(10)
Balance at October 1, 2023	168,594	\$ 1,686	\$ 1,437,488	\$ (3,820)	\$ (16,283)	\$ 9,141	\$ (374)	\$ (275,698)	\$ 96,870	\$ 1,249,010

⁽¹⁾ Includes a \$ 0.035 cash dividend per common share declared in the third quarter of fiscal 2023 and expected to be paid in the fourth quarter of fiscal 2023.

See accompanying notes to Condensed Consolidated Financial Statements.

Krispy Kreme, Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(in thousands, except per share amounts)

	Accumulated Other Comprehensive										
	Common Stock			Income/(Loss)							
	Shares Outstanding	Additional Paid-in Capital	Shareholder Note Receivable	Foreign Currency Translation Adjustment	Unrealized Income/(Loss)		Loss on Employee Benefit Plans	Unrealized Cash Flow Hedges		Noncontrolling Interest	
					Foreign Currency Translation Adjustment	on Hedges		Loss on Employee Benefit Plans	Retained (Deficit)/ Earnings		
Balance at January 2, 2022	167,251	\$ 1,673	\$ (4,382)	\$ 8,967	\$ (11,001)	\$ (444)		\$ (178,409)		\$ 104,066	\$ 1,335,655
Net income for the quarter ended April 3, 2022	—	—	—	—	—	—	—	—	4,002	2,456	6,458
Other comprehensive income for the quarter ended April 3, 2022 before reclassifications	—	—	—	—	1,334	11,724	—	—	—	—	13,058
Reclassification from AOCI	—	—	—	—	—	2,510	—	—	—	—	2,510
Capital contribution by shareholders, net of loans issued	—	—	(3)	243	—	—	—	—	—	—	240
Share-based compensation	—	—	5,041	—	—	—	—	—	—	—	5,041
Purchase of shares by noncontrolling interest	—	—	—	(58)	—	—	—	—	—	110	52
Dividends declared on common stock and equivalents (\$ 0.035 per share)	—	—	—	—	—	—	—	—	(5,855)	—	(5,855)
Distribution to noncontrolling interest	—	—	—	21	—	—	—	—	—	(1,383)	(1,362)
Issuance of common stock upon settlement of RSUs, net of shares withheld	46	—	(390)	—	—	—	—	—	—	—	(390)
Other	—	—	(2)	(14)	—	—	—	—	1	—	(15)
			1,419,831						(180,261)		
Balance at April 3, 2022	167,297	\$ 1,673	\$ (4,190)	\$ 10,301	\$ 3,233	\$ (444)		\$ (3,849)		\$ 105,249	\$ 1,355,392
Net (loss)/income for the quarter ended July 3, 2022	—	—	—	—	—	—	—	—	(3,849)	1,441	(2,408)
Other comprehensive (loss)/income for the quarter ended July 3, 2022 before reclassifications	—	—	—	—	(36,610)	1,011	—	—	—	(903)	(36,502)
Reclassification from AOCI	—	—	—	—	—	1,861	—	—	—	—	1,861
Capital contribution by shareholders, net of loans issued	—	—	(31)	(236)	—	—	—	—	—	—	(267)
Share-based compensation	—	—	5,452	—	—	—	—	—	—	—	5,452
Purchase of shares by noncontrolling interest	—	—	—	(133)	—	—	—	—	—	491	358
Dividends declared on common stock and equivalents (\$ 0.035 per share)	—	—	—	—	—	—	—	—	(5,860)	—	(5,860)
Distribution to noncontrolling interest	—	—	(3,944)	—	—	—	—	—	—	(4,190)	(8,134)
Issuance of common stock upon settlement of RSUs, net of shares withheld	131	1	(898)	—	—	—	—	—	—	—	(897)
Other	—	—	—	(14)	—	—	1	—	—	—	(13)
			1,420,410						(189,970)		
Balance at July 3, 2022	167,428	\$ 1,674	\$ (4,573)	\$ (26,309)	\$ 6,106	\$ (444)		\$ (13,056)		\$ 102,088	\$ 1,308,982
Net (loss)/income for the quarter ended October 2, 2022	—	—	—	—	—	—	—	—	(13,056)	1,216	(11,840)
Other comprehensive (loss)/income for the quarter ended October 2, 2022 before reclassifications	—	—	—	—	(24,425)	7,585	—	—	—	(1,283)	(18,123)
Reclassification from AOCI	—	—	—	—	—	107	—	—	—	—	107
Capital contribution by shareholders, net of loans issued	—	—	(38)	(223)	—	—	—	—	—	—	(261)
Share-based compensation	—	—	2,825	—	—	—	—	—	—	—	2,825
Dividends declared on common stock and equivalents (\$ 0.035 per share)	—	—	—	—	—	—	—	—	(5,860)	—	(5,860)
Distribution to noncontrolling interest	—	—	(285)	—	—	—	—	—	—	(1,744)	(2,029)
Issuance of common stock upon settlement of RSUs, net of shares withheld	9	—	(62)	—	—	—	—	—	—	—	(62)
Other	—	—	—	(16)	—	—	—	—	—	—	(16)
			1,422,850						(208,886)		
Balance at October 2, 2022	167,437	\$ 1,674	\$ (4,812)	\$ (50,734)	\$ 13,798	\$ (444)		\$ (100,277)		\$ 1,273,723	

See accompanying notes to Condensed Consolidated Financial Statements.

Krispy Kreme, Inc.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

	Three Quarters Ended	
	October 1, 2023 (39 weeks)	October 2, 2022 (39 weeks)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (38,530)	\$ (7,790)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization expense	89,142	83,782
Deferred income taxes	12,634	(10,259)
Loss on extinguishment of debt	472	—
Impairment and lease termination charges	7,711	7,255
Gain on disposal of property and equipment	(168)	(244)
Gain on sale-leaseback	(9,646)	(4,311)
Share-based compensation	17,821	13,318
Change in accounts and notes receivable allowances	504	378
Inventory write-off	10,522	388
Settlement of interest rate swap derivatives	7,657	—
Amortization related to settlement of interest rate swap derivatives	(7,334)	—
Other	566	804
Change in operating assets and liabilities, excluding business acquisitions and foreign currency translation adjustments	(47,319)	(12,591)
Net cash provided by operating activities	44,032	70,730
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of property and equipment	(88,605)	(75,002)
Proceeds from disposals of assets	202	856
Proceeds from sale-leaseback	10,025	5,700
Acquisition of shops and franchise rights from franchisees, net of cash acquired	—	(17,335)
Purchase of equity method investment	—	(989)
Other investing activities	20	(931)
Net cash used for investing activities	(78,358)	(87,701)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of debt	1,044,698	121,500
Repayment of long-term debt and lease obligations	(965,250)	(70,180)
Payment of financing costs	(5,000)	—
Proceeds from structured payables	145,099	219,459
Payments on structured payables	(159,571)	(211,778)
Payment of contingent consideration related to a business combination	(925)	(900)
Capital contribution by shareholders, net of loans issued	631	(288)
Payments of issuance costs in connection with IPO	—	(12,458)
Proceeds from sale of noncontrolling interest in subsidiary	—	410
Distribution to shareholders	(17,657)	(17,570)
Payments for repurchase and retirement of common stock	(1,609)	(2,425)
Distribution to noncontrolling interest	(12,883)	(11,525)
Net cash provided by financing activities	27,533	14,245
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(2,796)	(7,967)
Net decrease in cash, cash equivalents and restricted cash	(9,589)	(10,693)
Cash, cash equivalents and restricted cash at beginning of period	35,730	39,192
Cash, cash equivalents and restricted cash at end of period	\$ 26,141	\$ 28,499
Supplemental schedule of non-cash investing and financing activities:		
Increase in accrual for property and equipment	\$ 30,616	\$ 16,272
Stock issuance under shareholder notes	—	547
Accrual for distribution to shareholders	(5,901)	(5,860)
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	\$ 25,711	\$ 28,096
Restricted cash	430	403
Total cash, cash equivalents and restricted cash	\$ 26,141	\$ 28,499

See accompanying notes to Condensed Consolidated Financial Statements.

Krispy Kreme, Inc.
Notes to Condensed Consolidated Financial Statements (Unaudited)
(dollars in thousands, unless otherwise specified)

Note 1 — Description of Business and Summary of Significant Accounting Policies

Description of Business

Krispy Kreme, Inc. ("KKI") and its subsidiaries (collectively, the "Company" or "Krispy Kreme") operates through its omni-channel business model to deliver fresh doughnut experiences and produce doughnuts for Doughnut Shops, Delivered Fresh Daily ("DFD") outlets, and Ecommerce and delivery channels, expanding consumer access to the Krispy Kreme brand.

The Company has three reportable operating segments: 1) U.S., which includes all Krispy Kreme Company-owned operations in the U.S. and Insomnia Cookies Bakeries; 2) International, which includes all Krispy Kreme Company-owned operations in the U.K., Ireland, Australia, New Zealand, and Mexico; and 3) Market Development, which includes franchise operations across the globe, as well as Krispy Kreme Company-owned shops in Canada and Japan. Unallocated corporate costs are excluded from the Company's measurement of segment performance.

Basis of Presentation and Consolidation

The Company operates and reports financial information on a 52 or 53-week year with the fiscal year ending on the Sunday closest to December 31. The data periods contained within fiscal years 2022 and 2023 will reflect the results of operations for the 52-week periods ended January 1, 2023 and December 31, 2023, respectively. The quarters ended October 1, 2023 and October 2, 2022 were both 13-week periods.

The unaudited Condensed Consolidated Financial Statements include the accounts of KKI and subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, these interim financial statements do not include all information and footnotes required under GAAP for complete financial statements. In the opinion of management, the accompanying unaudited Condensed Consolidated Financial Statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of results of operations, balance sheet, cash flows, and shareholders' equity for the periods presented. All significant intercompany balances and transactions among KKI and subsidiaries have been eliminated in consolidation. Investments in entities over which the Company has the ability to exercise significant influence but which it does not control and whose financial statements are not otherwise required to be consolidated, are accounted for using the equity method.

These Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and notes thereto as of and for the year ended January 1, 2023, included in the Annual Report on Form 10-K. The Condensed Consolidated Balance Sheet as of January 1, 2023 was derived from audited annual financial statements but does not contain all of the footnote disclosures from the annual financial statements. The results of operations for the quarter ended October 1, 2023 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending December 31, 2023.

Noncontrolling interest in the Company's Condensed Consolidated Financial Statements represents the interest in subsidiaries held by joint venture partners and employee shareholders. The joint venture partners hold noncontrolling interests in the Company's consolidated subsidiaries, Awesome Doughnut, LLC ("Awesome Doughnut"), W.K.S. Krispy Kreme, LLC ("WKS Krispy Kreme"), and Krispy K Canada, Inc. ("KK Canada"). Employee shareholders hold noncontrolling interests in the consolidated subsidiaries Krispy Kreme Holding U.K. Ltd. ("KKUK"), Krispy Kreme Holdings Pty Ltd. ("KK Australia"), Krispy Kreme Mexico Holding S.A.P.I. de C.V. ("KK Mexico"), and Insomnia Cookies Holdings, LLC ("Insomnia Cookies"). Since the Company consolidates the financial statements of these subsidiaries, the noncontrolling owners' share of each subsidiary's net assets and results of operations are deducted and reported as noncontrolling interest on the Condensed Consolidated Balance Sheets and as net income attributable to noncontrolling interest in the Condensed Consolidated Statements of Operations and comprehensive income attributable to noncontrolling interest in the Condensed Consolidated Statements of Comprehensive Income/(Loss).

Summary of Significant Accounting Policies

The Company's significant accounting policies are described in Note 1, "Description of Business and Summary of Significant Accounting Policies" to the Consolidated Financial Statements for the year ended January 1, 2023 included in the Annual

Report on Form 10-K. There have been no material changes to the significant accounting policies during the quarter ended October 1, 2023.

Reclassifications

Segment information is prepared on the same basis that the Company's management reviews financial information for operational decision-making purposes. Effective January 2, 2023, the Company realigned its segment reporting structure such that the Company-owned Canada business has moved from the U.S. and Canada reportable operating segment to the Market Development reportable operating segment. As a result, the U.S. and Canada reportable operating segment has been renamed to the U.S. reportable operating segment. All segment information has been restated to be consistent with current presentation.

Exiting the Branded Sweet Treats Business

During the quarter ended April 2, 2023, the Company decided to exit its pre-packaged Branded Sweet Treats business due in part to its dilutive impact on profit margins, as well as to allow the Company to focus on its fresh doughnuts business. Refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations — Significant Events and Transactions" included in Item 2 of Part I of this Quarterly Report on Form 10-Q for further information.

Recent Accounting Pronouncements

In March 2020, the FASB issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. It was effective for all entities as of March 12, 2020 through December 31, 2022. A company may elect to apply the amendments for contract modifications as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform by delaying the effective date of the guidance issued in ASU 2020-04 to December 31, 2024. As described in [Note 9](#), Long-Term Debt, during the quarter ended April 2, 2023 the Company refinanced its debt with interest to be calculated prospectively with reference to the Secured Overnight Financing Rate ("SOFR"), and accordingly adopted this standard, which did not impact the financial statements presented herein.

In September 2022, the FASB issued ASU 2022-04, *Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, which requires certain disclosures be made by a buyer in a supplier finance program, including the key terms of the program and, for the obligations that the buyer has confirmed as valid to the finance provider, the amount outstanding that remains unpaid by the buyer as of the end of the fiscal period, a description of where those obligations are presented in the balance sheet, and a rollforward of those obligations during the fiscal period. It is effective for all entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, except for the amendment on rollforward information, which is effective for fiscal years beginning after December 15, 2023. Early adoption is permitted. As such, the Company adopted this standard in the quarter ended April 2, 2023 and has disclosed the required information in [Note 8](#), Vendor Finance Programs, other than the rollforward information which is not effective until fiscal years beginning after December 15, 2023. The Company is currently evaluating the effect of the new guidance on its annual disclosures.

Note 2 — Acquisitions

2023 Acquisitions

In the quarter and three quarters ended October 1, 2023, there were no acquisitions.

2022 Acquisitions

In the quarter ended October 2, 2022, the Company acquired the business and operating assets of one franchisee, consisting of seven Krispy Kreme shops in the U.S. The Company paid total consideration of \$ 19.4 million, consisting of \$ 17.3 million of cash at the acquisition date, \$ 1.2 million of consideration payable to the sellers within 12 months of the acquisition date, and \$ 0.9 million settlement of amounts related to pre-existing relationships, to acquire substantially all of the shops' assets. The valuation for the acquisition requires significant estimates and assumptions. The estimates are inherently uncertain and subject

to revision as additional information is obtained during the measurement period for the acquisitions. Measurement period adjustments for the 2022 acquisition did not have a material impact to the Condensed Consolidated Financial Statements for the three quarters ended October 1, 2023.

Note 3 — Inventories

The components of Inventories are as follows:

	October 1, 2023	January 1, 2023
Raw materials	\$ 20,779	\$ 20,713
Work in progress	174	476
Finished goods and purchased merchandise ⁽¹⁾	14,110	25,050
Total inventories	\$ 35,063	\$ 46,239

⁽¹⁾ During the quarter and three quarters ended October 1, 2023 the Company recognized inventory write-offs of \$ 0.3 million and \$ 10.5 million, respectively, primarily related to the decision to exit the Branded Sweet Treats business.

Note 4 — Goodwill and Other Intangible Assets, net

Goodwill

Changes in the carrying amount of goodwill by reportable segment are as follows:

	U.S.	International	Market Development	Total
Balance as of January 1, 2023	\$ 678,068	\$ 262,882	\$ 146,958	\$ 1,087,908
Foreign currency impact	—	3,963	129	4,092
Balance as of October 1, 2023	\$ 678,068	\$ 266,845	\$ 147,087	\$ 1,092,000

Other Intangible Assets, net

Other intangible assets consist of the following:

	October 1, 2023			January 1, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible assets with indefinite lives						
Trade names and trademarks	\$ 657,943	\$ —	\$ 657,943	\$ 657,900	\$ —	\$ 657,900
Intangible assets with definite lives						
Franchise agreements	30,389	(10,382)	20,007	30,632	(9,372)	21,260
Customer relationships	15,000	(6,197)	8,803	15,000	(5,548)	9,452
Reacquired franchise rights ⁽¹⁾	390,215	(127,505)	262,710	383,002	(105,526)	277,476
Website development costs	—	—	—	6,500	(6,500)	—
Total intangible assets with definite lives	435,604	(144,084)	291,520	435,134	(126,946)	308,188
Total intangible assets	\$ 1,093,547	\$ (144,084)	\$ 949,463	\$ 1,093,034	\$ (126,946)	\$ 966,088

⁽¹⁾ Reacquired franchise rights include the impact of foreign currency fluctuations associated with the respective countries.

Amortization expense related to intangible assets included in depreciation and amortization expense was \$ 7.4 million and \$ 22.0 million for the quarter and three quarters ended October 1, 2023, respectively, and \$ 7.1 million and \$ 21.3 million for the quarter and three quarters ended October 2, 2022, respectively.

Note 5 — Leases

The Company included the following amounts related to operating and finance lease assets and liabilities within the Condensed Consolidated Balance Sheets:

	Classification	As of	
		October 1, 2023	January 1, 2023
Assets			
Operating lease	Operating lease right of use asset, net	\$ 448,569	\$ 417,381
Finance lease	Property and equipment, net	34,255	26,958
Total leased assets		\$ 482,824	\$ 444,339
Liabilities			
Current			
Operating lease	Current operating lease liabilities	\$ 49,408	\$ 43,160
Finance lease	Current portion of long-term debt	6,992	5,034
Noncurrent			
Operating lease	Noncurrent operating lease liabilities	441,732	412,759
Finance lease	Long-term debt, less current portion	32,813	27,549
Total leased liabilities		\$ 530,945	\$ 488,502

Lease costs were as follows:

	Classification	Quarter Ended		Three Quarters Ended	
		October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Lease cost					
Operating lease cost	Selling, general and administrative expense	\$ 875	\$ 666	\$ 2,752	\$ 1,643
Operating lease cost	Operating expenses	21,777	20,605	66,352	64,262
Short-term lease cost	Operating expenses	1,512	1,555	4,057	3,841
Variable lease costs	Operating expenses	7,709	6,032	23,940	17,367
Sublease income	Royalties and other revenues	(35)	(35)	(105)	(175)
Finance lease cost:					
Amortization of right of use assets	Depreciation and amortization expense	\$ 2,020	\$ 1,405	\$ 5,385	\$ 3,348
Interest on lease liabilities	Interest expense, net	796	489	1,860	1,430

Supplemental disclosures of cash flow information related to leases were as follows:

		Three Quarters Ended	
		October 1, 2023	October 2, 2022
Other information			
Cash paid for leases:			
Operating cash flows for operating leases ⁽¹⁾		\$ 88,101	\$ 77,122
Operating cash flows for finance leases		1,815	1,441
Financing cash flows for finance leases		7,552	2,930
Right of use assets obtained in exchange for new lease liabilities:			
Operating leases		\$ 57,469	\$ 31,246
Finance leases		13,435	4,549

⁽¹⁾ Operating cash flows from operating leases include variable rent payments which are not included in the measurement of lease liabilities. Variable rent payments were \$ 23.9 million and \$ 17.4 million for the three quarters ended October 1, 2023 and October 2, 2022, respectively.

The Company recognized a net gain of \$ 1.3 million included in Other (income)/expenses, net on the Condensed Consolidated Statement of Operations in the three quarters ended October 1, 2023, related to the termination of leases at certain Krispy Kreme shops in the U.S. where the Company had already recognized impairment of the corresponding right of use assets in a prior period. The Company recognized \$ 4.4 million of lease termination charges included in Other (income)/expenses, net on the Condensed Consolidated Statement of Operations in the three quarters ended October 2, 2022, related to the decision to exit certain Krispy Kreme shops in the U.S.

In the three quarters ended October 1, 2023, the Company completed a sale-leaseback transaction whereby it disposed of the land at one real estate property for proceeds of \$ 10.0 million. The Company subsequently leased back the property, which is accounted for as an operating lease. The Company recognized a gain on sale of \$ 9.6 million, which is included in Other (income)/expenses, net on the Condensed Consolidated Statement of Operations. There were no sale-leaseback transactions completed in the quarter ended October 1, 2023.

In the quarter and three quarters ended October 2, 2022, the Company completed sale-leaseback transactions whereby it disposed of the land at real estate properties for proceeds of \$ 2.7 million and \$ 5.7 million, respectively. The Company subsequently leased back the properties, which are accounted for as operating leases. The Company recognized gains on sale of \$ 1.9 million and \$ 4.5 million, respectively, which are included in Other (income)/expenses, net on the Condensed Consolidated Statement of Operations .

Note 6 — Fair Value Measurements

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of October 1, 2023 and January 1, 2023:

	October 1, 2023	
	Level 1	Level 2
Assets:		
Interest rate derivatives	\$ —	\$ 3,323
Commodity derivatives	—	363
Foreign currency derivatives	—	491
Total Assets	\$ —	\$ 4,177
<hr/>		
	January 1, 2023	
	Level 1	Level 2
Assets:		
401(k) mirror plan assets	\$ 6	\$ —
Interest rate derivatives	—	10,461
Commodity derivatives	—	514
Total Assets	\$ 6	\$ 10,975
Liabilities:		
Foreign currency derivatives	\$ —	\$ 170
Total Liabilities	\$ —	\$ 170

There were no assets nor liabilities measured using Level 3 inputs and no transfers of financial assets or liabilities among the levels within the fair value hierarchy during the three quarters ended October 1, 2023 and fiscal year ended January 1, 2023. The Company's derivatives are valued using discounted cash flow analyses that incorporate observable market parameters, such as interest rate yield curves and currency rates.

Note 7 — Derivative Instruments**Commodity Price Risk**

The Company uses forward contracts to protect against the effects of commodity price fluctuations in the cost of ingredients of its products, of which flour, sugar, and shortening are the most significant, and the cost of gasoline used by its delivery vehicles. Management has not designated these forward contracts as hedges. As of October 1, 2023 and January 1, 2023, the total notional amount of commodity derivatives was 1.3 million and 1.7 million gallons of gasoline, respectively. They were scheduled to mature between October 2023 and December 2024 and January 2023 and December 2024, respectively. As of October 1, 2023 and January 1, 2023, the Company recorded assets of \$ 0.4 million and \$ 0.5 million, respectively, related to the fair market values of its commodity derivatives. The settlement of commodity derivative contracts is reported in the Condensed Consolidated Statements of Cash Flows as a cash flow from operating activities.

Interest Rate Risk

The Company uses interest rate swaps to manage its exposure to interest rate volatility from its debt arrangements. Management has designated the swap agreements as cash flow hedges and recognized the changes in the fair value of these swaps in other comprehensive income. As of October 1, 2023 and January 1, 2023, the Company has recorded assets of \$ 3.3 million and \$ 10.5 million, respectively, related to the fair market values of its interest rate derivatives. The cash flows associated with the interest rate swaps are reflected in operating activities in the Condensed Consolidated Statements of Cash Flows, which is consistent with the classification as operating activities of the interest payments on the term loan.

In the three quarters ended October 1, 2023, the Company cancelled certain interest rate swap agreements with an aggregate notional amount of \$ 265.0 million, collecting \$ 7.7 million in cash proceeds, and entered into new agreements with the same counterparties. The primary difference between these new agreements and the prior versions included the setting of a new payment rate on the fixed component of the swaps (4.38 %). At the same time, the Company also amended the benchmark interest rate on the floating component of all \$ 505.0 million hedged notional to one-month SOFR, corresponding to the new interest rate on its refinanced credit facility discussed in [Note 9, Long-Term Debt](#).

Foreign Currency Exchange Rate Risk

The Company is exposed to foreign currency risk primarily from its investments in consolidated subsidiaries that operate in Canada, the U.K., Ireland, Australia, New Zealand, Mexico, and Japan. In order to mitigate the impact of foreign exchange fluctuations on commercial and financial transactions with these subsidiaries, the Company enters into foreign exchange forward contracts. Management has not designated these forward contracts as hedges. As of October 1, 2023 and January 1, 2023, the total notional amount of foreign exchange derivatives was \$ 57.1 million and \$ 59.0 million, respectively. They matured in October 2023 and January 2023, respectively. The Company recorded an asset of \$ 0.5 million and a liability of \$ 0.2 million as of October 1, 2023 and January 1, 2023, respectively, related to the fair market values of its foreign exchange derivatives.

Quantitative Summary of Derivative Positions and Their Effect on Results of Operations

The following tables present the fair values of derivative instruments included in the Condensed Consolidated Balance Sheets as of October 1, 2023 and January 1, 2023, for derivatives not designated as hedging instruments and derivatives designated as hedging instruments, respectively. The Company only has cash flow hedges that are designated as hedging instruments.

Derivatives Not Designated as Hedging Instruments	Derivatives Fair Value		Balance Sheet Location
	October 1, 2023	January 1, 2023	
Foreign currency derivatives	\$ 491	\$ —	Prepaid expense and other current assets
Commodity derivatives	363	514	Prepaid expense and other current assets
Total Assets	\$ 854	\$ 514	
Foreign currency derivatives	\$ —	\$ 170	Accrued liabilities
Total Liabilities	\$ —	\$ 170	

Derivatives Designated as Hedging Instruments	Derivatives Fair Value			
	October 1, 2023		January 1, 2023	
			Balance Sheet Location	
Interest rate derivatives	\$ 3,323	\$ 7,218	Prepaid expense and other current assets	
Interest rate derivatives	—	3,243	Other assets	
Total Assets	\$ 3,323	\$ 10,461		

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the quarter and three quarters ended October 1, 2023 and October 2, 2022 is as follows:

Derivatives Designated as Hedging Instruments	Derivative Gain/(Loss) Recognized in Income for the Quarter Ended		Derivative Gain/(Loss) Recognized in Income for the Three Quarters Ended		Location of Derivative Gain/(Loss) Recognized in Income
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	
	\$ 2,946	\$ (107)	\$ 5,578	\$ (4,478)	
Gain/(loss) on interest rate derivatives	\$ 2,946	\$ (107)	\$ 5,578	\$ (4,478)	Interest expense, net
Derivatives Not Designated as Hedging Instruments	Derivative Gain/(Loss) Recognized in Income for the Quarter Ended		Derivative Gain/(Loss) Recognized in Income for the Three Quarters Ended		Location of Derivative Gain/(Loss) Recognized in Income
Gain on foreign currency derivatives	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022	
Gain/(loss) on commodity derivatives	\$ 599	\$ 678	\$ 661	\$ 423	Other non-operating expense, net
	233	(1,589)	(151)	(917)	Other non-operating expense, net
Total	\$ 832	\$ (911)	\$ 510	\$ (494)	

Note 8 — Vendor Finance Programs

The following table presents liabilities related to vendor finance programs which the Company participates in as a buyer as of October 1, 2023 and January 1, 2023:

	October 1, 2023	January 1, 2023	Balance Sheet Location
Supply chain financing programs	\$ 99,505	\$ 159,426	Accounts payable
Structured payables programs	88,838	103,575	Structured payables
Total Liabilities	\$ 188,343	\$ 263,001	

Supply Chain Financing ("SCF") Programs

The Company has an agreement with a third-party administrator which allows participating vendors to track its payments, and if voluntarily elected by the vendor, to sell payment obligations from the Company to financial institutions as part of the SCF program. The Company's typical payment terms for trade payables range up to 180 days outside of the SCF program, depending on the type of vendors and the nature of the supplies or services. For vendors under the SCF Program, the Company has established payable terms ranging up to, but not exceeding, 360 days. When participating vendors elect to sell one or more of the Company's payment obligations, the Company's rights and obligations to settle the payables on their contractual due date are not impacted. The Company has no economic or commercial interest in a vendor's decision to enter into these agreements and the financial institutions do not provide the Company with incentives such as rebates or profit sharing under the SCF program. The Company agrees on commercial terms with vendors for the goods and services procured, which are consistent with payment terms observed at other peer companies in the industry, and as the terms are not impacted by the SCF program, such obligations are classified as Accounts payable on the Condensed Consolidated Balance Sheets and the associated cash flows are included in operating activities in the Condensed Consolidated Statements of Cash Flows.

Structured Payables Programs

The Company utilizes various card products issued by financial institutions to facilitate purchases of goods and services. By using these products, the Company may receive differing levels of rebates based on timing of repayment. The payment obligations under these card products are classified as Structured payables on the Condensed Consolidated Balance Sheets and the associated cash flows are included in financing activities in the Condensed Consolidated Statements of Cash Flows.

Note 9 — Long-Term Debt

The Company's long-term debt obligations consists of the following:

	October 1, 2023	January 1, 2023
2023 Facility — term loan	\$ 691,250	\$ —
2023 Facility — revolving credit facility	143,000	—
Short-term lines of credit	1,500	—
2019 Facility — term loan	—	586,250
2019 Facility — revolving credit facility	—	162,500
Less: Debt issuance costs	(4,634)	(2,247)
Finance lease obligations	39,805	32,583
Total long-term debt	870,921	779,086
Less: Current portion of long-term debt	(43,492)	(40,034)
Long-term debt, less current portion	\$ 827,429	\$ 739,052

2023 Secured Credit Facility

In March 2023, the Company entered into a new credit agreement (the "2023 Facility") consisting of a \$ 300.0 million senior secured revolving credit facility and a term loan with a principal amount of \$ 700.0 million. The 2023 Facility is secured by a first priority lien on substantially all of the Company's personal property assets, certain real properties, and all of the Company's domestic wholly owned subsidiaries.

The initial proceeds of the 2023 Facility were used, in part, to refinance the loans and commitments under the Company's existing credit agreement (the "2019 Facility"), and thereupon terminate the 2019 Facility. The loans and commitments under the 2019 Facility were due to mature in June 2024, and the loans and commitments under the 2023 Facility will mature in March 2028. In addition to refinancing the loans and commitments under the 2019 Facility, loans made pursuant to the 2023 Facility may be used for general corporate purposes of the Company (including, but not limited to, financing working capital needs, capital expenditures, acquisitions, other investments, dividends, and stock repurchases) and for any other purpose not prohibited under the related loan documents.

The terms of the 2023 Facility are substantially similar to those of the 2019 Facility, except for the maturity date and the benchmark interest rate. Borrowings under the 2023 Facility are generally subject to an interest rate of adjusted term SOFR plus a credit spread adjustment of 0.10 % plus (i) 2.25 % if the Company's leverage ratio (as defined in the 2023 Facility) equals or exceeds 4.00 to 1.00, (ii) 2.00 % if the Company's leverage ratio is less than 4.00 to 1.00 but greater than or equal to 3.00 to 1.00, or (iii) 1.75 % if the Company's leverage ratio is less than 3.00 to 1.00. As of October 1, 2023 and January 1, 2023, the unhedged interest rate was 7.42 % under the 2023 Facility and 4.44 % under the 2019 Facility, respectively. As of October 1, 2023 and January 1, 2023, \$ 505.0 million out of the \$ 691.3 million term loan balance and \$ 505.0 million out of the \$ 586.3 million term loan balance, respectively, was hedged. The effective interest rate on the term loan was approximately 6.79 % and 5.45 % for the three quarters ended October 1, 2023 and fiscal year ended January 1, 2023, respectively. Refer to [Note 7, Derivative Instruments](#) for further discussion of the interest rate swap arrangements. The Company is required to make equal installments of 1.25% of the aggregate closing date principal amount of the term loans on the last day of each fiscal quarter (commencing with the second full fiscal quarter following the closing date). All remaining term loan and revolving loan balances are to be due five years from the closing date.

The Company capitalized \$ 7.5 million of debt issuance costs related to the 2023 Facility, \$ 5.3 million of which is related to the term loan and \$ 2.2 million related to the revolving credit facility. Additionally, the Company recognized \$ 0.5 million expenses during the three quarters ended October 1, 2023 related to unamortized debt issuance costs from the 2019 Facility associated with extinguished lenders, which are included in Interest expense, net in the Condensed Consolidated Statements of Operations.

Restrictions and Covenants

The 2023 Facility requires the Company to meet a maximum leverage ratio financial test. The leverage ratio is required to be less than 5.00 to 1.00 as of the end of each quarterly Test Period (as defined in the 2023 Facility) through maturity in March 2028. The leverage ratio under the 2023 Facility is defined as the ratio of (a) Total Indebtedness (as defined in the 2023 Facility, which includes all debt and finance lease obligations) minus unrestricted cash and cash equivalents to (b) a defined calculation of Adjusted EBITDA ("2023 Facility Adjusted EBITDA") for the most recently ended Test Period. The 2023 Facility Adjusted EBITDA for purposes of these restrictive covenants includes incremental adjustments beyond those included in the Company's Adjusted EBITDA non-GAAP measure. Specifically, the 2023 Facility Adjusted EBITDA definition includes pro forma impact of EBITDA to be received from new shop openings and acquisitions for periods not yet in operation, certain acquisition related synergies and cost optimization activities, and incremental add-backs for pre-opening costs.

The 2023 Facility also contains covenants which, among other things, generally limit (with certain exceptions): mergers, amalgamations, or consolidations; the incurrence of additional indebtedness (including guarantees); the incurrence of additional liens; the sale, assignment, lease, conveyance, or transfer of assets; certain investments; dividends and stock redemptions or repurchases in excess of certain amounts; transactions with affiliates; engaging in materially different lines of business; and other activities customarily restricted in such agreements. The 2023 Facility also prohibits the transfer of cash or other assets to the parent company, whether by dividend, loan, or otherwise, but provides for exceptions to enable the parent company to pay taxes, directors' fees, and operating expenses, as well as exceptions to permit dividends in respect of the Company's common stock and stock redemptions and repurchases, to the extent permitted by the 2023 Facility. Subject to certain exceptions, the borrowings under the 2023 Facility are collateralized by substantially all of the Company's assets (including its equity interests in its subsidiaries). As of October 1, 2023 and January 1, 2023, the Company was in compliance with the financial covenants related to the 2023 Facility.

Short-Term Lines of Credit

In September 2023, the Company approved two new agreements with existing lenders providing for short-term, uncommitted lines of credit up to \$ 25.0 million. Borrowings under these short-term lines of credit will be payable to the lenders on a revolving basis for tenors up to a maximum of three months and are subject to an interest rate of adjusted term SOFR plus a credit spread adjustment of 0.10 % plus a margin of 1.75 %. As of October 1, 2023, the Company had drawn \$ 1.5 million under one of the agreements which is classified within Current portion of long-term debt on the Condensed Consolidated Balance Sheets.

Note 10 — Share-based Compensation

Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs")

The Company and certain of its subsidiaries issue time-vested RSUs and PSUs under their respective executive ownership plans and long-term incentive plans. During the three quarters ended October 1, 2023, the Company granted 2.5 million awards, of which 0.7 million were PSUs. The majority of new RSUs granted vest over a 60 -month period subsequent to the grant date (with 60 % vesting on the third anniversary of the grant date, 20 % vesting on the fourth anniversary of the grant date, and 20 % vesting at the end of the 60 -month term). The new PSUs granted have one-year or three-year performance cycles, and the majority of the awards cliff vest at the end of the respective performance cycle.

The PSU vesting is contingent upon the achievement of certain performance objectives and the awards are subject to a requisite service period. If the Company meets targets for the performance objectives at the end of the performance cycle, the Company awards a resulting number of shares of its common stock to the award holders. The number of shares may be increased to a maximum threshold (up to 200 % of the target threshold set at the grant date, for a majority of the awards) or reduced to a minimum threshold (a floor of zero) based on the achievement of these performance objectives in accordance with the terms established at the award's grant date. The Company estimates the probability that the performance objectives will be achieved periodically and adjusts compensation expenses accordingly.

The Company determines compensation expenses associated with the RSUs and PSUs based on an award's grant date fair value, with expenses recognized on a straight-line basis over the requisite service period for the entire award.

RSU and PSU activity under the Company's various plans during the periods presented is as follows:

<i>(in thousands, except per share amounts)</i>	Non-vested shares outstanding at January 1, 2023			Non-vested shares outstanding at October 1, 2023		
	Granted	Vested	Forfeited	Granted	Vested	Forfeited
KKI						
RSUs and PSUs	4,946	2,502	615	389	6,444	
Weighted Average Grant Date Fair Value	\$ 14.23	14.80	11.66	14.97	\$ 14.65	
KKUK						
RSUs	60	—	50	3	7	
Weighted Average Grant Date Fair Value	\$ 15.77	—	13.41	21.21	\$ 29.80	
Insomnia Cookies						
RSUs	38	—	—	1	37	
Weighted Average Grant Date Fair Value	\$ 101.54	—	—	128.94	\$ 100.73	
KK Australia						
RSUs	354	—	169	—	185	
Weighted Average Grant Date Fair Value	\$ 1.47	—	1.36	—	\$ 1.57	
KK Mexico						
RSUs	60	—	—	40	20	
Weighted Average Grant Date Fair Value	\$ 33.08	—	—	34.58	\$ 30.18	

The Company recorded total non-cash compensation expense related to RSUs and PSUs under the plans of \$ 6.5 million and \$ 15.1 million for the quarter and three quarters ended October 1, 2023, respectively, and \$ 2.5 million and \$ 11.4 million for the quarter and three quarters ended October 2, 2022, respectively, which is included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

The unrecognized compensation cost related to the unvested RSUs and PSUs and the weighted average period over which such cost is expected to be recognized are as follows:

	As of October 1, 2023		
	Unrecognized Compensation Cost	Recognized Over a Weighted Average Period of	
KKI	\$ 61,809	3.0 years	
KKUK	111	2.7 years	
Insomnia Cookies	1,700	1.9 years	
KK Australia	102	1.8 years	
KK Mexico	297	1.9 years	

The estimated fair value of restricted stock is calculated using a market approach (i.e., market multiple is used for the KKUK and Insomnia Cookies plans and an agreed-upon EBITDA buyout multiple is used for KK Australia and KK Mexico plans).

Time-Vested Stock Options

KKI issues time-vested stock options under its Omnibus Incentive Plan. The fair value of time-vested stock options was estimated on the date of grant using the Black-Scholes option pricing model.

A summary of the status of the time-vested stock options as of January 1, 2023 and changes during the first three quarters of fiscal 2023 is presented below:

(in thousands, except per share amounts)	Share options outstanding at			Share options outstanding at	
	January 1,			October 1,	
	2023	Granted	Exercised	Forfeited or Expired	2023
KKI					
Options	2,569	424	—	—	2,993
Weighted Average Grant Date Fair Value	\$ 6.10	4.72	—	—	\$ 5.90
Weighted Average Exercise Price	\$ 14.61	12.45	—	—	\$ 14.30

The Company recorded total non-cash compensation expense related to the time-vested stock options of \$ 0.9 million and \$ 2.7 million for the quarter and three quarters ended October 1, 2023, respectively, and \$ 0.3 million and \$ 1.9 million for the quarter and three quarters ended October 2, 2022, respectively, which is included in Selling, general and administrative expenses in the Condensed Consolidated Statements of Operations.

The unrecognized compensation cost related to the unvested stock options and the weighted average period over which such cost is expected to be recognized are as follows:

	As of October 1, 2023		
	Unrecognized Compensation Cost	Recognized Over a Weighted Average Period of	
KKI	\$ 9,095	2.6 years	

No time-vested stock options under the KKI plan vested or were exercised during the fiscal periods presented.

Note 11 — Income Taxes

For interim tax reporting, the Company estimates a worldwide annual effective tax rate and applies that rate to the year-to-date ordinary (loss)/income. The tax effects of significant unusual or infrequently occurring items are excluded from the estimated annual effective tax rate calculation and recognized in the interim period in which they occur.

The Company's effective income tax rates were - 153.3 % and - 80.0 % for the quarter and three quarters ended October 1, 2023, respectively, and - 2.5 % and - 267.1 % for the quarter and three quarters ended October 2, 2022, respectively. The Company's effective income tax rate for the quarter and three quarters ended October 1, 2023 differed from the respective statutory rates primarily due to the mix of income and taxes attributable to foreign jurisdictions, the recognition of previously unrecognized tax benefits, disallowed executive compensation expense, noncontrolling interest in domestic joint ventures, and a discrete tax benefit unrelated to ongoing operations. The Company's effective income tax rate for the quarter and three quarters ended October 2, 2022 differed from the respective statutory rates primarily due to the mix of income and taxes attributable to foreign jurisdictions, disallowed executive compensation expense, a discrete tax benefit related to a litigation settlement, and the recognition of previously unrecognized tax benefits .

Note 12 — Commitments and Contingencies**Pending Litigation**

In March 2023, an employee filed a lawsuit on behalf of himself and all others similarly situated against the Company, alleging violations of the Illinois Biometric Information Privacy Act. The Company believes that it has meritorious defenses to the complaint and will vigorously defend against these claims. This lawsuit is not expected to have a material impact on the Company's financial results.

Other Legal Matters

The Company also is engaged in various legal proceedings arising in the normal course of business. The Company maintains insurance policies against certain kinds of such claims and suits, including insurance policies for workers' compensation and personal injury, all of which are subject to deductibles. While the ultimate outcome of these matters could differ from management's expectations, management currently does not believe their resolution will have a material adverse effect on the Company's Condensed Consolidated Financial Statements.

Other Commitments and Contingencies

One of the Company's primary banks issued letters of credit on its behalf totaling \$ 15.4 million and \$ 11.1 million as of October 1, 2023 and January 1, 2023, respectively, a majority of which secure the Company's reimbursement obligations to insurers under its self-insurance arrangements.

Note 13 — Related Party Transactions

The Company has an equity ownership in three franchisees, KremeWorks USA, LLC (20 % ownership), KremeWorks Canada, L.P. (25 % ownership), and Krispy Kreme Doughnuts France SAS ("KK France") (33 % ownership), with an aggregate carrying value of \$ 1.3 million and \$ 1.9 million as of October 1, 2023 and January 1, 2023, respectively.

Note 14 — Revenue Recognition**Disaggregation of Revenues**

Revenues are disaggregated as follows:

	Quarter Ended		Three Quarters Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Company Shops, DFD and Branded Sweet Treats	\$ 385,810	\$ 353,979	\$ 1,166,052	\$ 1,060,364
Mix and equipment revenue from franchisees	12,935	16,237	43,715	41,681
Franchise royalties and other	8,622	7,306	25,432	23,254
Total net revenues	\$ 407,367	\$ 377,522	\$ 1,235,199	\$ 1,125,299

Other revenues include advertising fund contributions from franchisees, rental income, development and franchise fees, and licensing royalties from Keurig related to Krispy Kreme brands coffee sales.

Contract Balances

Deferred revenue and related receivables are as follows:

	October 1, 2023	January 1, 2023	Balance Sheet Location
Trade receivables, net of allowances of \$ 484 and \$ 282 , respectively	\$ 40,973	\$ 40,131	Accounts receivables, net
Deferred revenue:			
Current	\$ 18,736	\$ 19,417	Accrued liabilities
Noncurrent	5,591	3,946	Other long-term obligations and deferred credits
Total deferred revenue	\$ 24,327	\$ 23,363	

Trade receivables relate primarily to payments due for royalties, franchise fees, advertising fees, sale of products, and licensing fees. Deferred revenue primarily represents the Company's remaining performance obligations under gift cards and franchise and development agreements for which consideration has been received or is receivable and is generally recognized on a straight-line basis over the remaining term of the related agreement. The noncurrent portion of deferred revenue primarily relates to the remaining performance obligations in the franchise and development agreements.

Note 15 — Net Loss per Share

The following table presents the calculations of basic and diluted EPS:

<i>(in thousands, except per share amounts)</i>	Quarter Ended		Three Quarters Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net loss attributable to Krispy Kreme, Inc.	\$ (40,457)	\$ (13,056)	\$ (40,535)	\$ (12,903)
Adjustment to net loss attributable to common shareholders	—	—	—	(374)
Net loss attributable to common shareholders - Basic	\$ (40,457)	\$ (13,056)	\$ (40,535)	\$ (13,277)
Additional income attributed to noncontrolling interest due to subsidiary potential common shares	(7)	(76)	(14)	(174)
Net loss attributable to common shareholders - Diluted	\$ (40,464)	\$ (13,132)	\$ (40,549)	\$ (13,451)
Basic weighted average common shares outstanding	168,224	167,431	168,183	167,353
Dilutive effect of outstanding common stock options, RSUs, and PSUs	—	—	—	—
Diluted weighted average common shares outstanding	168,224	167,431	168,183	167,353
Loss per share attributable to common shareholders:				
Basic	\$ (0.24)	\$ (0.08)	\$ (0.24)	\$ (0.08)
Diluted	\$ (0.24)	\$ (0.08)	\$ (0.24)	\$ (0.08)

Potential dilutive shares consist of unvested RSUs and PSUs, calculated using the treasury stock method. The calculation of dilutive shares outstanding excludes certain unvested RSUs granted under certain subsidiaries' executive ownership plans and long-term incentive plans, because their inclusion would have been antidilutive.

The following table summarizes the gross number of potential dilutive unvested RSUs and PSUs excluded due to antidilution (unadjusted for the treasury stock method):

<i>(in thousands)</i>	Quarter Ended		Three Quarters Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
KKI	6,444	5,779	6,444	5,779
KKUK	7	60	—	2
Insomnia Cookies	37	10	37	3
KK Australia	—	—	—	—
KK Mexico	—	60	—	—

For the quarter and three quarters ended October 1, 2023, as well as the quarter and three quarters ended October 2, 2022, all 3.0 million and 2.6 million time-vested stock options, respectively, were excluded from the computation of diluted weighted average common shares outstanding based on application of the treasury stock method.

Note 16 — Segment Reporting

The Company conducts business through the three reportable segments: U.S., International, and Market Development. Unallocated corporate costs are excluded from the Company's measurement of segment performance. These costs include general corporate expenses.

As discussed in [Note 1](#), Description of Business and Summary of Significant Accounting Policies, effective January 2, 2023, the Company realigned its segment reporting structure such that the Company-owned Canada business has moved from the U.S. and Canada reportable operating segment to the Market Development reportable operating segment. As a result, the U.S. and Canada reportable operating segment has been renamed to the U.S. reportable operating segment. All segment information has been restated to be consistent with current presentation.

The reportable segment results are as follows:

	Quarter Ended		Three Quarters Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net revenues:				
U.S.	\$ 260,177	\$ 246,830	\$ 808,938	\$ 739,414
International	106,130	91,934	294,750	272,988
Market Development	41,060	38,758	131,511	112,897
Total net revenues	\$ 407,367	\$ 377,522	\$ 1,235,199	\$ 1,125,299
 Segment Adjusted EBITDA:				
U.S.	\$ 22,258	\$ 20,452	\$ 88,878	\$ 77,014
International	21,406	18,254	54,436	55,033
Market Development	13,371	11,797	46,071	36,642
Corporate	(13,294)	(11,961)	(41,902)	(33,879)
Adjusted EBITDA	43,741	38,542	147,483	134,810
Interest expense, net	12,807	8,871	36,858	23,808
Income tax expense	24,367	294	17,121	5,668
Depreciation and amortization expense	32,007	28,127	89,142	83,782
Share-based compensation	7,452	2,825	17,821	13,318
Employer payroll taxes related to share-based compensation	96	2	310	92
Other non-operating expense, net ⁽¹⁾	971	1,648	3,031	2,083
Strategic initiatives ⁽²⁾	5,895	86	23,841	206
Acquisition and integration expenses ⁽³⁾	49	790	479	1,389
New market penetration expenses ⁽⁴⁾	678	313	1,013	683
Shop closure (income)/expenses, net ⁽⁵⁾	(449)	5,735	356	7,859
Restructuring and severance expenses ⁽⁶⁾	552	2,328	2,799	2,804
Gain on sale-leaseback	—	(1,937)	(9,646)	(4,311)
Other ⁽⁷⁾	(426)	1,300	2,888	5,219
Net loss	\$ (40,258)	\$ (11,840)	\$ (38,530)	\$ (7,790)

⁽¹⁾ Primarily foreign translation gains and losses in each period.

⁽²⁾ The quarter and three quarters ended October 1, 2023 consist primarily of costs associated with global transformation and U.S. initiatives such as the decision to exit the Branded Sweet Treats business, including property, plant and equipment impairments, inventory write-offs, employee severance, and other related costs.

⁽³⁾ Consists of acquisition and integration-related costs in connection with the Company's business and franchise acquisitions, including legal, due diligence, and advisory fees incurred in connection with acquisition and integration-related activities for the applicable period.

- (4) Consists of start-up costs associated with entry into new countries for which the Company's brands have not previously operated, including the Insomnia Cookies brand entering Canada and the U.K.
- (5) Includes lease termination costs, impairment charges, and loss on disposal of property, plant and equipment. The quarter and three quarters ended October 1, 2023 include gains related to the termination of leases at certain Krispy Kreme shops in the U.S. where the Company had already recognized impairment of the corresponding right of use assets in a prior period.
- (6) The quarter and three quarters ended October 1, 2023 and October 2, 2022 consist primarily of costs associated with restructuring of the global executive team.
- (7) The quarter and three quarters ended October 1, 2023 and October 2, 2022 consist primarily of legal and other regulatory expenses incurred outside the ordinary course of business.

Note 17 — Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the Condensed Consolidated Financial Statements through November 13, 2023, the date the Condensed Consolidated Financial Statements were available to be issued. All subsequent events requiring recognition and disclosure have been incorporated into these Condensed Consolidated Financial Statements.

On October 3, 2023, the Company announced it is exploring strategic alternatives for Insomnia Cookies, to include considering a sale. This decision would enable the Company to unlock shareholder value and focus on its core strategy of producing, selling, and distributing fresh doughnuts daily. As of the date of issuance of this Quarterly Report on Form 10-Q, the Company continues to explore strategic alternatives. The Company is currently evaluating the effect on its financial reporting for the fourth quarter of fiscal 2023.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited Condensed Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as our audited Consolidated Financial Statements and related notes included in our Annual Report on Form 10-K for the year ended January 1, 2023, and in other reports filed subsequently with the SEC.

Cautionary Note Regarding Forward-Looking Statements

This report contains forward-looking statements that involve risks and uncertainties. The words "believe," "may," "could," "will," "should," "anticipate," "estimate," "expect," "outlook," "guidance," or similar words, or the negative of these words, identify forward-looking statements. Such forward-looking statements are based on certain assumptions and estimates that we consider reasonable but are subject to various risks and uncertainties and assumptions relating to our operations, financial results, financial condition, business, prospects, growth strategy and liquidity. Accordingly, there are, or will be, important factors that could cause our actual results to differ materially from those indicated in these statements. The inclusion of this forward-looking information should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will be achieved. Our actual results could differ materially from the forward-looking statements included herein. Factors that could cause actual results to differ from those expressed in forward-looking statements include, without limitation, the risks and uncertainties described under the headings "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" in our Annual Report on Form 10-K for the year ended January 1, 2023, filed by us with the SEC and described in the other filings we make from time to time with the SEC. We believe that these factors include, but are not limited to, the impact of pandemics, changes in consumer preferences, the impact of inflation, and our ability to execute on our omni-channel business strategy. These forward-looking statements are made only as of the date of this document, and we do not undertake any obligation, other than as may be required by applicable law, to update or revise any forward-looking or cautionary statement to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise.

Overview

Krispy Kreme is one of the most beloved and well-known sweet treat brands in the world. Krispy Kreme operates in more than 35 countries with our transformational omni-channel strategy, which focuses on delivering fresh doughnuts such as our iconic Original Glazed® doughnut, which is universally recognized for its hot-off-the-line, melt-in-your-mouth experience, to where our consumers are located and want to have access to them. Global Points of Access are a key metric and we define them as our unique network of fresh Doughnut Shops, partnerships with leading retailers (DFD Doors), and a rapidly growing Ecommerce and delivery business. 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.

The following table presents a summary of our financial results for the periods presented:

(in thousands, except percentages)	Quarter Ended			Three Quarters Ended		
	October 1, 2023	October 2, 2022	% Change	October 1, 2023	October 2, 2022	% Change
Net Revenues ⁽¹⁾	\$ 407,367	\$ 377,522	7.9 %	\$ 1,235,199	\$ 1,125,299	9.8 %
Net Loss	(40,258)	(11,840)	-240.0 %	(38,530)	(7,790)	-394.6 %
Adjusted Net Income, Diluted ⁽²⁾	4,406	4,571	-3.6 %	31,073	30,931	0.5 %
Adjusted EBITDA ⁽²⁾	43,741	38,542	13.5 %	147,483	134,810	9.4 %

⁽¹⁾ We generated 9.6% and 11.8% organic revenue growth for the quarter and three quarters ended October 1, 2023.

⁽²⁾ Refer to "[Key Performance Indicators and Non-GAAP Measures](#)" below for more information as to how we define and calculate Adjusted EBITDA and Adjusted Net Income, Diluted and for a reconciliation of Adjusted EBITDA and Adjusted Net Income, Diluted to net income/(loss), the most comparable GAAP measure.

Significant Events and Transactions**Executing on our Omni-Channel Strategy**

We made strong progress on the execution of our omni-channel strategy in the third quarter of fiscal 2023, as we continue to add quality Global Points of Access across our network and convert markets into fully implemented Hub and Spoke models

(refer to "Key Performance Indicators and Non-GAAP Measures" below for more information as to how we define the Hub and Spoke model). We added 522 new Global Points of Access in the third quarter of fiscal 2023 to reach 13,394 Global Points of Access. The primary driver of the increased Global Points of Access during the third quarter was the continued expansion of our DFD network in alignment with our transformation strategy, as we added 453 DFD Doors globally, including 186 DFD Doors to the U.S. segment, 174 to the International segment, and 93 to the Market Development segment. The increase in DFD Doors is the result of our focus on executing our omni-channel strategy to drive our transformation, and includes expansion with key customers during the quarter.

The capital-efficient Hub and Spoke distribution model which originated within our International segment drives our expansion strategy for the U.S. and globally. This model has significant advantages, including increasing accessibility to our fresh doughnuts for our consumers and driving higher profitability and margins. In the third quarter of fiscal 2023, execution of our Hub and Spoke strategy contributed to adjusted EBITDA margin expansion of 30 basis points to 8.6% for the U.S. segment compared to the same quarter last year. We expect DFD growth to continue to be one of our most significant drivers of earnings growth, through both increased door count and growth in average revenue per door ("APD"), which rose by 12% in the U.S. in the third quarter of fiscal 2023 compared to the same quarter last year. Hub and Spoke expansion in the U.S. contributed to Sales per Hub (on a trailing four quarters basis) of \$4.8 million in the third quarter, an increase of 9% from the same quarter last year.

Growing our Global Presence

Another key strategic initiative on our journey to become the Most Loved Sweet Treat Brand in the World is to increase our global presence, focusing on the percentage of our revenues and Adjusted EBITDA generated outside the U.S. During the third quarter, we met our goal to establish the Krispy Kreme brand in at least five new countries in fiscal 2023 as we opened franchise shops in Switzerland and Kazakhstan, marking our first expansion to continental Europe and central Asia, respectively. In addition, the Insomnia Cookies brand expanded outside of the U.S. for the first time, with Cookie Bakery openings in Canada and the U.K. during the quarter. We expect to have further announcements throughout the year as we grow our global business.

Ecommerce, Brand, and Innovation

Ecommerce represented 18.6% of our Doughnut Shop and Cookie Bakery sales (excluding DFD) for the third quarter of fiscal 2023, up from 18.5% in the same quarter last year. We continue to expand the delivery radius in several key markets around the world through partnerships with third-party aggregators.

Innovation is a significant driver of frequency as we create and introduce premium and buzz-worthy offerings to consumers across our Global Points of Access. During the third quarter of fiscal 2023 we delivered the joy that is Krispy Kreme through

powerful limited time offerings ("LTOs") and seasonal activations including the successful M&M's® collection which was available in 17 countries, Pumpkin Spice, and Doggie Doughnuts, among many others around the world.



Cambodia - Bird and Forest



Global - M&Ms®



United States - 4th of July



Dominican Republic - Dulce Verano



United States - Doggie Doughnuts



United States - Strawberry Glazed

Exiting the Branded Sweet Treats Business

During the first quarter of fiscal 2023, we decided to exit our pre-packaged Branded Sweet Treats business due in part to its dilutive impact on profit margins, as well as to allow us to focus on our fresh doughnuts business. In fiscal 2022, the Branded Sweet Treats business generated approximately \$36 million revenues and had a dilutive impact on adjusted EBITDA margins. As a result, we discontinued production at our Concord, North Carolina and Winston-Salem, North Carolina manufacturing facilities. As such, we recognized non-recurring expenses, including property, plant and equipment impairments, inventory write-offs, employee severance, and other related costs, totaling approximately \$0.3 million and \$18.1 million for the quarter and three quarters ended October 1, 2023, respectively.

Key Performance Indicators and Non-GAAP Measures

We monitor the key business metrics and non-GAAP metrics set forth below to help us evaluate our business and growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts, and assess operational efficiencies. The calculation of the key business metrics discussed below may differ from other similarly titled metrics used by other companies, securities analysts, or investors.

Throughout this Quarterly Report on Form 10-Q, we utilize "Global Points of Access" as a key performance indicator. Global Points of Access reflect 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, Cookie Bakeries, and other defined points at both Company-owned and franchise locations as of the end of the respective 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 and by asset type.

The following table presents our Global Points of Access, by segment and type, as of the end of the third quarter of fiscal 2023, the third quarter of fiscal 2022, and fiscal 2022, respectively:

	Global Points of Access ⁽¹⁾		
	Quarter Ended		Fiscal Year Ended
	October 1, 2023	October 2, 2022	
U.S.: ⁽²⁾			
Hot Light Theater Shops	229	240	234
Fresh Shops	65	61	62
Cookie Bakeries	247	227	231
Carts, Food Trucks, and Other ⁽³⁾	—	1	—
DFD Doors ⁽⁵⁾	6,506	5,720	5,729
Total	7,047	6,249	6,256
<i>International:</i>			
Hot Light Theater Shops	36	35	37
Fresh Shops	410	384	388
Carts, Food Trucks, and Other ⁽³⁾	16	12	14
DFD Doors	3,393	3,008	3,032
Total	3,855	3,439	3,471
<i>Market Development:</i> ⁽⁴⁾			
Hot Light Theater Shops	122	111	115
Fresh Shops	989	809	873
Cookie Bakeries	2	—	—
Carts, Food Trucks, and Other ⁽³⁾	29	29	27
DFD Doors	1,350	1,066	1,095
Total	2,492	2,015	2,110
Total Global Points of Access (as defined)	13,394	11,703	11,837
Total Hot Light Theater Shops	387	386	386
Total Fresh Shops	1,464	1,254	1,323
Total Cookie Bakeries	249	227	231
Total Shops	2,100	1,867	1,940
Total Carts, Food Trucks, and Other	45	42	41
Total DFD Doors	11,249	9,794	9,856
Total Global Points of Access (as defined)	13,394	11,703	11,837

(1) Excludes the recently exited Branded Sweet Treats distribution points.

(2) Includes Points of Access that were acquired from a franchisee in the U.S. in the third quarter of fiscal 2022. These Points of Access were previously included in the Market Development segment prior to the acquisition date.

(3) Carts and Food Trucks are non-producing, mobile (typically on wheels) facilities without walls or a door where product is received from a Hot Light Theater Shop or Doughnut Factory. Other includes a vending machine. Points of Access in this category are primarily found in international locations in airports, train stations, etc.

(4) Includes locations in Japan and Canada, which are Company-owned. All remaining Points of Access in the Market Development segment relate to our franchise business.

(5) Includes over 160 McDonald's test shops located in Louisville and Lexington, Kentucky and the surrounding area as of October 1, 2023.

As of October 1, 2023, we had 13,394 Global Points of Access, with 2,100 Krispy Kreme and Insomnia Cookies branded shops, 45 Carts and Food Trucks, and 11,249 DFD Doors. During the third quarter of fiscal 2023, we added a net 68 additional shops globally from the end of the second quarter of fiscal 2023, including four Hot Light Theater Shops, 59 Fresh Shops, and five Insomnia Cookie Bakeries. In the quarter, we continued to grow our global presence as we expanded into two new countries, Switzerland and Kazakhstan. We added a net 453 new DFD Doors during the quarter as we continue to focus on the expansion of our Hub and Spoke model and our expansion into Quick Service Restaurant ("QSR") channels. We plan to continue adding new locations and expanding our Ecommerce and delivery platform in order to extend the availability of and access to our products. We are excited about our continued collaboration with McDonald's, which we believe has validated the attractiveness of the QSR channel. While nothing has been finalized, we are in advanced discussions about expanding the collaboration and are making investments in the U.S. that reflect our confidence in further scaling our DFD network.

We also utilize "Hubs" as a key performance indicator. Our transformation is driven by the implementation of an omni-channel strategy to reach more consumers where they are and drive revenue growth, and this strategy is supported by a capital-efficient Hub and Spoke distribution model that provides a route to market and powers profitability. Our Hot Light Theater Shops and Doughnut Factories serve as centralized production facilities ("Hubs"). From these Hubs, we deliver doughnuts to our Fresh Shops, Carts and Food Trucks, and DFD Doors ("Spokes") primarily through an integrated network of Company-operated delivery routes, ensuring quality and freshness. Specific to the U.S. segment, certain legacy Hubs have not historically had Spokes. Many Hubs in the U.S. segment are being converted to add Spokes while certain legacy Hubs do not currently have the ability or need to add Spokes.

The following table presents our Hubs, by segment and type, as of the end of the third quarter of fiscal 2023, the third quarter of fiscal 2022, and fiscal 2022, respectively:

	Hubs		
	Quarter Ended		Fiscal Year Ended
	October 1, 2023	October 2, 2022	January 1, 2023
U.S.:			
Hot Light Theater Shops ⁽¹⁾	222	237	228
Doughnut Factories	4	4	4
Total	226	241	232
Hubs with Spokes	148	126	133
Hubs without Spokes	78	115	99
International:			
Hot Light Theater Shops ⁽¹⁾	30	26	28
Doughnut Factories	11	11	11
Total	41	37	39
Hubs with Spokes	41	37	39
Market Development:			
Hot Light Theater Shops ⁽¹⁾	115	107	110
Doughnut Factories	26	26	27
Total	141	133	137
Total Hubs	408	411	408

⁽¹⁾ Includes only Hot Light Theater Shops and excludes Mini Theaters. A Mini Theater is a Spoke location that produces some doughnuts for itself and also receives doughnuts from another producing location.

Non-GAAP Measures

We report our financial results in accordance with generally accepted accounting principles in the U.S. ("GAAP"); however, management evaluates our results of operations using, among other measures, organic revenue growth, adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), and Adjusted Net Income, Diluted as we believe these non-GAAP measures are useful in evaluating our operating performance.

These non-GAAP financial measures are not universally consistent calculations, limiting their usefulness as comparative measures. Other companies may calculate similarly titled financial measures differently than we do or may not calculate them at

all. Additionally, these non-GAAP financial measures are not measurements of financial performance under GAAP. In order to facilitate a clear understanding of our consolidated historical operating results, you should examine our non-GAAP financial measures in conjunction with our historical Condensed Consolidated Financial Statements and notes thereto included in this Quarterly Report on Form 10-Q.

Organic Revenue Growth

Organic revenue growth measures our revenue growth trends excluding the impact of acquisitions and foreign currency, and we believe it is useful for investors to understand the expansion of our global footprint through internal efforts. We define “organic revenue growth” as the growth in revenues, excluding (i) acquired shops owned by us for less than 12 months following their acquisition, (ii) the impact of foreign currency exchange rate changes, (iii) the impact of shop closures related to restructuring programs such as the shop portfolio optimization program initiated for Krispy Kreme U.S. during fiscal 2022, (iv) the impact of the Branded Sweat Treats business exit, and (v) revenues generated during the 53rd week for those fiscal years that have a 53rd week based on our fiscal calendar defined in [Note 1, Description of Business and Summary of Significant Accounting Policies](#) to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q. See “Results of Operations” for our organic growth calculations for the periods presented.

Adjusted EBITDA, Adjusted Net Income, Diluted, and Adjusted EPS

We define “Adjusted EBITDA” as earnings before interest expense, net, income tax expense, and depreciation and amortization, with further adjustments for share-based compensation, certain strategic initiatives, acquisition and integration expenses, and other certain non-recurring, infrequent or non-core income and expense items. Adjusted EBITDA is a principal metric that management uses to monitor and evaluate operating performance and provides a consistent benchmark for comparison across reporting periods.

We define “Adjusted Net Income, Diluted” as net loss attributable to common shareholders, adjusted for interest expense, share-based compensation, certain strategic initiatives, acquisition and integration expenses, amortization of acquisition-related intangibles, the tax impact of adjustments, and other certain non-recurring, infrequent or non-core income and expense items. “Adjusted EPS” is Adjusted Net Income, Diluted converted to a per share amount.

Adjusted EBITDA, Adjusted Net Income, Diluted, and Adjusted EPS have certain limitations, including adjustments for income and expense items that are required by GAAP. In evaluating these non-GAAP measures, you should be aware that in the future we will incur expenses that are the same as or similar to some of the adjustments in this presentation, such as share-based compensation. Our presentation of Adjusted EBITDA, Adjusted Net Income, Diluted, and Adjusted EPS should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by relying on our GAAP results in addition to using Adjusted EBITDA, Adjusted Net Income, Diluted, and Adjusted EPS supplementally.

The following tables present a reconciliation of net loss to Adjusted EBITDA and net loss to Adjusted Net Income, Diluted and Adjusted EPS for the periods presented:

<i>(In thousands)</i>	Quarter Ended		Three Quarters Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net loss	\$ (40,258)	\$ (11,840)	\$ (38,530)	\$ (7,790)
Interest expense, net	12,807	8,871	36,858	23,808
Income tax expense	24,367	294	17,121	5,668
Depreciation and amortization expense	32,007	28,127	89,142	83,782
Share-based compensation	7,452	2,825	17,821	13,318
Employer payroll taxes related to share-based compensation	96	2	310	92
Other non-operating expense, net ⁽¹⁾	971	1,648	3,031	2,083
Strategic initiatives ⁽²⁾	5,895	86	23,841	206
Acquisition and integration expenses ⁽³⁾	49	790	479	1,389
New market penetration expenses ⁽⁴⁾	678	313	1,013	683
Shop closure (income)/expenses, net ⁽⁵⁾	(449)	5,735	356	7,859
Restructuring and severance expenses ⁽⁶⁾	552	2,328	2,799	2,804
Gain on sale-leaseback	—	(1,937)	(9,646)	(4,311)
Other ⁽⁷⁾	(426)	1,300	2,888	5,219
Adjusted EBITDA	\$ 43,741	\$ 38,542	\$ 147,483	\$ 134,810

(In thousands, except per share amounts)	Quarter Ended		Three Quarters Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
Net loss	\$ (40,258)	\$ (11,840)	\$ (38,530)	\$ (7,790)
Share-based compensation	7,452	2,825	17,821	13,318
Employer payroll taxes related to share-based compensation	96	2	310	92
Other non-operating expense, net ⁽¹⁾	971	1,648	3,031	2,083
Strategic initiatives ⁽²⁾	5,895	86	23,841	206
Acquisition and integration expenses ⁽³⁾	49	790	479	1,389
New market penetration expenses ⁽⁴⁾	678	313	1,013	683
Shop closure (income)/expenses, net ⁽⁵⁾	(449)	5,735	356	8,109
Restructuring and severance expenses ⁽⁶⁾	552	2,328	2,799	2,804
Gain on sale-leaseback	—	(1,937)	(9,646)	(4,311)
Other ⁽⁷⁾	(426)	1,300	2,888	5,219
Amortization of acquisition related intangibles ⁽⁸⁾	7,386	7,083	22,027	21,307
Loss on extinguishment of 2019 Facility ⁽⁹⁾	—	—	472	—
Tax impact of adjustments ⁽¹⁰⁾	22,694	(2,470)	8,574	(5,889)
Tax specific adjustments ⁽¹¹⁾	(28)	—	(2,343)	(628)
Net income attributable to noncontrolling interest	(199)	(1,216)	(2,005)	(5,113)
Adjustment to adjusted net income attributable to common shareholders	—	—	—	(374)
Adjusted net income attributable to common shareholders - Basic	\$ 4,413	\$ 4,647	\$ 31,087	\$ 31,105
Additional income attributed to noncontrolling interest due to subsidiary potential common shares	(7)	(76)	(14)	(174)
Adjusted net income attributable to common shareholders - Diluted	\$ 4,406	\$ 4,571	\$ 31,073	\$ 30,931
Basic weighted average common shares outstanding	168,224	167,431	168,183	167,353
Dilutive effect of outstanding common stock options, RSUs, and PSUs	2,421	1,822	2,249	2,006
Diluted weighted average common shares outstanding	170,645	169,253	170,432	169,359
Adjusted net income per share attributable to common shareholders:				
Basic	\$ 0.03	\$ 0.03	\$ 0.18	\$ 0.19
Diluted	\$ 0.03	\$ 0.03	\$ 0.18	\$ 0.18

⁽¹⁾ Primarily foreign translation gains and losses in each period.

⁽²⁾ The quarter and three quarters ended October 1, 2023 consist primarily of costs associated with global transformation and U.S. initiatives such as the decision to exit the Branded Sweet Treats business, including property, plant and equipment impairments, inventory write-offs, employee severance, and other related costs.

⁽³⁾ Consists of acquisition and integration-related costs in connection with the Company's business and franchise acquisitions, including legal, due diligence, and advisory fees incurred in connection with acquisition and integration-related activities for the applicable period.

⁽⁴⁾ Consists of start-up costs associated with entry into new countries for which the Company's brands have not previously operated, including the Insomnia Cookies brand entering Canada and the U.K.

⁽⁵⁾ Includes lease termination costs, impairment charges, and loss on disposal of property, plant and equipment. The quarter and three quarters ended October 1, 2023 include gains related to the termination of leases at certain Krispy Kreme shops in the U.S. where the Company had already recognized impairment of the corresponding right of use assets in a prior period.

⁽⁶⁾ The quarter and three quarters ended October 1, 2023 and October 2, 2022 consist primarily of costs associated with restructuring of the global executive team.

⁽⁷⁾ The quarter and three quarters ended October 1, 2023 and October 2, 2022 consist primarily of legal and other regulatory expenses incurred outside the ordinary course of business.

⁽⁸⁾ Consists of amortization related to acquired intangible assets as reflected within depreciation and amortization in the Condensed Consolidated Statements of Operations.

(9) Includes interest expenses related to unamortized debt issuance costs from the 2019 Facility associated with extinguished lenders as a result of the March 2023 debt refinancing described in [Note 9](#), Long-Term Debt to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

(10) Tax impact of adjustments calculated applying the applicable statutory rates. The quarter and three quarters ended October 1, 2023 and October 2, 2022 also include the impact of disallowed executive compensation expense.

(11) The quarter and three quarters ended October 1, 2023 consist of the recognition of a previously unrecognized tax benefit unrelated to ongoing operations, the effect of tax law changes on existing temporary differences, and a discrete tax benefit unrelated to ongoing operations.

Sales Per Hub

In order to measure the effectiveness of our Hub and Spoke model, we use "Sales per Hub" on a trailing four-quarter basis, which includes all revenue generated from a Hub and its associated Spokes. Sales per Hub equals Fresh Revenues from Hubs with Spokes, divided by the average number of Hubs with Spokes during the period. Fresh Revenues include product sales generated from our Doughnut Shop business (including Ecommerce and delivery), as well as DFD sales, but excluding all Insomnia Cookies revenues as the measure is focused on the Krispy Kreme business. The Average Hub with Spokes for a period is calculated as the average of the number of Hubs with Spokes at the end of the five most recent quarters. The Sales per Hub performance measure allows us and investors to measure our effectiveness at leveraging the Hubs in the Hub and Spoke model to distribute product and generate cost efficiencies and profitability.

Sales per Hub was as follows for each of the periods below:

<i>(in thousands, unless otherwise stated)</i>	Trailing Four Quarters Ended			Fiscal Year Ended		
	October 1, 2023	January 1, 2023	January 2, 2022			
U.S.:						
Revenues	\$ 1,079,774	\$ 1,010,250	\$ 923,129			
Non-Fresh Revenues ⁽¹⁾	(18,488)	(38,380)	(37,311)			
Fresh Revenues from Insomnia Cookies and Hubs without Spokes ⁽²⁾	(400,567)	(404,430)	(414,899)			
Sales from Hubs with Spokes	660,719	567,440	470,919			
Sales per Hub (millions)	4.8	4.5	4.0			
International:						
Sales from Hubs with Spokes ⁽³⁾	\$ 387,678	\$ 365,916	\$ 332,995			
Sales per Hub (millions) ⁽⁴⁾	9.9	9.9	8.6			

(1) Includes the exited Branded Sweet Treats business revenues.

(2) Includes Insomnia Cookies revenues and Fresh Revenues generated by Hubs without Spokes.

(3) Total International net revenues is equal to Fresh Revenues from Hubs with Spokes for that business segment.

(4) International Sales per Hub comparative data has been restated in constant currency based on current exchange rates.

In our International segment, where the Hub and Spoke model originated, Sales per Hub was \$9.9 million, flat to the \$9.9 million generated in the full fiscal year 2022, and up from the \$8.6 million generated in the full fiscal year 2021. The International segment illustrates the benefits of leveraging our Hub and Spoke model as the most efficient way to grow the business, as shown by the consistent Sales per Hub and sequential adjusted EBITDA margin improvement despite elevated commodity costs and macroeconomic conditions. In the U.S. segment, we had Sales per Hub of \$4.8 million, up from \$4.5 million generated in the full fiscal year 2022 and up from \$4.0 million generated in the full fiscal year 2021. U.S. growth was driven by our efforts to increase the number of DFD Doors served by our Hubs and to increase APD for the DFD Door portfolio, as the segment makes progress toward optimizing the model to look more like our International segment. As we further extend the Hub and Spoke model into existing and new markets around the world, we expect to see this measure continue to grow.

Results of Operations

The following comparisons are historical results and are not indicative of future results, which could differ materially from the historical financial information presented.

Quarter ended October 1, 2023 compared to the Quarter ended October 2, 2022

The following table presents our unaudited condensed consolidated results of operations for the quarter ended October 1, 2023 and the quarter ended October 2, 2022:

(in thousands, except percentages)	Quarter Ended				Change	
	October 1, 2023		October 2, 2022		Change	
	Amount	% of Revenue	Amount	% of Revenue	\$	%
Net revenues						
Product sales	\$ 398,745	97.9 %	\$ 370,216	98.1 %	\$ 28,529	7.7 %
Royalties and other revenues	8,622	2.1 %	7,306	1.9 %	1,316	18.0 %
Total net revenues	407,367	100.0 %	377,522	100.0 %	29,845	7.9 %
Product and distribution costs	101,353	24.9 %	102,870	27.2 %	(1,517)	-1.5 %
Operating expenses	195,380	48.0 %	177,592	47.0 %	17,788	10.0 %
Selling, general and administrative expense	68,305	16.8 %	54,801	14.5 %	13,504	24.6 %
Marketing expenses	12,478	3.1 %	10,995	2.9 %	1,483	13.5 %
Pre-opening costs	1,059	0.3 %	1,200	0.3 %	(141)	-11.8 %
Other (income)/expenses, net	(1,102)	-0.3 %	2,964	0.8 %	(4,066)	-137.2 %
Depreciation and amortization expense	32,007	7.9 %	28,127	7.5 %	3,880	13.8 %
Operating loss	(2,113)	-0.5 %	(1,027)	-0.3 %	(1,086)	-105.7 %
Interest expense, net	12,807	3.1 %	8,871	2.3 %	3,936	44.4 %
Other non-operating expense, net	971	0.2 %	1,648	0.4 %	(677)	-41.1 %
Loss before income taxes	(15,891)	-3.9 %	(11,546)	-3.1 %	(4,345)	-37.6 %
Income tax expense	24,367	6.0 %	294	0.1 %	24,073	8,188.1 %
Net loss	(40,258)	-9.9 %	(11,840)	-3.1 %	(28,418)	-240.0 %
Net income attributable to noncontrolling interest	199	— %	1,216	0.3 %	(1,017)	-83.6 %
Net loss attributable to Krispy Kreme, Inc.	\$ (40,457)	-9.9 %	\$ (13,056)	-3.5 %	\$ (27,401)	-209.9 %

Royalties and other revenues: Royalties and other revenues increased \$1.3 million, or 18.0%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, led by performance of the international franchise business in spite of continued foreign exchange headwinds.

The following table presents a further breakdown of total net revenue and organic revenue growth by segment for the quarter ended October 1, 2023 compared to the quarter ended October 2, 2022:

<i>(in thousands, except percentages)</i>	U.S.	International	Market Development	Total Company
Total net revenues in third quarter of fiscal 2023	\$ 260,177	\$ 106,130	\$ 41,060	\$ 407,367
Total net revenues in third quarter of fiscal 2022	246,830	91,934	38,758	377,522
Total Net Revenues Growth	13,347	14,196	2,302	29,845
Total Net Revenues Growth %	5.4 %	15.4 %	5.9 %	7.9 %
Less: Impact of shop optimization closures	(3,096)	—	—	(3,096)
Less: Impact of Branded Sweet Treats exit	(9,035)	—	—	(9,035)
Adjusted net revenues in third quarter of fiscal 2022	234,699	91,934	38,758	365,391
Adjusted net revenue growth	25,478	14,196	2,302	41,976
Impact of acquisitions	(1,575)	—	457	(1,118)
Impact of foreign currency translation	—	(6,677)	765	(5,912)
Organic Revenue Growth	\$ 23,903	\$ 7,519	\$ 3,524	\$ 34,946
Organic Revenue Growth %	10.2 %	8.2 %	9.1 %	9.6 %

Total net revenue growth of \$29.8 million, or approximately 7.9%, and organic revenue growth of \$34.9 million, or approximately 9.6%, was driven by the continued and successful execution of our growth strategy deploying our omni-channel approach globally. We have continued to increase availability through new Global Points of Access, including capital-light DFD Doors, and via Ecommerce and delivery. Additionally, we have continued to take pricing actions to offset cost inflation, including in the third quarter of fiscal 2023.

U.S. segment net revenue grew \$13.3 million, or approximately 5.4%, and organic revenue increased \$23.9 million, or approximately 10.2%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023. Growth was driven by an additional 798 Points of Access compared to the third quarter of fiscal 2022, higher Ecommerce and delivery revenues, and growth in DFD APD as we continue to expand the types of products available at key customers such as LTO doughnuts. We were able to achieve strong organic revenue growth through effective pricing increases, leading to an increase in the average transaction size, offset some by transaction declines.

Our International segment net revenue grew \$14.2 million, or approximately 15.4%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, aided by foreign currency translation impacts of \$6.7 million from a weakening U.S. dollar. International organic revenue grew \$7.5 million, or approximately 8.2%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, driven by increased pricing and Points of Access growth of 416, or 12%, compared to the third quarter of fiscal 2022. International organic revenue growth was offset some by softer transaction volume compared to last year.

Our Market Development segment net revenue increased \$2.3 million, or approximately 5.9%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, in spite of the impacts of certain foreign currencies devaluing against the U.S. dollar. When adjusted for the impacts of acquisitions and foreign currency, Market Development organic revenue grew \$3.5 million, or approximately 9.1%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, driven by strong performance in our international franchise markets, Canada, and Japan, aided by Hub and Spoke model expansion. The Market Development organic growth in the third quarter was softer sequentially compared to the first two quarters of fiscal 2023 due primarily to timing of equipment sales to franchisees.

Product and distribution costs (exclusive of depreciation and amortization): Product and distribution costs decreased \$1.5 million, or 1.5%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, due in part to materials cost inflation slowing compared to this time last year coupled with benefits from the exit of the Branded Sweet Treats business. As a percentage of revenue, product and distribution costs decreased by approximately 230 basis points from 27.2% in the third quarter of fiscal 2022 to 24.9% in the third quarter of fiscal 2023, with 130 basis points driven by the exit of the lower-margin Branded Sweet Treats business earlier in fiscal 2023. We also saw benefits from pricing actions taken throughout the year to offset materials cost inflation.

Operating expenses: Operating expenses increased \$17.8 million, or 10.0%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, driven mainly by labor cost inflation and investments to support growth. Operating expenses as a percentage of revenue increased by approximately 100 basis points, from 47.0% in the third quarter of fiscal 2022 to 48.0% in

the third quarter of fiscal 2023, primarily due to the impact of lower transaction volumes on operating leverage. This has been partially offset by efficiency benefits from Hub and Spoke expansion and our focus on labor management and demand planning, which we continue to refine with new tools.

Selling, general and administrative expense: Selling, general and administrative ("SG&A") expense increased \$13.5 million, or 24.6%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023. As a percentage of revenue, SG&A expense increased approximately 230 basis points, from 14.5% in the third quarter of fiscal 2022 to 16.8% in the third quarter of fiscal 2023, primarily driven by increases in performance-based compensation accruals, investment in global transformation programs, and higher share-based compensation expenses in the third quarter of fiscal 2023.

Marketing expenses: Marketing expenses increased \$1.5 million, or 13.5%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023, primarily driven by the timing of promotional activity.

Other (income)/expenses, net: Other income, net of \$1.1 million in the third quarter of fiscal 2023 was primarily driven by business interruption insurance recoveries for the Krispy Kreme U.S. business. Other expenses, net of \$3.0 million in the third quarter of fiscal 2022 was primarily driven by impairment and lease termination costs, net of a gain from a sale-leaseback transaction.

Depreciation and amortization expense: Depreciation and amortization expense increased \$3.9 million, or 13.8%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023. As a percentage of revenue, depreciation and amortization expense increased approximately 40 basis points, from 7.5% in the third quarter of fiscal 2022 to 7.9% in the third quarter of fiscal 2023, primarily driven by higher capital spend and assets placed into service to support the Hub and Spoke model evolution.

Interest expense, net: Interest expense, net increased \$3.9 million, or 44.4%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023. The increase was primarily driven by increases in the benchmark interest rates associated with the unhedged portion of our variable rate long-term debt, as well as an increase in the unhedged principal amount compared to last year.

Income tax expense: Income tax expense was \$24.4 million in the third quarter of fiscal 2023, while income tax expense was \$0.3 million in the third quarter of fiscal 2022. The fluctuation of \$24.1 million from the third quarter of fiscal 2022 to the third quarter of fiscal 2023 was primarily driven by changes in the projected mix of income between the U.S. and foreign jurisdictions and higher anticipated professional fees and transaction costs in 2023.

Net income attributable to noncontrolling interest: Net income attributable to noncontrolling interest was \$0.2 million in the third quarter of fiscal 2023, while net income attributable to noncontrolling interest was \$1.2 million in the third quarter of fiscal 2022. The decline of \$1.0 million, or 83.6%, was driven by less earnings allocated to certain consolidated subsidiaries including Insomnia Cookies.

Results of Operations by Segment – Quarter ended October 1, 2023 compared to the Quarter ended October 2, 2022

The following table presents Adjusted EBITDA by segment for the periods indicated:

<i>(in thousands, except percentages)</i>	Quarter Ended		Change	
	October 1, 2023	October 2, 2022	\$	%
Adjusted EBITDA				
U.S.	\$ 22,258	\$ 20,452	\$ 1,806	8.8 %
International	21,406	18,254	3,152	17.3 %
Market Development	13,371	11,797	1,574	13.3 %
Corporate	(13,294)	(11,961)	(1,333)	-11.1 %
Total Adjusted EBITDA ⁽¹⁾	\$ 43,741	\$ 38,542	\$ 5,199	13.5 %

⁽¹⁾ Refer to "[Key Performance Indicators and Non-GAAP Measures](#)" above for a reconciliation of Adjusted EBITDA to net income.

U.S. segment Adjusted EBITDA increased \$1.8 million, or 8.8%, with margin expansion of 30 basis points to 8.6% in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022, driven primarily by productivity benefits from Hub and

Spoke expansion. We also effectively offset commodity inflation and labor pressures by implementing pricing increases, including during the third quarter of fiscal 2023. The increase in Adjusted EBITDA was partially offset by higher product costs at Insomnia Cookies. Insomnia Cookies is expected to have higher product costs in the near term, and as we continue to review our product costs and related processes, additional actions may be necessary.

International segment Adjusted EBITDA increased \$3.2 million, or 17.3%, with margin expansion of 30 basis points to 20.2% in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022, primarily driven by declines in product and distribution costs due to softening materials inflation coupled with effective price increases. We continue to see positive results from our actions taken in the International segment, which include adding Krispy Kreme to consumer loyalty card programs, deploying cost control initiatives, and introducing strategic shifts in product mix.

Market Development segment Adjusted EBITDA increased \$1.6 million, or 13.3%, with margin expansion of 220 basis points to 32.6% in the third quarter of fiscal 2023 compared to the third quarter of fiscal 2022, driven mainly by strong margin improvement in our Company-owned Japan and Canada businesses from Hub and Spoke efficiencies combined with fewer lower-margin equipment sales to franchisees.

Corporate expenses within Adjusted EBITDA increased \$1.3 million, or 11.1%, from the third quarter of fiscal 2022 to the third quarter of fiscal 2023 primarily due to strategic investments in global leadership and global transformation programs.

Three Quarters ended October 1, 2023 compared to the Three Quarters ended October 2, 2022

The following table presents our unaudited condensed consolidated results of operations for the three quarters ended October 1, 2023 and the three quarters ended October 2, 2022:

<i>(in thousands, except percentages)</i>	Three Quarters Ended					
	October 1, 2023		October 2, 2022		Change	
	Amount	% of Revenue	Amount	% of Revenue	\$	%
Net revenues						
Product sales	\$ 1,209,767	97.9 %	\$ 1,102,045	97.9 %	\$ 107,722	9.8 %
Royalties and other revenues	25,432	2.1 %	23,254	2.1 %	2,178	9.4 %
Total net revenues	1,235,199	100.0 %	1,125,299	100.0 %	109,900	9.8 %
Product and distribution costs	330,292	26.7 %	299,539	26.6 %	30,753	10.3 %
Operating expenses	575,953	46.6 %	520,260	46.2 %	55,693	10.7 %
Selling, general and administrative expense	192,355	15.6 %	160,266	14.2 %	32,089	20.0 %
Marketing expenses	32,101	2.6 %	32,369	2.9 %	(268)	-0.8 %
Pre-opening costs	2,927	0.2 %	3,514	0.3 %	(587)	-16.7 %
Other (income)/expenses, net	(6,051)	-0.5 %	1,800	0.2 %	(7,851)	-436.2 %
Depreciation and amortization expense	89,142	7.2 %	83,782	7.4 %	5,360	6.4 %
Operating income	18,480	1.5 %	23,769	2.1 %	(5,289)	-22.3 %
Interest expense, net	36,858	3.0 %	23,808	2.1 %	13,050	54.8 %
Other non-operating expense, net	3,031	0.2 %	2,083	0.2 %	948	45.5 %
Loss before income taxes	(21,409)	-1.7 %	(2,122)	-0.2 %	(19,287)	-908.9 %
Income tax expense	17,121	1.4 %	5,668	0.5 %	11,453	202.1 %
Net loss	(38,530)	-3.1 %	(7,790)	-0.7 %	(30,740)	-394.6 %
Net income attributable to noncontrolling interest	2,005	0.2 %	5,113	0.5 %	(3,108)	-60.8 %
Net loss attributable to Krispy Kreme, Inc.	\$ (40,535)	-3.3 %	\$ (12,903)	-1.1 %	\$ (27,632)	-214.2 %

Royalties and other revenues: Royalties and other revenues increased \$2.2 million, or 9.4%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, led by performance of the international franchise business in spite of continued foreign exchange headwinds.

The following table presents a further breakdown of total net revenue and organic revenue growth by segment for the three quarters ended October 1, 2023 compared to the three quarters ended October 2, 2022:

<i>(in thousands, except percentages)</i>	U.S.	International	Market Development	Total Company
Total net revenues in first three quarters of fiscal 2023	\$ 808,938	\$ 294,750	\$ 131,511	\$ 1,235,199
Total net revenues in first three quarters of fiscal 2022	739,414	272,988	112,897	1,125,299
Total Net Revenues Growth	69,524	21,762	18,614	109,900
Total Net Revenues Growth %	9.4 %	8.0 %	16.5 %	9.8 %
Less: Impact of shop optimization closures	(9,613)	—	—	(9,613)
Less: Impact of Branded Sweet Treats exit	(15,736)	—	—	(15,736)
Adjusted net revenues in first three quarters of fiscal 2022	714,065	272,988	112,897	1,099,950
Adjusted net revenue growth	94,873	21,762	18,614	135,249
Impact of acquisitions	(7,678)	—	2,227	(5,451)
Impact of foreign currency translation	—	(4,593)	4,475	(118)
Organic Revenue Growth	\$ 87,195	\$ 17,169	\$ 25,316	\$ 129,680
Organic Revenue Growth %	12.2 %	6.3 %	22.4 %	11.8 %

Total net revenue growth of \$109.9 million, or approximately 9.8%, and organic revenue growth of \$129.7 million, or approximately 11.8%, was driven by the continued and successful execution of our growth strategy deploying our omni-channel approach globally. We have continued to increase availability through new Global Points of Access, including capital-light DFD Doors, and via Ecommerce and delivery. Additionally, we have continued to take pricing actions to offset cost inflation, including in the first three quarters of fiscal 2023.

U.S. segment net revenue grew \$69.5 million, or approximately 9.4%, and organic revenue increased \$87.2 million, or approximately 12.2%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023. Growth was driven by additional Points of Access compared to the first three quarters of fiscal 2022, higher Ecommerce and delivery revenues, growth in DFD APD, as well as strong performance in Insomnia Cookies. Our organic growth has also been supplemented by effective pricing increases, leading to an increase in the average transaction size, but offset some by transaction softness in our retail business.

Our International segment net revenue grew \$21.8 million, or approximately 8.0%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, aided by foreign currency translation impacts of \$4.6 million from a weakening U.S. dollar. International organic revenue grew \$17.2 million, or approximately 6.3%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, driven by additional Points of Access compared to the first three quarters of fiscal 2022 and effective pricing increases, leading to an increase in the average transaction size, but offset some by transaction declines.

Our Market Development segment net revenue increased \$18.6 million, or approximately 16.5%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, in spite of the impacts from certain foreign currencies devaluing against the U.S. dollar. When adjusted for the impacts of acquisitions and foreign currency, Market Development organic revenue grew \$25.3 million, or approximately 22.4%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, driven by strong performance in our international franchise markets, Canada, and Japan, including benefits from DFD expansion.

Product and distribution costs (exclusive of depreciation and amortization): Product and distribution costs increased \$30.8 million, or 10.3%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, largely attributable to the same factors as our revenue growth. Product and distribution costs as a percentage of revenue increased by approximately 10 basis points from 26.6% in the first three quarters of fiscal 2022 to 26.7% in the first three quarters of fiscal 2023. This increase was primarily driven by \$10.4 million inventory write-offs and employee severance expenses associated with the exit of the Branded Sweet Treats business, higher product costs at Insomnia Cookies, and inflationary pressures on commodities and logistics costs in the first three quarters of fiscal 2023.

Operating expenses: Operating expenses increased \$55.7 million, or 10.7%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, driven mainly by labor cost inflation and investments to support growth. Operating expenses as a percentage of revenue increased approximately 40 basis points, from 46.2% in the first three quarters of fiscal 2022 to 46.6% in the first three quarters of fiscal 2023, primarily due to the labor cost inflation, particularly internationally.

Selling, general and administrative expense: SG&A expense increased \$32.1 million, or 20.0%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023. As a percentage of revenue, SG&A expense increased approximately 140 basis points, from 14.2% in the first three quarters of fiscal 2022 to 15.6% in the first three quarters of fiscal 2023, primarily driven by increases in performance-based compensation accruals, investment in global transformation programs, and higher share-based compensation expenses in the first three quarters of fiscal 2023.

Marketing expenses: Marketing expenses decreased \$0.3 million, or 0.8%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, primarily driven by the timing of promotional activity.

Other (income)/expenses, net: Other income, net of \$6.1 million in the first three quarters of fiscal 2023 was primarily driven by a gain on a sale-leaseback transaction of \$9.6 million, partially offset by property, plant and equipment impairments associated with the exit of the Branded Sweet Treats business. Other expenses, net of \$1.8 million in the first three quarters of fiscal 2022 was primarily driven by impairment and lease termination costs, partially offset by gains from sale-leaseback transactions. Refer to [Note 5](#), Leases to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for further information.

Depreciation and amortization expense: Depreciation and amortization expense increased \$5.4 million, or 6.4%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023. As a percentage of revenue, depreciation and amortization expense increased approximately 20 basis points, from 7.4% in the first three quarters of fiscal 2022 to 7.2% in the first three quarters of fiscal 2023, primarily driven by the impact of asset write-offs related to the U.S. shop optimization closures in fiscal 2022.

Interest expense, net: Interest expense, net increased \$13.1 million, or 54.8%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023. The increase was primarily driven by increases in the benchmark interest rates associated with the unhedged portion of our variable rate long-term debt, as well as an increase in the unhedged principal amount compared to last year. The increase also includes \$0.5 million expenses related to our debt refinancing discussed in [Note 9](#), Long-Term Debt to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

Income tax expense: Income tax expense was \$17.1 million in the first three quarters of fiscal 2023, while income tax expense was \$5.7 million in the first three quarters of fiscal 2022. The fluctuation of \$11.5 million from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023 was primarily driven by changes in the projected mix of income between the U.S. and foreign jurisdictions and higher than anticipated professional fees and transaction costs in 2023. The fluctuation was also impacted by the recognition of previously unrecognized tax benefits and a discrete tax benefit unrelated to ongoing operations during the first three quarters of fiscal 2023.

Net income attributable to noncontrolling interest: Net income attributable to noncontrolling interest decreased \$3.1 million or 60.8%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023, driven by less earnings allocated to certain consolidated subsidiaries including Insomnia Cookies and Awesome Doughnut.

Results of Operations by Segment – Three Quarters ended October 1, 2023 compared to the Three Quarters ended October 2, 2022

The following table presents Adjusted EBITDA by segment for the periods indicated:

<i>(in thousands, except percentages)</i>	Three Quarters Ended		Change	
	October 1, 2023	October 2, 2022	\$	%
Adjusted EBITDA				
U.S.	\$ 88,878	\$ 77,014	\$ 11,864	15.4 %
International	54,436	55,033	(597)	-1.1 %
Market Development	46,071	36,642	9,429	25.7 %
Corporate	(41,902)	(33,879)	(8,023)	-23.7 %
Total Adjusted EBITDA ⁽¹⁾	\$ 147,483	\$ 134,810	\$ 12,673	9.4 %

⁽¹⁾ Refer to "[Key Performance Indicators and Non-GAAP Measures](#)" above for a reconciliation of Adjusted EBITDA to net income.

U.S. segment Adjusted EBITDA increased \$11.9 million, or 15.4%, with margin expansion of 60 basis points to 11.0% in the first three quarters of fiscal 2023 compared to the first three quarters of fiscal 2022, driven primarily by the efficiencies from Hub and Spoke expansion and improvements from the Krispy Kreme U.S. portfolio optimization of our Hubs without Spokes. We also effectively offset commodity inflation and labor pressures by implementing pricing increases, including during the first three quarters of fiscal 2023. The increase in Adjusted EBITDA was partially offset by higher product costs at Insomnia Cookies. Insomnia Cookies is expected to have higher product costs in the near term, and as we continue to review our product costs and related processes, additional actions may be necessary.

International segment Adjusted EBITDA decreased \$0.6 million, or 1.1%, with margin decline of 170 basis points to 18.5% in the first three quarters of fiscal 2023 compared to the first three quarters of fiscal 2022, primarily driven by cost inflation and lower transaction volume than last year.

Market Development segment Adjusted EBITDA increased \$9.4 million, or 25.7%, with margin expansion of 250 basis points to 35.0% in the first three quarters of fiscal 2023 compared to the first three quarters of fiscal 2022, driven mainly by strong margin improvement in our Company-owned Japan and Canada businesses from Hub and Spoke efficiencies. Strength in international franchise revenues also more than offset inflation and the strong U.S. dollar.

Corporate expenses within Adjusted EBITDA increased \$8.0 million, or 23.7%, from the first three quarters of fiscal 2022 to the first three quarters of fiscal 2023 primarily due to strategic investments in global leadership and global transformation programs, as well as a lower employee compensation accrual in the first three quarters of fiscal 2022.

Capital Resources and Liquidity

Our principal sources of liquidity to date have included cash from operating activities, cash on hand, amounts available under our credit facility, and commercial trade financing including our SCF programs and structured payables programs. Our primary use of liquidity is to fund the cash requirements of our business operations, including working capital needs, capital expenditures, acquisitions, and other commitments.

Our future obligations primarily consist of our debt and lease obligations, as well as commitments under ingredient and other forward purchase contracts. As of January 1, 2023, we had the following future obligations:

- An aggregate principal amount of \$748.8 million outstanding under the 2019 Facility;
- Non-cancellable future minimum operating lease payments totaling \$680.8 million;
- Non-cancellable future minimum finance lease payments totaling \$47.1 million; and
- Purchase commitments under ingredient and other forward purchase contracts of \$118.5 million.

As of October 1, 2023, our outstanding principal amount under our 2023 Facility was \$834.3 million. The increase from the 2019 Facility balance as of January 1, 2023 included impacts from the debt refinancing completed during the first quarter of fiscal 2023, as well as draws to fund payments on our commercial trade financing obligations. Refer to [Note 9](#), Long-Term Debt to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for further information.

We had cash and cash equivalents of \$25.7 million and \$35.4 million as of October 1, 2023 and January 1, 2023, respectively. We believe that our existing cash and cash equivalents and debt facilities will be sufficient to fund our operating and capital needs for at least the next twelve months. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary because of, and our future capital requirements will depend on, many factors, including our growth rate, the timing and extent of spending on business acquisitions, the growth of our presence in new markets, and the expansion of our omni-channel model in existing markets. We may enter into arrangements in the future to acquire or invest in complementary businesses, services, and technologies. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, results of operations, and financial condition would be adversely affected.

Cash Flows

We generate significant cash from operations and have substantial credit availability and capacity to fund operating and discretionary spending such as capital expenditures and debt repayments. Our requirement for working capital is not significant because our consumers pay us in cash or on debit or credit cards at the time of the sale and we are able to sell many of our inventory items before payment is due to the vendor of such items. The following table and discussion present, for the periods indicated, a summary of our key cash flows from operating, investing, and financing activities:

<i>(in thousands)</i>	Three Quarters Ended	
	October 1, 2023	October 2, 2022
Net cash provided by operating activities	\$ 44,032	\$ 70,730
Net cash used for investing activities	(78,358)	(87,701)
Net cash provided by financing activities	27,533	14,245

Cash Flows Provided by Operating Activities

Cash provided by operations totaled \$44.0 million for the first three quarters of fiscal 2023, a decrease of \$26.7 million compared with the amount for the first three quarters of fiscal 2022. Cash provided by operations decreased primarily due to operating results producing a larger net loss in the first three quarters of 2023 compared to the first three quarters of 2022, partially offset by our receipt of \$7.7 million cash proceeds from the settlement of interest rate swap derivative contracts discussed in [Note 7](#), Derivative Instruments to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

We have undertaken broad efforts to improve our working capital position and cash generation, in part by negotiating longer payment terms with vendors. We have an agreement with a third-party administrator which allows participating vendors to track our payments, and, if voluntarily elected by the vendor, to sell payment obligations from us to financial institutions (the SCF programs discussed in [Note 8](#), Vendor Finance Programs to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q). In an effort to normalize payment terms, we have reduced outstanding balances under the SCF programs during the first three quarters of fiscal 2023, contributing to the decrease in cash provided by operations noted above.

Cash Flows Used for Investing Activities

Cash used for investing activities totaled \$78.4 million for the first three quarters of fiscal 2023, a decrease of \$9.3 million compared with the first three quarters of fiscal 2022. The decrease is primarily due to \$17.3 million cash used for acquisitions of franchised shops in the first three quarters of fiscal 2022, in addition to a net \$4.3 million increase in proceeds from sale-leaseback transactions in the first three quarters of fiscal 2023 discussed in [Note 5](#), Leases to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q. These were partially offset by an increase in cash spent on property and equipment purchases in the first three quarters of fiscal 2023.

Cash Flows Provided by Financing Activities

Cash provided by financing activities totaled \$27.5 million for the first three quarters of fiscal 2023, an increase of \$13.3 million compared with the first three quarters of fiscal 2022. The increase was primarily due to draws on our 2023 Facility used in part to fund payments to reduce our vendor finance program obligations including the SCF programs and structured payables.

Payments on our structured payables resulted in a net \$22.2 million change in cash flows (net payments on structured payables of \$14.5 million in the first three quarters of fiscal 2023 compared to net proceeds from structured payables of \$7.7 million in the first three quarters of fiscal 2022). Refer to [Note 8](#), Vendor Finance Programs to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for further information.

Debt

Our long-term debt obligations consist of the following:

(in thousands)	October 1, 2023	January 1, 2023
2023 Facility — term loan	\$ 691,250	\$ —
2023 Facility — revolving credit facility	143,000	—
Short-term lines of credit	1,500	—
2019 Facility — term loan	—	586,250
2019 Facility — revolving credit facility	—	162,500
Less: Debt issuance costs	(4,634)	(2,247)
Finance lease obligations	39,805	32,583
Total long-term debt	870,921	779,086
Less: Current portion of long-term debt	(43,492)	(40,034)
Long-term debt, less current portion	\$ 827,429	\$ 739,052

2023 Secured Credit Facility

In March 2023, we refinanced our existing credit agreement (the 2019 Facility) and entered into the 2023 Facility consisting of a \$300.0 million senior secured revolving credit facility and a term loan with a principal amount of \$700.0 million. The loans and commitments under the 2019 Facility were due to mature in June 2024, and the loans and commitments under the 2023 Facility will mature in March 2028. Refer to [Note 9, Long-Term Debt to the Condensed Consolidated Financial Statements](#) included in Item 1 of Part I of this Quarterly Report on Form 10-Q for further information.

Under the terms of the 2023 Facility, we are subject to a requirement to maintain a leverage ratio of less than 5.00 to 1.00 as of the end of each quarterly Test Period (as defined in the 2023 Facility) through maturity in March 2028. The leverage ratio under the 2023 Facility is defined as the ratio of (a) Total Indebtedness (as defined in the 2023 Facility, which includes all debt and finance lease obligations) minus unrestricted cash and cash equivalents to (b) a defined calculation of Adjusted EBITDA (2023 Facility Adjusted EBITDA) for the most recently ended Test Period. Our leverage ratio was 3.81 to 1.00 as of the end of the third quarter of fiscal 2023 compared to 3.41 to 1.00 as of the end of fiscal 2022, primarily due to the increase in long-term debt.

We were in compliance with the financial covenants related to the 2023 Facility as of October 1, 2023 and expect to remain in compliance over the next 12 months. If we are unable to meet the 2023 Facility financial or other covenants in future periods, it may negatively impact our liquidity by limiting our ability to draw on the revolving credit facility, could result in the lenders accelerating the maturity of such indebtedness and foreclosing upon the collateral pledged thereunder, and could require the replacement of the 2023 Facility with new sources of financing, which there is no guaranty we could secure.

Short-Term Lines of Credit

In September 2023, the Company approved two new agreements with existing lenders providing for short-term, uncommitted lines of credit up to \$25.0 million. Borrowings under these short-term lines of credit will be payable to the lenders on a revolving basis for tenors up to a maximum of three months and are subject to an interest rate of adjusted term SOFR plus a credit spread adjustment of 0.10% plus a margin of 1.75%. As of October 1, 2023, the Company had drawn \$1.5 million under one of the agreements which is classified within Current portion of long-term debt on the Condensed Consolidated Balance Sheets.

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q have been prepared in conformity with GAAP. The preparation of the Condensed Consolidated Financial Statements requires the use of judgments, estimates, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses as well as related disclosures. We consider an accounting judgment, estimate, or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates, and assumptions could have a material impact on our Condensed Consolidated Financial Statements. Actual results could differ from the estimates made by management.

There have been no material changes to our critical accounting policies and estimates as compared to those described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in our Annual Report on Form 10-K for the year ended January 1, 2023.

New Accounting Pronouncements

Refer to [Note 1](#), Description of Business and Summary of Significant Accounting Policies to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q, for a detailed description of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Effects of Changing Prices – Inflation

We are exposed to the effects of commodity price fluctuations in the cost of ingredients of our products, of which flour, sugar, and shortening are the most significant. During the first three quarters of fiscal 2023, we have continued to experience headwinds from commodity inflation globally. We have undertaken efforts to effectively manage inflationary cost increases through rapid inventory turnover and reduced inventory waste, increased focus on resiliency of our supply chains, and an ability to adjust pricing of our products. Additionally, from time to time we may enter into forward contract for supply through our vendors for raw materials which are ingredients of our products or which are components of such ingredients, including wheat and soybean oil.

We are also exposed to the effects of commodity price fluctuations in the cost of gasoline used by our delivery vehicles. To mitigate the risk of fluctuations in the price of our gasoline purchases, we may directly purchase commodity futures contracts.

Interest Rate Risk

We are exposed to changes in interest rates on any borrowings under our debt facilities, which bear interest based on the one-month SOFR (with a floor of zero). Generally, interest rate changes could impact the amount of our interest paid and, therefore, our future earnings and cash flows, assuming other factors are held constant. To mitigate the impact of changes in SOFR on interest expense for a portion of our variable rate debt, we have entered into interest rate swaps on \$505.0 million notional of our \$834.3 million of outstanding debt under the 2023 Facility as of October 1, 2023, which we account for as cash flow hedges. Based on the \$329.3 million of unhedged outstanding as of October 1, 2023, a 100 basis point increase in the one-month SOFR would result in a \$3.3 million increase in interest expense for a 12-month period, while a 100 basis point decrease would result in a \$3.3 million decrease in interest expense for a 12-month period based on the daily average of the one-month SOFR through the fiscal quarter ended October 1, 2023.

Foreign Currency Risk

We are exposed to foreign currency translation risk on the operations of our subsidiaries that have functional currencies other than the U.S. dollar, whose revenues accounted for approximately 29% of our total net revenues through the three quarters ended October 1, 2023. A substantial majority of these revenues, or approximately \$358.9 million through the three quarters ended October 1, 2023, were attributable to subsidiaries whose functional currencies are the Canadian dollar, the British pound sterling, the Euro, the Australian dollar, the New Zealand dollar, the Mexican peso, and the Japanese yen. A 10% increase or decrease in the average exchange rate of the Canadian dollar, the British pound sterling, the Euro, the Australian dollar, the New Zealand dollar, the Mexican peso, and the Japanese yen against the U.S. dollar would have resulted in a decrease or increase of approximately \$35.9 million in our total net revenues through the three quarters ended October 1, 2023.

From time to time, we engage in foreign currency exchange and credit transactions with our non-U.S. subsidiaries, which we typically hedge. To date, the impact of such transactions, including the cost of hedging, has not been material. We do not engage in foreign currency or hedging transactions for speculative purposes.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

As of October 1, 2023, we completed an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

There were no changes during the fiscal quarter ended October 1, 2023 in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of conducting our business, we have in the past and may in the future become involved in various legal actions and other claims. We may also become involved in other judicial, regulatory, and arbitration proceedings concerning matters arising in connection with the conduct of our businesses. Some of these matters may involve claims of substantial amounts. These legal proceedings may be subject to many uncertainties and there can be no assurance of the outcome of any individual proceedings. See [Note 12, Commitments and Contingencies](#), to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for information regarding certain legal proceedings in which we are involved.

Item 1A. Risk Factors

With the exception of the changes discussed below, there have been no other material changes from the risk factors disclosed in "Risk Factors" in Part 1, Item 1A of the Company's Annual Report on Form 10-K for the year ended January 1, 2023.

If we or our franchisees or licensees are unable to protect our consumer and employee data and other regulated, protected, or personally identifiable information, we or our franchisees could be exposed to data loss, litigation, regulatory fines, and other liability, and our reputation could be significantly harmed.

Our business requires the collection, transmission, and retention of large volumes of consumer and employee data, including credit and debit card numbers and other personally identifiable information, in various information technology systems that we and our franchisees maintain, and in those maintained by third parties with whom we contract to provide services. The integrity and protection of that data is critical to us. Any failure to comply with legal and industry rules and/or requirements could significantly harm our brand, reputation, business, and results of operations. We also rely on independent service providers for payment processing, including credit and debit cards. If these independent service providers become unwilling or unable to provide these services to us, or if the cost of using these providers increases, our business could be harmed.

We are, and may increasingly become, subject to other various laws, directives, industry standards, and regulations, as well as contractual obligations, relating to data privacy and security in the jurisdictions in which we operate. The information, security, and privacy requirements imposed by governmental regulation are increasingly demanding. In the U.S., various federal and state regulators have adopted, or are considering adopting, laws and regulations concerning personal information and data security and have prioritized privacy and information security violations for enforcement actions. For example, the Illinois Biometric Privacy Act ("BIPA") regulates the collection, use, safeguarding, and storage of biometric information. BIPA provides for substantial penalties and statutory damages and has generated significant class action activity. Certain state laws may be more stringent or broader in scope, or offer greater individual rights, with respect to personal information than federal, international, or other state laws, and such laws may differ from each other, all of which may complicate compliance efforts. State laws are changing rapidly and there is discussion in the U.S. Congress of a new comprehensive federal data privacy law to which we would become subject if it is enacted, which may add additional complexity, variation in requirements, restrictions, and potential legal risks, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data, and could result in increased compliance costs or changes in business practices and policies.

We are also subject to international laws, regulations, and standards in many jurisdictions, which apply broadly to the collection, use, retention, security, disclosure, transfer, and other processing of personal information. For example, we are subject to the General Data Protection Regulation ("GDPR"), which was adopted by the European Union effective May 2018, and the U.K. GDPR and U.K. Data Protection Act of 2018, which retains the GDPR in the U.K.'s national law. These laws include obligations and restrictions concerning data transparency and consent, the overall rights of individuals to whom the personal data relates, the transfer of personal data out of the European Economic Area ("EEA") or the U.K., security breach notifications, and the security and confidentiality of personal data. Our failure to adhere to or successfully implement appropriate processes to adhere to international data privacy requirements could expose us and our franchisees to financial penalties and legal liability. Our and our franchisees' systems may not be able to satisfy changing requirements or may require significant additional investments or time to do so.

Because the interpretation and application of laws, regulations, standards, and other obligations relating to data privacy and security are still uncertain, it is possible that these laws, regulations, standards, and other obligations may be interpreted and applied in a manner that is inconsistent with our data processing practices and policies. If our practices are not consistent, or are

viewed as not consistent, with interpretations, applications, or changes of laws, regulations, standards, or new interpretations or applications of existing laws, regulations, and standards, we may also become subject to fines, audits, inquiries, whistleblower complaints, adverse media coverage, investigations, lawsuits, loss of export privileges, severe criminal or civil sanctions, or other penalties. We monitor and endeavor to comply with our legal and contractual obligations to data privacy and security. Despite our efforts, we may at times fail to do so or be alleged to have failed to do so. In this respect, an employee has filed a lawsuit alleging violations of BIPA (see [Note 12](#), Commitments and Contingencies, to the Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for more information regarding this lawsuit). The publication of our privacy policies and other statements that provide promises and assurances about data privacy and security can subject us to potential government or legal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices. Any concerns about our data privacy and security practices, even if unfounded, could damage the reputation of our businesses and discourage potential users from our products and services. Any of the foregoing could have an adverse effect on our business, financial condition, results of operations, and prospects.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

During the quarter ended October 1, 2023, no director nor Section 16 officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or any "non-Rule 10b5-1 arrangements" (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibit No.	Description of Exhibit
10.1*	Key Employment Agreement between Krispy Kreme Doughnut Corporation and Josh Charlesworth, dated October 12, 2023.
31.1*	Certification of Chief Executive Officer of Krispy Kreme, Inc. pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Exchange Act.
31.2*	Certification of Chief Financial Officer of Krispy Kreme, Inc. pursuant to Rule 13a-14(a) or 15d-14(a) promulgated under the Exchange Act.
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer of Krispy Kreme, Inc. pursuant to Rule 13a-14(b) or 15d-14(b) promulgated under the Exchange Act, and Section 1350 of Chapter 63 of Title 18 of the United States Code.
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended October 1, 2023, formatted in Inline XBRL: (i) Condensed Consolidated Statements of Operations, (ii) Condensed Consolidated Statements of Comprehensive Income/(Loss), (iii) Condensed Consolidated Balance Sheets, (iv) Condensed Consolidated Statements of Changes in Shareholders' Equity, (v) Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Charlotte, North Carolina on November 13, 2023.

Krispy Kreme, Inc.

By: /s/ Jeremiah Ashukian
Name: Jeremiah Ashukian
Title: Chief Financial Officer

KRISPY KREME, INC.

KEY EMPLOYEE AGREEMENT

This Key Employee Agreement (this “Agreement”) is effective October 12, 2023 (the “Effective Date”), by and between JOSHUA CHARLESWORTH (“Executive”), KRISPY KREME, INC., a Delaware corporation (the “Company”), and KRISPY KREME DOUGHNUT CORPORATION, a North Carolina corporation (“KKDC”) (collectively, the “Parties”).

WHEREAS, Executive currently serves as the Global President and Chief Operating Officer of the Company and of KKDC, pursuant to that certain Employment Agreement between Executive and KKDC, dated as of February 8, 2017 (the “Prior Agreement”);

WHEREAS, effective as of January 1, 2024, Executive will be appointed to serve as the President and Chief Executive Officer of the Company and of KKDC, and will cease serving as the Company’s Global President and Chief Operating Officer;

WHEREAS, the Company and KKDC desire to continue to retain the services and employment of Executive on behalf of the Company and its Affiliates (as defined herein), and Executive desires to continue his services and employment with the Company, upon the terms and conditions hereinafter set forth; and

WHEREAS, Executive and KKDC mutually desire to provide for the continued services and employment of Executive by the Company on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. EMPLOYMENT BY THE COMPANY.

1.1 Employment Term. On the terms and subject to the conditions set forth herein, the Company hereby agrees to continue to employ Executive, and Executive hereby agrees to continue such employment, for the period commencing on January 1, 2024 (the “Transition Date”) and continuing until such employment terminates in accordance with the provisions of Section 5 hereof (such period, the “Employment Term”).

1.2 Titles and Responsibilities. Effective as of the Transition Date, Executive shall cease serving as the Global President and Chief Operating Officer of the Company and of KKDC. Subject to the terms set forth herein, during the Employment Term, Executive shall be employed as the President and Chief Executive Officer of the Company and of KKDC. During the Employment Term, Executive will devote his best efforts and substantially all of his business time and attention (except for vacation periods as set forth herein and reasonable periods of illness or other incapacity permitted by the Company’s general employment policies) to the business of the Company and its Affiliates, as applicable. During the Employment Term, to the extent requested by the Company’s Board of Directors (the “Board”) and as set forth in the Company’s By-Laws (and, if necessary, approved by the relevant stockholders), Executive shall also serve as an officer

of any of the direct or indirect subsidiaries of the Company, in each case without additional compensation.

1.3 **Location.** Subject to the Company's business travel and remote work policies, as in effect from time to time, the principal location of Executive's employment hereunder will be at the Company's headquarters in Charlotte, North Carolina. Executive understands and agrees that given the nature of his duties, Executive will be required to travel frequently for business reasons or as otherwise required by the Board.

1.4 **Executive Positions.** During the Employment Term, Executive will serve in an executive capacity, will be the senior most officer of the Company and will have the customary powers, responsibilities and authorities of chief executive officers of companies of the same or similar size, type and nature, and shall perform such duties as are customarily associated with his positions, consistent with the governing documents of the Company as now constituted and as such documents may be amended from time to time, and as reasonably required by the Board. At, or any time after, the time of Executive's termination of employment with the Company for any reason, Executive shall automatically be deemed to resign from each position Executive holds with the Company and its Affiliates, unless otherwise requested by the Company.

1.5 **Company Policies.** During the Employment Term, the employment relationship between Executive and the Company shall also be governed by the general policies and practices of the Company, which shall be applicable to Executive (including, but not limited to, any compensation recoupment policy, and policies and practices relating to protection of confidential information and assignment of inventions), except that when the terms of this Agreement differ from or are in conflict with the Company's general employment policies or practices, this Agreement shall control, provided that any such differences comply with applicable laws, rules and regulations and written policies of the Company. Executive shall at all times strictly adhere to the highest professional and ethical standards in the performance of his duties in his new positions. Without in any way limiting the generality of the immediately preceding sentence, Executive shall at all times comply with the Company's Code of Conduct.

1.6 **Continued Services.** From the Effective Date through December 31, 2023 (the "Transition Period"), Executive shall continue to perform services diligently and in good faith in accordance with the Prior Agreement. During the Transition Period, Executive shall continue to receive his base salary, be eligible to participate in an annual bonus plan, and be provided with employee benefits, in each case, in accordance with the Prior Agreement (as modified by Section 2.4 hereof).

1.7 Notwithstanding any provision of this Agreement to the contrary, if Executive's employment with the Company and KKDC terminates before the Transition Date under any circumstances, this Agreement shall thereupon automatically be null and void and without effect, and neither Executive nor the Company shall have any rights or obligations hereunder (other than as set forth in Section 2.4 hereof).

2. COMPENSATION.

2.1 **Salary.** For services to be rendered hereunder, during the Employment Term, Executive shall receive an annual base salary of not less than \$1,000,000, subject to applicable withholdings and required deductions, payable in accordance with the Company's normal payroll practices. From time to time, Executive will be considered for increases in Base Salary (as defined herein), as determined in the sole discretion of the Remuneration and Nomination Committee of the Board (the "Remuneration Committee"). For all purposes under this Agreement, references to "Base Salary" mean Executive's base salary in effect at the applicable time.

2.2 **Annual Cash Bonus.** During the Employment Term, Executive shall be eligible to participate in an annual bonus plan at a target bonus level of 100% of Base Salary with the opportunity to receive a maximum annual bonus of 200% of Base Salary in accordance with the terms and conditions of the annual bonus plan established by the Board from time to time, with such annual bonus plan and bonus payments thereunder to be based on the achievement of certain specified performance criteria for the applicable year, it being understood that (i) the annual performance criteria will be determined by the Board or the Remuneration Committee, and announced to Executive promptly thereafter, (ii) the actual annual bonus amount will be determined by the Board based upon performance against such criteria, and (iii) the amount of the annual bonus, if any, will not be guaranteed and may be determined to be an amount that is less than or greater than the target bonus level depending on the level of achievement of performance for the applicable year (the "Annual Bonus"). The Annual Bonus shall be paid to Executive in a lump sum no later than March 15th of the calendar year following the year in which the Annual Bonus was earned, subject to Executive's continued employment with the Company through the last day of the calendar year with respect to which such Annual Bonus was earned, except as otherwise provided herein.

2.3 Equity Compensation — Annual Long-Term Incentives.

2.3.1 For each calendar year during the Employment Term, at or about the time that the Company makes annual grants generally to its senior officers, the Company shall award Executive under the Company's 2021 Omnibus Incentive Plan or a successor plan (the "LTI Plan") that number of Restricted Stock Units (as defined in the LTI Plan) determined by dividing (i) \$1,000,000 by (ii) the Fair Market Value (as defined in the LTI Plan) of a Share (as defined in the LTI Plan) on the grant date, rounded to the nearest whole number of Restricted Stock Units (each such grant is herein referred to as an "Annual Award"). The terms and conditions applicable to each such Annual Award shall be determined by the Committee (as defined in the LTI Plan).

2.3.2 Notwithstanding the foregoing, with respect to the Annual Award granted in 2024 pursuant to Section 2.3.1 (the "2024 Annual Award"), fifty percent (50%) of the Restricted Stock Units granted under the 2024 Annual Award shall be subject to service-based vesting conditions (the "Service Based RSUs") and fifty percent (50%) of the Restricted Stock Units granted under the 2024 Annual Award shall be subject to performance vesting conditions (the "PSUs"). The Service Based RSUs shall vest (A) 60% on the third (3rd) anniversary of the grant date, (B) 20% on the fourth (4th) anniversary of the grant date and (C) 20% on the fifth (5th) anniversary of the grant date, subject, in each case, to Executive's continued employment with the Company through the applicable vesting date and the other terms and conditions of the LTI Plan

and the applicable award agreement. The PSUs shall vest on the last day of the Company's 2026 fiscal year, subject to the achievement of applicable performance goals established by the Committee (as defined in the LTI Plan), Executive's continued employment with the Company through the applicable vesting date and the other terms and conditions of the LTI Plan and the applicable award agreement.

2.3.3 For clarity, any equity awards granted Executive prior to the Effective Date under the LTI Plan, the Krispy Kreme Holdings, Inc. Long-Term Incentive Plan, the Krispy Kreme Holdings, Inc. Executive Ownership Plan, the Insomnia Cookies Holdings, LLC Executive Ownership Plan, or the Insomnia Cookies Holdings, LLC Long-Term Incentive Plan (collectively, the "Equity Plans") or the Prior Agreement shall continue in accordance with their existing terms and shall not be modified as a result of entering into this Agreement or the change in Executive's titles or scope of responsibilities.

2.4 Matching Award; Insomnia Matching REU Award.

2.4.1 Matching Award. In recognition of (i) Executive's previous acquisition of 447,667 Shares and (ii) Executive's receipt of 44,475 Shares in settlement of certain Restricted Stock Units held by Executive that are scheduled to vest on October 1, 2023, on November 1, 2023 the Company shall award Executive 492,142 Restricted Stock Units under the LTI Plan (the "Matching Award"). Except as otherwise provided in the LTI Plan, the Matching Award granted pursuant to this Section 2.4 shall vest on the fifth (5th) anniversary of the grant date of the Matching Award, subject to Executive's continued employment with the Company through such vesting date and the other terms and conditions of the LTI Plan and the applicable award agreement.

2.4.2 Insomnia Matching REU Award. As soon as practicable following the Effective Date, Executive shall be granted an award under the Insomnia Cookies Holdings, LLC Executive Ownership Plan (the "Insomnia Equity Plan") of 3,925 Restricted Equity Units (as defined in the Insomnia Equity Plan) (the "Insomnia Matching REU Award"), subject to the prior approval of the Committee (as defined in the Insomnia Equity Plan). Subject to the terms of the Insomnia Equity Plan and the agreement(s) or other instrument(s) or document(s) evidencing the Insomnia Matching REU Award, the Insomnia Matching REU Award will vest as follows: 60% of the Insomnia Matching REU Award will vest on the third (3rd) anniversary of the date the Insomnia Matching REU Award is granted, 20% of the Insomnia Matching REU Award will vest on the fourth (4th) anniversary of such grant date, and 20% of the Insomnia Matching REU Award will vest on the fifth (5th) anniversary of such grant date, subject to Executive's continued employment with the Company through the applicable vesting date; provided, that in the event that, prior to the applicable vesting date, Insomnia Cookies Holdings, LLC ("Insomnia") undergoes a Change of Control (as defined in the Insomnia Equity Plan) or the Class A Units (as defined in the Insomnia Equity Plan) become Publicly Traded (as defined in the Insomnia Equity Plan), then as of the consummation date of such Change in Control or Underwritten Offering (as defined in the Insomnia Equity Plan), 100% of the Insomnia Matching REU Award shall accelerate and become fully vested.

2.5 Other Benefits. During the Employment Term, Executive (and, to the extent dependent coverage is afforded under the terms of such plans, his eligible dependents) shall be

entitled to all rights and benefits for which he is eligible under the terms and conditions of the standard Company benefits and compensation practices which may be in effect from time to time and provided by the Company to its executives generally and **will** receive credit under the Company's employee benefit plans for Executive's years of service under the Prior Agreement. Executive shall be entitled to paid vacation in accordance with the Company's policy in effect from time to time with respect thereto.

2.6 Indemnification and Insurance. During the Transition Period and the Employment Term, Executive shall be entitled to coverage under such directors and officers liability insurance policies maintained from time to time by the Company for the benefit of its directors and officers. The Company shall defend, indemnify and hold Executive harmless, to the fullest extent permitted by law, from and against all costs, charges and expenses (including reasonable attorneys' fees), and shall, to the fullest extent permitted by law, provide for the advancement of expenses incurred or sustained in connection with any action, suit or proceeding to which Executive or his legal representative may be made a party by reason of Executive's being or having been a director, officer, or employee of the Company or any of its Affiliates. The provisions of this Section 2.6 shall not be deemed exclusive of any other rights to which Executive seeking indemnification may have under any by-law, agreement, vote of stockholders or directors, or otherwise. To the extent any the Company enters into indemnification agreements with any of its directors or officers, then the Company shall offer to enter into a similar agreement with Executive.

3. CONFIDENTIAL INFORMATION, RIGHTS AND DUTIES.

3.1 Confidential Information. Executive specifically agrees that he shall not at any time, either prior to, during or subsequent to the Employment Term, in any fashion, form or manner, either directly or indirectly, unless expressly consented to in writing by the Company, use, divulge, disclose or communicate to any Person any confidential information of any kind, nature or description concerning any matters affecting or relating to the business of the Company or any of its Affiliates, including, but not limited to, the Company's and its Affiliates' sales and marketing methods, programs and related data, or other written records used in the Company's and its Affiliates' businesses; the Company's and its Affiliates' computer processes, programs and codes; the names, addresses, buying habits or practices of any of their respective clients or customers; compensation paid to other employees and independent contractors and other terms of these employment or contractual relationships; or any other confidential information of, about or concerning the business of the Company or any of its Affiliates, their manner of operations, or other data of any kind, nature or description. The Parties to this Agreement hereby stipulate that, as between them, the above information and items are important, material and confidential trade secrets that affect the successful conduct of the Company's and its Affiliates' businesses and each of their good will, and that any breach of any term of this section is a material breach of this Agreement.

3.2 Permitted Disclosures.

3.2.1 Notwithstanding the foregoing, nothing in this Agreement or any other agreement Executive may have with the Company or any of its Affiliates **will** prohibit or restrict Executive from (i) voluntarily communicating with an attorney retained by Executive; (ii)

voluntarily communicating with any law enforcement, government agency, including the Securities and Exchange Commission (“SEC”), the U.S. Department of Justice, the U.S. Consumer Financial Protection Bureau, the U.S. Commodity Futures Trading Commission, the Equal Employment Opportunity Commission, the North Carolina Human Relations Commission (or any other state or local commission on human rights), or any self-regulatory organization regarding possible violations of law, or otherwise initiating, testifying, assisting, complying with a subpoena from, or participating in any manner with an investigation conducted by such government agency, in each case, without advance notice to the Company; (iii) recovering a SEC whistleblower award as provided under Section 21F of the Securities Exchange Act of 1934; (iv) disclosing any information (including confidential information) to a court or other administrative or legislative body in response to a subpoena, court order or written request (with advance notice to the Company prior to any such disclosure to the extent legally permitted); or (v) making any disclosure of information or documents to a court for the purpose of enforcing or interpreting this Agreement (or in the case of any other litigation between Executive and the Company or any of its Affiliates).

3.2.2 Executive is hereby advised that pursuant to the Defend Trade Secrets Act of 2016 (18 U.S.C. §1833(b)), Executive will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company where the disclosure is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to Executive’s attorney, and solely for the purpose of reporting or investigating a suspected violation of law; and (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. If Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive’s attorney and use the trade secret information in the court proceeding, if Executive (x) files any document containing the trade secret under seal; and (y) does not disclose the trade secret, except pursuant to court order. Nothing in this Agreement is intended to conflict with 18 U.S.C. §1833(b) or create liability for disclosures of trade secrets that are expressly allowed by such section. The activities and disclosures described in this Section 3.2 will be referred to collectively as the “Protected Activities.”

3.3 **Company Property.** Executive agrees that all office equipment, credit cards, entry cards, identification badges, keys, notebooks, documents, memoranda, reports, files, samples, books, correspondence, records, business plans, forecasts, financial information, specifications, agreements, lists or other written and graphic records, and the like, including tangible or intangible computer programs, records and data, affecting or relating to the business of the Company and its Affiliates, that Executive might prepare, use, construct, observe, possess or control (including copies thereof, in whole or in part), shall be and shall remain the Company’s and its Affiliates’ sole property (collectively, “Company Property”). Upon the termination of Executive’s employment for any reason or no reason, or upon the Company’s request, Executive shall return all Company Property in his possession or control.

4. OUTSIDE ACTIVITIES.

4.1 **Activities.** Except with the prior written consent of the Board, Executive will not during his employment hereunder undertake or engage in any other employment, occupation or business enterprise, other than ones in which Executive is a passive investor, subject to the limitations set forth in Section 4.2 and Section 6 of this Agreement. Notwithstanding the foregoing

and provided that the following activities do not materially interfere with Executive's duties and responsibilities as President and Chief Executive Officer, Executive may, subject to the limitations set forth in Section 6 and Executive's compliance with the Company's Code of Conduct, (i) engage in charitable and community affairs, and (ii) serve on the board of directors of other companies with the prior written consent of the Remuneration Committee.

4.2 Investments and Interests. Executive agrees not to acquire, assume or participate in, directly or indirectly, any material position, investment or interest known by him to be adverse or antagonistic to the Company and its Affiliates or their businesses or prospects, financial or otherwise.

5. TERMINATION OF EMPLOYMENT.

5.1 At-Will Employment. Executive's employment relationship with the Company is at-will. The Company shall have the right to terminate Executive's employment hereunder at any time, with or without "Cause" (as defined in Section 5.5.2 below), and with or without advance notice. Executive shall have the right to terminate Executive's employment hereunder at any time, with or without "Good Reason" (as defined in Section 5.5.4 below), upon not less than 60 days' advance written notice to the Board (which may be waived in whole or in part in writing by the Board and which waiver shall not constitute a termination without Cause). Upon termination of employment for any reason, Executive (or Executive's beneficiaries) shall be entitled to receive the Accrued Obligations (as defined in Section 5.2 below), and the vesting, payment and exercisability of Executive's equity awards (whether granted under this Agreement or prior to or pursuant to the Prior Agreement or otherwise) shall be in accordance with the terms of the applicable Equity Plan and award agreement.

5.2 Termination for Cause, Death or Disability or Voluntary Termination. If the Company terminates Executive's employment at any time for Cause, if Executive's employment is terminated due to death or Disability (as such term is defined in the LTI Plan) or if Executive voluntarily terminates his employment other than for Good Reason, Executive's Base Salary shall cease on the date of termination, and Executive will not be entitled to severance pay, pay in lieu of notice or any other such compensation or benefits, other than payment of Base Salary accrued through the date of termination, payment of any earned but unpaid Annual Bonus for the calendar year prior to the calendar year in which termination occurs (solely upon Executive's termination of employment due to death or Disability, but not upon a termination of Executive's employment for Cause), and other benefits as expressly required in such event by applicable law or the terms of applicable benefit plans (collectively, the "Accrued Obligations").

5.3 Severance Benefits. In the event that (i) the Company terminates Executive's employment without Cause or (ii) Executive terminates his employment for Good Reason, in each case, in addition to receiving the Accrued Obligations, provided that Executive timely executes and does not revoke a Release Agreement (as defined in Section 10) in accordance with Section 10, then (subject to Section 5.4 hereof), Executive shall receive:

5.3.1 Continued payment of Executive's then current Base Salary in substantially equal installments on the Company's regularly scheduled pay dates for a period of twenty-four (24) months following the termination date (the "Base Salary Continuation"); provided that the

first installment of the Base Salary Continuation shall commence on the first payroll date following the 30th day after the date of such termination, and shall include any base salary payments that would have been paid prior thereto under the terms of this Agreement had such payments commenced immediately upon the date of such termination; and

5.3.2 Payment in a single lump-sum of an amount (the “COBRA Subsidy Payment”), equal to (A) eighteen (18), multiplied by (B) the difference between (x) the monthly premium for Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”) healthcare coverage payable by Executive for Executive and Executive’s dependents as of the termination date and (y) the monthly premium amount paid by active employees of the Company for healthcare coverage under the Company’s plan as of the termination date. The COBRA Subsidy Payment shall be payable on the first payroll date following the 30th day after the date of such termination (the Base Salary Continuation and the COBRA Subsidy Payment, collectively, the “Severance Payments”).

5.3.3 Any equity-related awards made to, or purchases by, Executive shall be separately governed by the terms and conditions of the applicable Equity Plan and the applicable award agreement.

5.4 Cessation of Severance Payments. If Executive violates any provision of Sections 3, 4, 6, 7 or 8 of this Agreement (each, an “Executive Covenant” and, collectively, the “Executive Covenants”), the Company shall have no obligation to pay any unpaid Severance Payments, and Executive will not be entitled to any further compensation from the Company or any of its Affiliates; provided, however, that, if no Severance Payments have been paid to Executive as of the date of any such violation, the Company shall pay Executive \$1,000 as consideration for Executive’s signing and not revoking the Release Agreement (with such payment to be made on or as soon as practicable following the first payroll date following the expiration of Executive’s statutory revocation period with respect to the Release Agreement). The Company’s ability to cease payment of Severance Payments to Executive outlined in this Section 5.4 does not preclude any remedy available to the Company and its Affiliates, including, but not limited, to injunctive relief, in the event of any violation of the Executive Covenants.

5.5 Definitions. For purposes of this Agreement:

5.5.1 “Affiliate” as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For the purposes of this definition “control” (including, with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities (the ownership of more than 50% of the voting securities of an entity shall for purposes of this definition be deemed to be “control”), by contract or otherwise.

5.5.2 “Cause” means the occurrence of any of the following, as determined by the Board: (i) Executive’s conviction of, a guilty plea with respect to, or a plea of nolo contendere to a charge that Executive has committed a felony under the laws of the United States or of any state thereof, including its territories and possessions, or a similar crime under the laws of any country

outside of the United States, or a crime involving moral turpitude, including, but not limited to, fraud, theft, embezzlement or any crime that results in or is intended to result in personal enrichment at the expense of the Company or any of its Affiliates; (ii) Executive's material breach of any agreement entered into between Executive and the Company or any of its Affiliates (including this Agreement) that is not cured, to the extent curable as determined by the Board, by Executive within ten (10) days following the Board's notice to Executive of such material breach; (iii) Executive's material breach of any written policy of the Company or any of its Affiliates that is not cured, to the extent curable as determined by the Board, by Executive within ten (10) days following Board notice to Executive of such material breach; (iv) willful misconduct or gross negligence by Executive in respect of Executive's duties; (v) Executive's engaging in any act or making any statement which, in each case, significantly impairs, impugns, denigrates, disparages or negatively reflects upon the name, reputation or business interests of the Company or any of its Affiliates; or (v) Executive's engagement in any activity that constitutes a material conflict of interest with the Company or any of its Affiliates and that is not cured, to the extent curable as determined by the Board, by Executive within ten (10) days following the Board's notice to Executive of such material conflict.

5.5.3 "Company Business" means (i) any business that provides customer direct retail doughnuts, cookies, bakery goods, or any other product which, as of the date of determination, the Company or any of its Affiliates is producing or marketing, or planning to produce or market (collectively, the "Company Products"); (ii) any business that researches, develops, markets, manufactures, wholesales and/or distributes any of the Company Products; or (iii) any business that engages in any form of consumer packaged goods business or consumer direct retail business that is the same as, or similar to, the Company's business or planned business as of the date of determination, if the entity's revenue from the sale of such goods business exceeds 15% of the entity's business.

5.5.4 "Company Related Parties" means the Company and any of its Affiliates, or any of their respective direct or indirect significant franchisees, trustees, partners, agents, directors, officers or employees thereof (in their capacity as such), or any of the Company's direct or indirect shareholders.

5.5.5 "Good Reason" means the occurrence, without Executive's consent (but not in connection with a termination on account of Executive's death, Disability or retirement or a termination for Cause) of (i) a material reduction in Executive's Base Salary; (ii) a material diminution in Executive's authority, duties, or responsibilities; (iii) a change in the geographic location at which Executive must perform services which increases Executive's commute by more than thirty-five (35) miles; or (iv) any other action or inaction that constitutes a material breach by the Company of its obligations under this Agreement. Prior to any termination for Good Reason, Executive must provide written notice to the Board of the existence of the Good Reason event within ninety (90) days following the initial existence of the event, and the Company shall have a period of thirty (30) days following such notice to cure the event. If the event is cured within such time period, any termination by Executive of his employment shall not be considered a termination for Good Reason.

5.5.6 “Person” means any individual, corporation, partnership, limited liability company, joint venture, association, trust or other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

5.5.7 “Works” means, collectively, all inventions, works of authorship, discoveries, concepts, and ideas (whether or not patentable, copyrightable, or protectable as a mask work) with which Executive becomes acquainted or creates or develops as a result of his employment by the Company and its Affiliates, including, but not limited to, technical descriptions for products, technical proposals, product plans, product specifications, design documents and technical documents, user’s guides, illustrations, advertising material, computer programs (including the contents of read only memories), source and object codes, and any contribution to any such materials, proposals and oral presentations.

6. NON-COMPETITION; NON-SOLICITATION; NONDISPARAGEMENT.

6.1 Non-Competition. While employed by the Company or any of its Affiliates and for a period of twenty-four (24) months following the last day of Executive’s employment with the Company for any reason (such period, the “Restricted Period”), Executive will not, without first obtaining the prior written approval of the Remuneration Committee, serve in a management or executive-level role with, or provide business, strategic, sales, financial, operational or technical advice or services, to the extent that Executive provided such advice or services to the Company or any of its Affiliates at any time during the twenty-four (24) months immediately preceding the date of Executive’s termination, to any other Person engaged in or actively preparing to engage in any Company Business (as defined herein), within any state in the United States or in any country, in each case, in which Executive provided services or had a material presence or influence for or on behalf of the Company at any time during the twenty-four (24) months immediately preceding the date of Executive’s termination (the “Restricted Area”); provided, however, that, notwithstanding the foregoing, during the Restricted Period, Executive will not be prevented from providing services to a multi-division company so long as (x) Executive is not employed by or does not provide services to a division of such company that engages in and derives more than 15% of its revenues from the Company Business within the Restricted Area, (y) during the course of such employment or service, Executive undertakes not to, and does not, have any discussions with, or participate in, the governance, management or operations of any division of Executive’s new employer or service recipient that is engaged in and derives more than 15% of its revenues from the Company Business within the Restricted Area, and (C) Executive does not engage in the Company Business within the Restricted Area.

6.2 Non-Solicitation. While employed by the Company or any of its Affiliates and during the Restricted Period, Executive will not, directly or indirectly, (a) solicit, attempt to solicit, induce, or otherwise cause or engage in any action intended to encourage (i) any employee of the Company or any of its Affiliates at the level of manager or above and with annual base salary in excess of \$100,000; or (ii) any independent contractor or consultant of the Company or any of its Affiliates with annual compensation or fee arrangement in excess of \$100,000, in each case of clause (i) and (ii), with whom Executive had contact or about whom Executive learned or obtained confidential information during Executive’s provision of services to the Company and its Affiliates (each, a “Restricted Person”), to terminate his or her relationship with the Company or any of its Affiliate, as applicable, or (b) hire or engage, or offer to hire or engage, any Restricted Person.

Further, while employed by the Company or any of its Affiliates and during the Restricted Period, Executive will not, directly or indirectly, solicit (for a business competitive with the Company or any of its Affiliates) the business of, or transact business with, any Person who or which was a customer, vendor or franchisee of the Company or any of its Affiliates on the date of Executive's termination or at any time during the one (1) year period immediately preceding the date of Executive's termination, in each case, with whom or which Executive had contact or about whom Executive developed, learned or obtained confidential information during Executive's employment with the Company or any of its Affiliates.

6.3 **Nondisparagement.** Without limiting the Protected Activities, while employed by the Company or any of its Affiliates and in perpetuity thereafter, Executive will not make or publish, or cause to be made or published through any print or electronic media or otherwise, or through a third-party, any disparaging comments about any of the Company Related Parties (as defined herein).

6.4 Executive will also be subject to the terms of any non-competition or other restrictive covenants applicable to other employees of the Company and its Affiliates generally, pursuant to Company policy as set forth in the Company's Code of Conduct, in addition to the other restrictive covenants that apply as set forth above.

7. OWNERSHIP OF WORK PRODUCT.

7.1 **Work Product.** Executive agrees and acknowledges that the Company owns all right, title and interest, including all worldwide copyrights, patent rights and trade secrets, in all materials, Works (as defined herein), Confidential Information, inventions, creations, expressions, ideas, improvements and derivative works, produced by Executive as a result of or in connection with his employment by the Company during his employment with the Company and its Affiliates (collectively, "Work Product"). Executive further agrees that the Work Product and all physical embodiments thereof are and shall at all times remain the sole and exclusive property of the Company.

7.2 **Assignment.** To the extent that title to the Work Product does not vest in the Company, Executive hereby irrevocably transfers and assigns to the Company all worldwide right, title and interest in the Work Product, all physical embodiments thereof, and all intellectual property rights relating thereto, including all worldwide copyrights, patent rights, trade secrets, and confidential and proprietary information rights.

7.3 Executive Agreement. Executive agrees:

7.3.1 To immediately disclose or transfer to the Company all information and physical embodiments relating to Work Product developed in whole or in part by him on behalf of the Company and its Affiliates prior to or during the Employment Term, and

7.3.2 At the request and expense of the Company, to do all things and sign all documents or instruments reasonably necessary in the opinion of the Board to eliminate any ambiguity as to the right of the Company or contesting third party to the ownership of such Work Product including without limitation, providing to the Company his full cooperation in any litigation or other proceedings to establish, protect or obtain such rights.

7.4 **Prior Development.** Any materials or works developed by Executive prior to his employment with the Company (whether pursuant to the Prior Agreement, this Agreement or otherwise) shall remain with Executive. If Executive uses such materials or works in connection with the performance of his employment with the Company, Executive grants the Company an unrestricted, royalty-free, perpetual license to make use of such materials or works as required by the Company and its Affiliates.

7.5 Executive understands that his obligations under this Section 7 are in addition to, and not in limitation of, his obligations under the Company's Code of Conduct (or successor document thereto), which is expressly incorporated herein by reference. Executive further understands that any work performed by him during his employment with the Company shall be considered a "Work Made for Hire" as defined in the U.S. copyright laws, and shall be owned by and for the express benefit of the Company. In the event it should be established that such work does not qualify as a Work Made for Hire, Executive agrees to and does hereby assign to the Company all of his right, title, and interest in such work product, including, but not limited to, all copyrights and other proprietary rights. Executive shall take all actions reasonably requested by the Company to vest ownership of such creative work in the Company and to permit the Company to obtain copyright, trademark, patent, or similar protection in its name.

8. COOPERATION.

Executive agrees to cooperate voluntarily and fully with the Company and its Affiliates regarding any actual or threatened litigation or internal review or investigation involving the Company or any of its Affiliates. Executive further agrees that Executive will cooperate with the Company and its Affiliates and provide the Company and its Affiliates, as applicable, with truthful information regarding the work that Executive has done for the Company or any of its Affiliates, including the location and contents of all files, including electronic files, relating to such work. Executive's cooperation shall include, but not be limited to, the following: (i) being available to meet and speak with officers or employees of the Company or any of its Affiliates, the Company's counsel or any third-parties at the request of the Company or any of its Affiliates at reasonable times and locations to be determined by the Company or its applicable Affiliate, without unreasonably interfering with any of Executive's then-current work responsibilities; (ii) giving accurate and truthful information at any interviews and accurate and truthful testimony; (iii) producing documents or information, including electronic documents or information, in Executive's possession or control, as instructed by the Company or its applicable Affiliate or its or their counsel; (iv) executing accurate and truthful documents; and (v) taking such other actions as may reasonably be requested by the Company and its Affiliates or its or their counsel to effectuate the foregoing. The Parties expressly represent and agree that the payments made or to be made by the Company or any of its Affiliates to Executive are not conditioned upon or related to the substance of any testimony or information provided by Executive pursuant to the foregoing. Notwithstanding the foregoing, this Section 8 shall not limit or in any way diminish the Protected Activities.

9. RELEASE.

Prior to receiving any of the Severance Payments, Executive shall execute and make effective a Release Agreement substantially in the form attached hereto as Exhibit A (the "Release Agreement") after his termination of employment. Unless the Release Agreement is executed by

Executive, delivered to the Company and becomes effective within thirty (30) days after the termination of Executive's employment with the Company (or within such longer period if required by applicable law), Executive shall not receive any Severance Payments.

10. REMEDIES.

Executive's duties and obligations under the Executive Covenants shall, to fullest extent permitted by applicable law, survive termination of Executive's employment with the Company. The parties acknowledge that a remedy at law for any breach or threatened breach by Executive of any of the Executive Covenants would be inadequate and the harm would be irreparable and agree that the Company shall be entitled to injunctive relief in case of any such breach or threatened breach. Executive and the Company agree and acknowledge that the promises and covenants contained in this Agreement, including without limitation Executive's opportunity to participate in the LTI Plan and the Insomnia Equity Plan, are good, sufficient, fair, reasonable, and mutually agreed-upon consideration for Executive's agreement to be bound by the Executive Covenants. Executive agrees that the restrictions contained in each of the Executive Covenants are reasonable and necessary to protect the confidential information and trade secrets of the Company and its Affiliates, and do not and will not prevent Executive from obtaining subsequent employment that is satisfactory to Executive. If, at the time of enforcement of any of the Executive Covenants, a court holds that the restrictions stated therein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area, and the parties hereto agree that a court may reform or otherwise revise one more of the Executive Covenants so as to render it valid and enforceable to the extent necessary.

11. GENERAL PROVISIONS.

11.1 **Notices.** Any notice or other communication required or permitted under this Agreement will be effective only if it is in writing and will be deemed given when delivered personally, through electronic email (with receipt thereof confirmed), one (1) day after it is sent through a reputable overnight carrier, or three (3) business days after it is mailed by registered mail, return receipt requested, to the Parties at the following addresses (or at such other address as a Party may specify by notice given hereunder to the other Parties hereto):

If to Executive:

At the address listed in the Company's personnel records.

If to the Company or any of its Affiliates:

2116 Hawkins Street
Charlotte, NC 28203
Attention: Chief Legal Officer & Corporate Secretary

11.2 **Severability.** Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable

law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provisions had never been contained herein.

11.3 **Waiver.** If any Party should waive any breach of any provisions of this Agreement, such Party shall not thereby be deemed to have waived any preceding or succeeding breach of the same or any other provision of this Agreement.

11.4 **Amendment and Waiver; Rights Cumulative.** This Agreement may be amended, waived or discharged only if authorized by the Board and only by a writing referencing the amendment, waiver or discharge of this Agreement signed by Executive and by a duly authorized representative of the Company (other than Executive). No failure or neglect of any of the Parties in any instance to exercise any right, power or privilege hereunder or under law will constitute a waiver of any other right, power or privilege or of the same right, power or privilege in any other instance. All waivers by any of the Parties must be contained in a written instrument signed by the Party to be charged and, in the case of the Company, by a duly authorized representative of the Company (other than Executive). The rights and remedies provided by this Agreement are cumulative, and the exercise of any right or remedy by any of the Parties hereto (or by its successor), whether pursuant to this Agreement, to any other agreement, or to law, will not preclude or waive its right to exercise any or all other rights and remedies.

11.5 **Executive's Acknowledgement.** Executive expressly acknowledges that he has been advised, and has the right, to consult with counsel regarding Executive's rights and obligations under this Agreement and the terms of the Release Agreement attached as Exhibit A hereto, including without limitation in respect of the Executive Covenants set forth in this Agreement, and that Executive fully understands the terms and conditions contained herein and therein.

11.6 **Representations.** Each Party represents and warrants to the others that he or it is fully authorized and empowered to enter into this Agreement and that the performance of his or their obligations under this Agreement will not violate any agreement between him or it and any other Person. Executive represents that to the best of his knowledge, he is not a party to, involved in, or under investigation in connection with, any pending or threatened litigation, proceeding or investigation, whether governmental or otherwise that would materially and adversely affect the business or reputation of the Company or any of its Affiliates. Executive has not engaged in misconduct or breach of duty that would, if disclosed, result in injury or reputational harm to the Company or any of its Affiliates, and Executive will not engage in any such misconduct during the term of this Agreement.

11.7 **Counterparts; Facsimile, Digital or Electronic Signatures.** This Agreement may be executed in separate counterparts, any one of which need not contain signatures of more than one party, but all of which taken together will constitute one and the same Agreement. This Agreement may be transmitted and / or signed by facsimile, digital, or electronic transmission and / or signature. The effectiveness of any such signatures shall have the same force and effect as manually signed originals and shall be binding on all parties to this Agreement.

11.8 Headings; Sections. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning thereof. References herein to a Section shall mean the Sections of this Agreement unless expressly stated otherwise.

11.9 Successors and Assigns. Executive's rights and obligations under this Agreement will not be transferable by assignment or otherwise, and any purported assignment, transfer or delegation thereof will be void. Executive hereby agrees that the Company may assign this Agreement, in whole or in part, to a third party. This Agreement will be binding upon, and inure to the benefit of, the Company and its successors and assigns.

11.10 Attorneys' Fees. If any Party hereto brings any action to enforce his or its rights hereunder, the prevailing Party in any such action shall be entitled to recover his or its reasonable attorneys' fees and costs incurred in connection with such action.

11.11 Arbitration. To provide a mechanism for rapid and economical dispute resolution, Executive and the Company agree that any and all disputes, claims, or causes of action, in law or equity, arising from or relating to this Agreement or its enforcement, performance, breach, or interpretation, will be resolved, to the fullest extent permitted by law, by final, binding, and confidential arbitration held in Charlotte, North Carolina and conducted by JAMS Mediation, Arbitration and ADR Services ("JAMS"), or its successor, under its then-existing Rules and Procedures. Executive acknowledges that by agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding. The arbitrator will: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision including the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator will be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. Notwithstanding anything to the contrary herein, (a) Executive may, but is not required to, arbitrate claims for sexual harassment or assault to the extent applicable law renders a pre-dispute arbitration agreement covering such claims invalid or unenforceable; and (b) this Section 11.11 shall not (1) cover any claim or charge which, by law, cannot be the subject of a compulsory arbitration agreement or (2) preclude Executive from filing charges with the federal Equal Employment Opportunity Commission or similar state or local agencies. Nothing in this Section 11.11 is intended to prevent either Executive or the Company and its Affiliates from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration.

11.12 Governing Law. This Agreement will be governed by and construed in accordance with the internal laws of the State of North Carolina without giving effect to any choice or conflict of law provision or rule (whether of the State of North Carolina or any other jurisdiction). Notwithstanding Section 11.11 of this Agreement, or any other agreement to arbitrate that Executive has with the Company, all actions and proceedings arising out of or relating to the Restrictive Covenants will be heard and determined exclusively in the superior court or the business litigation session of the superior court in Charlotte, North Carolina, and the Parties hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such action or

proceeding and irrevocably waive the defense of an inconvenient forum or lack of jurisdiction to the maintenance of any such action or proceeding.

11.13 **Tax Withholding.** The Company and its Affiliates may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company and its Affiliates are required to withhold pursuant to any applicable law, regulation or ruling. Notwithstanding any other provision of this Agreement, the Company and its Affiliates shall not be obligated to guarantee any particular tax result for Executive with respect to any payment provided to Executive hereunder, and Executive shall be responsible for any taxes imposed on Executive with respect to any such payment.

11.14 **Section 280G.** Notwithstanding anything in this Agreement or any other plan, arrangement or agreement to the contrary, in the event that any payment or benefit received or to be received by Executive (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company or any of its Affiliates, or in connection with a change of control of any of the foregoing) (all such payments and benefits, the “Total Payments”) would fail to be deductible under Section 280G of the Code or otherwise would be subject (in whole or part) to the excise tax imposed by Section 4999 of the Code (the “Excise Tax”) then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement, the payments or benefits to be received by Executive that are subject to Section 280G of the Code shall be reduced to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which Executive would be subject in respect of such unreduced Total Payments).

11.15 **Section 409A.** The intent of the parties is that payments and benefits under this Agreement comply with Section 409A of the Internal Revenue Code (“Section 409A”), to the extent subject thereto, and accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Notwithstanding anything contained herein to the contrary, to the extent required to avoid an accelerated or additional tax under Section 409A, Executive shall not be considered to have terminated employment with the Company for purposes of any payments under this Agreement which are subject to Section 409A until Executive has incurred a “separation from service” from the Company within the meaning of Section 409A. Each amount to be paid or benefit to be provided under this Agreement shall be construed as a separate identified payment for purposes of Section 409A. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid an accelerated or additional tax under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided to Executive during the six-month period immediately following Executive’s separation from service shall instead be paid on the first business day after the date that is six months following Executive’s separation from service (or, if earlier, Executive’s date of death). To the extent required to avoid an accelerated or additional tax under Section 409A, amounts reimbursable to Executive shall be paid to Executive on or before the last day of the year following the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided to Executive) during one year may not affect

amounts reimbursable or provided in any subsequent year. The Company makes no representation that any or all of the payments described in this Agreement will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment.

11.16 Third-Party Beneficiary. Each Affiliate of the Company will be a third-party beneficiary of Executive's obligations under this Agreement and will have the right to enforce this Agreement as if a party hereto.

11.17 Further Assurances. Executive will, upon the Company's reasonable request, execute such further documents and take such other actions as may be permitted or reasonably required by law to implement the purposes, objectives, terms, and provisions of this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first written above.

/s/ Joshua Charlesworth
JOSHUA CHARLESWORTH
Date: October 13, 2023

KRISPY KREME, INC.

By: /s/ Theresa Zandhuis
Name: Theresa Zandhuis
Its: Chief People Officer
Date: October 13, 2023

**KRISPY KREME DOUGHNUT
CORPORATION**

By: /s/ Theresa Zandhuis
Name: Theresa Zandhuis
Its: Chief People Officer
Date: October 13, 2023

Exhibit A — Release Agreement

EXHIBIT A

RELEASE AGREEMENT

This Release (the “Release”) is entered into by and by and among Krispy Kreme, Inc., a Delaware corporation (the “Company”), Krispy Kreme Doughnut Corporation, a North Carolina corporation (“KKDC”), and Joshua Charlesworth (“Executive”). Reference is made to the Key Employee Agreement, dated as of October 12, 2023, entered into by and between the Company, KKDC, and Executive (the “Employment Agreement”). Capitalized terms used, but not otherwise defined, herein will have the meanings given to such terms in the Employment Agreement.

1. In consideration for the Severance Payments, Executive, for and on behalf of himself and his heirs, executors, administrators, successors and assigns, hereby voluntarily, knowingly and willingly releases and forever discharges the Company and all of its past and present parents, subsidiaries, and affiliates, each of their respective officers, directors, agents, representatives, attorneys, employees, shareholders, parents, subsidiaries, affiliates, predecessors successors, and assigns (collectively, the “Released Parties”), of and from any and all rights, claims, charges, liabilities, demands, actions, causes of action, complaints, suits, sums of money, debts, costs, expenses, attorneys’ fees, damages, indemnities and obligations of every kind and nature whatsoever, in law, equity, or otherwise, known or unknown, suspected and unsuspected, disclosed and undisclosed, liquidated or contingent (collectively, “Claims”), that Executive or Executive’s heirs, executors, administrators, successors and assigns ever had, now has or may hereafter claim to have by reason of any matter, cause or thing whatsoever: (a) arising from the beginning of time up to the date Executive executes this Release, including any Claims (i) relating in any way to Executive’s employment relationship with the Company or any of the other Released Parties; (ii) arising out of or relating to tort, fraud or defamation; and (iii) arising under any federal, local or state statute or regulation, including, without limitation, Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1991, the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act (the “ADEA”), the Family and Medical Leave Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, the North Carolina Wage and Hour Act, the North Carolina Equal Employment Practices Act, the North Carolina Handicapped Persons Protection Act, and the North Carolina Occupational Safety and Health Act; (b) arising out of or relating to the termination of Executive’s employment with the Company or any of the other Released Parties; or (c) arising under or relating to any policy, agreement, understanding or promise, written or oral, formal or informal, between the Company or any of the other Released Parties and Executive; provided, however, that nothing in this Release will waive rights or Claims (1) to enforce the terms of this Release and to receive the Severance Payments; (2) for accrued vested benefits under the terms of any of the medical, dental, life insurance or tax-qualified employee benefit plans of the Company or any of its Affiliates; (3) for coverage under the directors and officers liability insurance policies, or relating to indemnification rights Executive may have under the Employment Agreement, the Company’s governing documents or otherwise; (4) as a stockholder of the Company or any of its Affiliates; (5) that cannot be legally waived under applicable law, such as unemployment benefits, workers’ compensation and disability benefits; or (6) to challenge the validity of the release of ADEA claims set forth in this Release.

2. Executive hereby acknowledges, represents and agrees that: (a) Executive has been given a period of twenty-one (21) days following the date of Executive’s termination to consider

the terms of and sign this Release, and that Executive must sign this Release within the twenty-one (21)-day period to receive any Severance Payments, although Executive may sign it sooner if Executive so chooses; provided, however, that in no event can Executive sign this Agreement prior to the date of Executive's termination; (b) the Company has advised Executive in writing by way of this paragraph to consult with an attorney of Executive's choosing prior to executing this Release; (c) Executive has received valuable and good consideration to which Executive would not otherwise be entitled in exchange for this Release; and (d) Executive is knowingly and voluntarily waiving and releasing any rights Executive may have, including those under the federal ADEA. Executive agrees that changes in this Release, whether material or not, will not restart the twenty-one (21)-day consideration period.

3. Executive further acknowledges and agrees that this Release will not become effective or enforceable until the eighth (8th) day after it is executed by Executive, and that Executive may revoke this Release at any time within seven (7) days after Executive executes it. Executive has been informed and understands that any such revocation must be in writing and delivered to the Company by hand, or sent by mail, within the seven (7)-day period. If delivered by mail, the revocation must be: (1) postmarked within the seven (7)-day period; (2) properly addressed as set forth in Section 11.1 of the Employment Agreement; and (3) sent by certified mail, return receipt requested. Executive understands that if Executive revokes or rescinds this Release within the seven (7)-day period, Executive will not be entitled to the Severance Payments.

4. If any term or provision of this Release is invalid, illegal or unenforceable in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other term or provision of this Release or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon such determination that any term or other provision of this Release is invalid, illegal or unenforceable, this Release shall be enforceable as closely as possible to its original intent, which is to provide the Released Parties with a full release of all legally releasable claims through the date upon which Executive signs this Release.

5. Both Executive and the Company understand and agree that nothing contained in this Release or the Employment Agreement, or the fact that Executive receives any payment or benefit under such agreements, will be construed as an admission of any wrongdoing and/or liability on the part of anyone for any matter, all liability being expressly denied.

6. The parties acknowledge and agree that all Released Parties are third-party beneficiaries of this Release and have the right to enforce this Release.

7. This Release will be governed by, and construed in accordance with, the laws of the State of North Carolina, without regard to the application of any choice-of-law rules that would result in the application of another state's laws.

8. All contests, disputes, controversies, or claims arising hereunder or related hereto will be resolved in accordance with the dispute resolution provisions in Section 11.11 of the Employment Agreement.

Signature page follows

IF EXECUTIVE CHOOSES TO SIGN THIS RELEASE, AS A CONDITION TO RECEIVING THE PAYMENTS AND BENEFITS PURSUANT TO THE EMPLOYMENT AGREEMENT, EXECUTIVE MUST DO SO ON OR WITHIN 21 DAYS FOLLOWING THE DATE OF EXECUTIVE'S TERMINATION. IF EXECUTIVE SIGNS THIS RELEASE PRIOR TO SUCH TIME, THE COMPANY WILL RETURN THIS RELEASE TO EXECUTIVE AND EXECUTIVE WILL BE ASKED TO TIMELY RE-EXECUTE THE RELEASE ON OR AFTER SUCH TIME.

Joshua Charlesworth

Signature

Date: _____

Exhibit A-3

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael Tattersfield, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2023, of Krispy Kreme, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

/s/ Michael Tattersfield
Michael Tattersfield
Chief Executive Officer

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Jeremiah Ashukian, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended October 1, 2023, of Krispy Kreme, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 13, 2023

/s/ Jeremiah Ashukian
Jeremiah Ashukian
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Krispy Kreme, Inc. (the "Company"), for the quarterly period ended October 1, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 13, 2023

/s/ Michael Tattersfield
Michael Tattersfield
Chief Executive Officer

Date: November 13, 2023

/s/ Jeremiah Ashukian
Jeremiah Ashukian
Chief Financial Officer