

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 **July 3, 2022**

☐ 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: **001-04321**



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 Act). ☐ Yes ☒ No

The registrant had outstanding 167,428,302 shares of common stock as of August 10, 2022.

Table of Contents

	<u>PART I. FINANCIAL INFORMATION</u>	<u>Page</u>
Item 1.	Financial Statements (Unaudited)	1
	Condensed Consolidated Statements of Operations (Unaudited)	1
	Condensed Consolidated Statements of Comprehensive Income/(Loss) (Unaudited)	2
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)	4
	Condensed Consolidated Statements of Cash Flows (Unaudited)	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	38
Item 4.	Controls and Procedures	38
	<u>PART II. OTHER INFORMATION</u>	
Item 1.	Legal Proceedings	40
Item 1A.	Risk Factors	40
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	41
Item 3.	Defaults upon Senior Securities	41
Item 4.	Mine Safety Disclosures	41
Item 5.	Other Information	41
Item 6.	Exhibits	41
<u>Signatures</u>		42

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		Two Quarters Ended	
	July 3, 2022 (13 weeks)	July 4, 2021 (13 weeks)	July 3, 2022 (26 weeks)	July 4, 2021 (26 weeks)
Net revenues				
Product sales	\$ 367,777	\$ 341,223	\$ 731,829	\$ 654,808
Royalties and other revenues	7,468	7,963	15,948	16,187
Total net revenues	375,245	349,186	747,777	670,995
Product and distribution costs	100,558	85,017	196,669	165,014
Operating expenses	173,942	157,877	342,668	305,418
Selling, general and administrative expense	51,754	60,930	105,465	110,467
Marketing expenses	11,215	10,052	21,374	19,559
Pre-opening costs	985	1,752	2,314	3,143
Other expenses/(income), net	1,469	(761)	(1,164)	(4,006)
Depreciation and amortization expense	27,814	25,194	55,655	48,595
Operating income	7,508	9,125	24,796	22,805
Interest expense, net	7,586	9,793	14,937	18,042
Interest expense — related party	—	4,821	—	10,387
Other non-operating expense/(income), net	756	(416)	435	(858)
(Loss)/income before income taxes	(834)	(5,073)	9,424	(4,766)
Income tax expense	1,574	9,923	5,374	10,608
Net (loss)/income	(2,408)	(14,996)	4,050	(15,374)
Net income attributable to noncontrolling interest	1,441	2,146	3,897	4,829
Net (loss)/income attributable to Krispy Kreme, Inc.	\$ (3,849)	\$ (17,142)	\$ 153	\$ (20,203)
Net loss per share:				
Common stock — Basic	\$ (0.02)	\$ (0.13)	\$ 0.00	\$ (0.16)
Common stock — Diluted	\$ (0.02)	\$ (0.13)	\$ 0.00	\$ (0.16)
Weighted average shares outstanding:				
Basic	167,367	132,351	167,314	128,669
Diluted	167,367	132,351	167,314	128,669

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Quarter Ended		Two Quarters Ended	
	July 3, 2022 (13 weeks)	July 4, 2021 (13 weeks)	July 3, 2022 (26 weeks)	July 4, 2021 (26 weeks)
Net (loss)/income	\$ (2,408)	\$ (14,996)	\$ 4,050	\$ (15,374)
Other comprehensive (loss)/income, net of income taxes:				
Foreign currency translation adjustment	(37,513)	(1,457)	(36,179)	(3,721)
Unrealized income on cash flow hedges, net of income taxes ⁽¹⁾	2,872	1,131	17,106	6,233
Total other comprehensive (loss)/income, net of income taxes	(34,641)	(326)	(19,073)	2,512
Comprehensive loss	(37,049)	(15,322)	(15,023)	(12,862)
Net income attributable to noncontrolling interest	1,441	2,146	3,897	4,829
Foreign currency translation adjustment attributable to noncontrolling interest	(903)	—	(903)	—
Total comprehensive income attributable to noncontrolling interest	538	2,146	2,994	4,829
Comprehensive loss attributable to Krispy Kreme, Inc.	\$ (37,587)	\$ (17,468)	\$ (18,017)	\$ (17,691)

⁽¹⁾ Net of income tax expense of \$1.0 million and \$5.7 million for the quarter and two quarters ended July 3, 2022, respectively, and \$0.4 million and \$2.1 million for the quarter and two quarters ended July 4, 2021.

See accompanying notes to Condensed Consolidated Financial Statements.

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

	As of	
	(Unaudited) July 3, 2022	January 2, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25,796	\$ 38,562
Restricted cash	411	630
Accounts receivable, net	45,027	47,491
Inventories	47,420	34,851
Taxes receivable	14,614	14,662
Prepaid expense and other current assets	29,264	20,701
Total current assets	162,532	156,897
Property and equipment, net	443,898	438,918
Goodwill	1,083,199	1,105,322
Other intangible assets, net	969,319	992,520
Operating lease right of use asset, net	419,211	435,168
Other assets	21,761	16,429
Total assets	\$ 3,099,920	\$ 3,145,254
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 39,844	\$ 36,583
Current operating lease liabilities	45,936	50,359
Accounts payable	187,516	182,104
Accrued liabilities	108,497	140,750
Structured payables	135,542	116,361
Total current liabilities	517,335	526,157
Long-term debt, less current portion	686,013	680,307
Noncurrent operating lease liabilities	407,141	415,208
Deferred income taxes, net	142,361	145,418
Other long-term obligations and deferred credits	38,088	42,509
Total liabilities	1,790,938	1,809,599
Commitments and contingencies		
Shareholders' equity:		
Common stock, \$0.01 par value; 300,000 shares authorized as of both July 3, 2022 and January 2, 2022; 167,428 and 167,251 shares issued and outstanding as of July 3, 2022 and January 2, 2022, respectively	1,674	1,673
Additional paid-in capital	1,420,410	1,415,185
Shareholder note receivable	(4,573)	(4,382)
Accumulated other comprehensive loss, net of income tax	(20,647)	(2,478)
Retained deficit	(189,970)	(178,409)
Total shareholders' equity attributable to Krispy Kreme, Inc.	1,206,894	1,231,589
Noncontrolling interest	102,088	104,066
Total shareholders' equity	1,308,982	1,335,655
Total liabilities and shareholders' equity	\$ 3,099,920	\$ 3,145,254

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)

	Common Stock		Accumulated Other Comprehensive Income/(Loss)								
	Shares Outstanding	Amount	Additional Paid-in Capital	Subscription Receivable	Shareholder Note Receivable	Foreign Currency Translation Adjustment	Unrealized (Loss)/Income on Cash Flow Hedges	Unrealized Loss on Employee Benefit Plans	Retained (Deficit)/Earnings	Noncontrolling Interest	Total
Balance at January 2, 2022	167,251	\$ 1,673	\$ 1,415,185	\$ —	\$ (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	—	—	(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)
Balance at April 3, 2022	167,297	\$ 1,673	\$ 1,419,831	\$ —	\$ (4,190)	\$ 10,301	\$ 3,233	\$ (444)	\$ (180,261)	\$ 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 from shareholders	—	—	(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) ⁽¹⁾	—	—	—	—	—	—	—	—	(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	132	1	(898)	—	—	—	—	—	—	—	(897)
Other	—	—	—	—	(14)	—	1	—	—	—	(13)
Balance at July 3, 2022	167,428	\$ 1,674	\$ 1,420,410	\$ —	\$ (4,573)	\$ (26,309)	\$ 6,106	\$ (444)	\$ (189,970)	\$ 102,088	\$ 1,308,982

⁽¹⁾ Includes a \$0.035 cash dividend per common share declared in the second quarter of fiscal 2022 and expected to be paid in the third quarter of fiscal 2022.

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Common Stock			Accumulated Other Comprehensive Income/(Loss)								Total
	Shares Outstanding	Amount	Additional Paid-in Capital	Subscription Receivable	Shareholder Note Receivable	Foreign Currency Translation Adjustment	Unrealized Loss on Cash Flow Hedges	Unrealized Loss on Employee Benefit Plans	Retained (Deficit)/Earnings	Noncontrolling Interest		
Balance at January 3, 2021	124,987	\$ 1,250	\$ 845,499	\$ —	\$ (18,660)	\$ 23,508	\$ (24,610)	\$ (106)	\$ (142,197)	\$ 163,675	\$ 848,359	
Net (loss)/income for the quarter ended April 4, 2021	—	—	—	—	—	—	—	—	(3,061)	2,683	(378)	
Other comprehensive (loss)/income for the quarter ended April 4, 2021 before reclassifications	—	—	—	—	—	(2,264)	2,572	—	—	—	308	
Reclassification from AOCI	—	—	—	—	—	—	2,530	—	—	—	2,530	
Share-based compensation	—	—	2,368	—	—	—	—	—	—	—	2,368	
Purchase of shares by noncontrolling interest	—	—	—	—	139	—	—	—	—	12,048	12,187	
Distribution to noncontrolling interest	—	—	—	—	363	—	—	—	—	(2,239)	(1,876)	
Other	—	—	(26)	—	(70)	—	—	—	2	(1)	(95)	
Balance at April 4, 2021	124,987	\$ 1,250	\$ 847,841	\$ —	\$ (18,228)	\$ 21,244	\$ (19,508)	\$ (106)	\$ (145,256)	\$ 176,166	\$ 863,403	
Net (loss)/income for the quarter ended July 4, 2021	—	—	—	—	—	—	—	—	(17,142)	2,146	(14,996)	
Other comprehensive loss for the quarter ended July 4, 2021 before reclassifications	—	—	—	—	—	(1,457)	(1,430)	—	—	—	(2,887)	
Reclassification from AOCI	—	—	—	—	—	—	2,561	—	—	—	2,561	
Capital contribution from shareholders	6,997	70	120,862	—	—	—	—	—	—	—	120,932	
Share-based compensation	—	—	8,290	—	—	—	—	—	—	—	8,290	
Purchase of shares by noncontrolling interest	—	—	—	—	14,421	—	—	—	—	26,648	41,069	
Distribution to shareholders	—	—	(42,334)	—	—	—	—	—	—	—	(42,334)	
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	—	(4,142)	(4,142)	
Conversion of noncontrolling interest to additional paid-in capital in connection with the Merger	9,371	93	107,258	—	—	—	—	—	—	(107,351)	—	
Issuance of common stock in connection with initial public offering, net of underwriting discounts and issuance costs	29,412	294	459,391	(471,250)	—	—	—	—	—	—	(11,565)	
Issuance of common stock upon settlement of RSUs, net of shares withheld	1,267	13	(15,507)	—	—	—	—	—	—	—	(15,494)	
Repurchase of common stock	(8,439)	(84)	(122,922)	—	—	—	—	—	—	—	(123,006)	
Other	—	—	(4)	—	(20)	—	—	—	(1)	—	(25)	
Balance at July 4, 2021	163,596	\$ 1,636	\$ 1,362,875	\$ (471,250)	\$ (3,827)	\$ 19,787	\$ (18,377)	\$ (106)	\$ (162,399)	\$ 93,467	\$ 821,806	

See accompanying notes to Condensed Consolidated Financial Statements.

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

	Two Quarters Ended	
	July 3, 2022 (26 weeks)	July 4, 2021 (26 weeks)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	\$ 4,050	\$ (15,374)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:		
Depreciation and amortization expense	55,655	48,595
Deferred income taxes	(6,866)	7,995
Loss on extinguishment of debt	—	1,700
Impairment and lease termination charges	1,991	1,126
(Gain)/loss on disposal of property and equipment	(499)	148
Gain on sale-leaseback	(2,374)	—
Share-based compensation	10,493	10,658
Change in accounts and notes receivable allowances	193	110
Inventory write-off	251	776
Other	(733)	(425)
Change in operating assets and liabilities, excluding business acquisitions and foreign currency translation adjustments	(8,238)	1,536
Net cash provided by operating activities	53,923	56,845
CASH FLOWS USED FOR INVESTING ACTIVITIES:		
Purchase of property and equipment	(51,460)	(52,842)
Proceeds from disposals of assets	872	147
Proceeds from sale-leaseback	3,000	—
Acquisition of shops and franchise rights from franchisees, net of cash acquired	—	(33,888)
Principal payments received from loans to franchisees	29	45
Disbursement for loan receivable	(720)	—
Maturities of held-to-maturity debt securities	—	277
Net cash used for investing activities	(48,279)	(86,261)
CASH FLOWS (USED FOR)/FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of debt	53,000	540,000
Repayment of long-term debt and lease obligations	(50,179)	(541,353)
Payment of financing costs	—	(1,700)
Proceeds from structured payables	153,097	140,598
Payments on structured payables	(133,530)	(138,100)
Payment of contingent consideration related to a business combination	(900)	—
Capital contribution by shareholders, net of loans issued	(27)	120,932
Payments of issuance costs in connection with IPO	(12,458)	—
Proceeds from sale of noncontrolling interest in subsidiary	410	53,256
Distribution to shareholders	(11,710)	(34,364)
Payments for repurchase and retirement of common stock	(2,363)	(102,698)
Distribution to noncontrolling interest	(9,496)	(6,018)
Net cash (used for)/provided by financing activities	(14,156)	30,553
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(4,473)	(1,161)
Net decrease in cash, cash equivalents and restricted cash	(12,985)	(24)
Cash, cash equivalents and restricted cash at beginning of period	39,192	37,483
Cash, cash equivalents and restricted cash at end of period	\$ 26,207	\$ 37,459
Supplemental schedule of non-cash investing and financing activities:		
Increase in accrual for property and equipment	\$ 4,499	\$ 1,381
Stock issuance under shareholder notes	324	446
Common stock issuance under subscription receivable in connection with initial public offering, net of underwriting discounts and issuance costs	—	459,685
Accrual for distribution to shareholders	(5,860)	(7,970)
Accrual for repurchase and retirement of common stock	—	(35,803)
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	\$ 25,796	\$ 37,377
Restricted cash	411	82
Total cash, cash equivalents and restricted cash	\$ 26,207	\$ 37,459

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”) operate through their omni-channel business model to provide doughnut experiences and produce doughnuts for Doughnut Shops, Delivered Fresh Daily (“DFD”) outlets, Ecommerce and delivery, and Krispy Kreme branded sweet treats (“Branded Sweet Treat Line”) channels, expanding consumer access to the Krispy Kreme brand.

The Company has three reportable operating segments: 1) U.S. and Canada, which includes all Krispy Kreme Company-owned operations in the U.S. and Canada, Insomnia Cookies shops and the Branded Sweet Treat Line; 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 worldwide franchise operations, as well as Krispy Kreme Company-owned shops in 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 2021 and 2022 reflect the results of operations for the 52-week periods ended January 2, 2022 and January 1, 2023, respectively. The quarters ended July 3, 2022 and July 4, 2021 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 generally accepted accounting principles 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 2, 2022, included in the Annual Report on Form 10-K. The Condensed Consolidated Balance Sheet as of January 2, 2022 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 and two quarters ended July 3, 2022 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending January 1, 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 S. de R.L. 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 2, 2022 included in the Annual Report on Form 10-K. There have been no material changes to the significant accounting policies during the quarter ended July 3, 2022.

Recent Accounting Pronouncements

In March 2020, the FASB issued 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 is 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. The Company is currently evaluating the effect of the new guidance on its Condensed Consolidated Financial Statements and related disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which prescribes the measurement of acquired contract assets and contract liabilities arising from revenue contracts with customers recognized in a business combination. It is effective for public business entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The amendments in this update should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption is permitted, including adoption in an interim period. The Company is currently evaluating the effect of the new guidance on its Condensed Consolidated Financial Statements and related disclosures.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance*, which requires certain disclosures to be made when an entity receives government assistance, including the types of assistance, an entity's accounting for the assistance, and the effect of the assistance on an entity's financial statements. It is effective for all entities for financial statements issued for annual periods beginning after December 15, 2021. Early application of the amendments is permitted. The Company is currently evaluating the effect of the new guidance on its annual disclosures.

Note 2 — Acquisitions*2022 Acquisitions*

In the first two quarters of fiscal 2022, there were no acquisitions.

2021 Acquisitions

In the first quarter of fiscal 2021, the Company acquired the business and operating assets of two franchisees, collectively consisting of 17 Krispy Kreme shops in the U.S. On October 4, 2021, the Company acquired a 60% controlling ownership interest in ten franchise shops in Canada (KK Canada). The valuation for the acquisitions 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 2021 acquisitions did not have a material impact to the Condensed Consolidated Financial Statements for the quarter and two quarters ended July 3, 2022.

Note 3 — Inventories

The components of Inventories are as follows:

	July 3, 2022	January 2, 2022
Raw materials	\$ 18,084	\$ 15,278
Work in progress	816	700
Finished goods and purchased merchandise	28,520	18,873
Total inventories	\$ 47,420	\$ 34,851

Note 4 — Goodwill and Other Intangible Assets, net

Goodwill

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

	U.S. and Canada	International	Market Development	Total
Balance as of January 2, 2022	\$ 688,048	\$ 283,342	\$ 133,932	\$ 1,105,322
Foreign currency impact	(307)	(21,816)	—	(22,123)
Balance as of July 3, 2022	\$ 687,741	\$ 261,526	\$ 133,932	\$ 1,083,199

Other Intangible Assets, net

Other intangible assets consist of the following:

	July 3, 2022			January 2, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Amount	Gross Carrying Amount	Accumulated Amortization	Net Amount
Intangible assets with indefinite lives						
Trade name	\$ 657,900	\$ —	\$ 657,900	\$ 657,900	\$ —	\$ 657,900
Intangible assets with definite lives						
Franchise agreements	32,545	(9,143)	23,402	32,545	(8,369)	24,176
Customer relationships	15,000	(5,116)	9,884	15,000	(4,684)	10,316
Reacquired franchise rights	370,249	(92,116)	278,133	384,305	(84,177)	300,128
Website development costs	6,500	(6,500)	—	6,500	(6,500)	—
Total intangible assets with definite lives	424,294	(112,875)	311,419	438,350	(103,730)	334,620
Total intangible assets	\$ 1,082,194	\$ (112,875)	\$ 969,319	\$ 1,096,250	\$ (103,730)	\$ 992,520

Amortization expense related to intangible assets included in depreciation and amortization expense was \$7.0 million and \$14.2 million for the quarter and two quarters ended July 3, 2022, respectively, and \$7.6 million and \$15.1 million for the quarter and two quarters ended July 4, 2021, 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:

		As of	
		July 3, 2022	January 2, 2022
Assets	Classification		
Operating lease	Operating lease right of use asset, net	\$ 419,211	\$ 435,168
Finance lease	Property and equipment, net	22,989	19,298
Total leased assets		\$ 442,200	\$ 454,466
Liabilities			
Current			
Operating lease	Current operating lease liabilities	\$ 45,936	\$ 50,359
Finance lease	Current portion of long-term debt	4,844	1,583
Noncurrent			
Operating lease	Noncurrent operating lease liabilities	407,141	415,208
Finance lease	Long-term debt, less current portion	23,303	22,890
Total leased liabilities		\$ 481,224	\$ 490,040

Lease costs were as follows:

		Quarter Ended		Two Quarters Ended	
		July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
Lease cost	Classification				
Operating lease cost	Selling, general and administrative expense	\$ 413	\$ 609	\$ 977	\$ 1,319
Operating lease cost	Operating expenses	21,774	21,368	43,657	41,706
Short-term lease cost	Operating expenses	1,241	792	2,286	1,564
Variable lease costs	Operating expenses	6,328	4,218	11,335	7,297
Sublease income	Royalties and other revenues	(71)	(97)	(140)	(177)
Finance lease cost:					
Amortization of right of use assets	Depreciation and amortization expense	\$ 1,359	\$ 850	\$ 1,943	\$ 1,648
Interest on lease liabilities	Interest expense, net	496	481	941	1,074

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

		Two Quarters Ended	
		July 3, 2022	July 4, 2021
Other information			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows for operating leases		\$ 51,147	\$ 45,889
Operating cash flows for finance leases		950	984
Financing cash flows for finance leases		1,679	1,705
Right-of-use assets obtained in exchange for new lease liabilities:			
Operating leases		\$ 19,682	\$ 39,473
Finance leases		455	1,788

The Company recognized \$1.4 million of lease termination charges in the quarter and two quarters ended July 3, 2022, related to the decision to exit six Krispy Kreme shops in the U.S. later in fiscal 2022. There were no lease termination charges in the two quarters ended July 4, 2021.

In March 2022, the Company completed a sale-leaseback transaction whereby it disposed of the land at one real estate property for proceeds of \$3.0 million. The Company subsequently leased back the property, which is accounted for as an operating lease. The Company recognized a gain on sale of \$2.6 million, which is included in Other expenses/(income), net on the Condensed Consolidated Statement of Operations for the two quarters ended July 3, 2022. There were no sale-leaseback transactions completed in the two quarters ended July 4, 2021.

Note 6 — Fair Value Measurements

The following table presents assets and liabilities that are measured at fair value on a recurring basis as of July 3, 2022 and January 2, 2022:

	July 3, 2022	
	Level 1	Level 2
Assets:		
401(k) mirror plan assets	\$ 7	\$ —
Interest rate derivatives	—	8,141
Commodity derivatives	—	2,159
Total Assets	\$ 7	\$ 10,300
Liabilities:		
Foreign currency derivatives	\$ —	\$ 334
Total Liabilities	\$ —	\$ 334

	January 2, 2022	
	Level 1	Level 2
Assets:		
401(k) mirror plan assets	\$ 111	\$ —
Commodity derivatives	—	1,486
Total Assets	\$ 111	\$ 1,486
Liabilities:		
Foreign currency derivatives	\$ —	\$ 80
Interest rate derivatives	—	14,667
Total Liabilities	\$ —	\$ 14,747

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 quarter ended July 3, 2022 and fiscal year ended January 2, 2022. 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 both July 3, 2022 and January 2, 2022, the total notional amount of commodity derivatives was 1.9 million gallons of gasoline. They were scheduled to mature between July 4, 2022 and December 1, 2023 and January 3, 2022 and March 31, 2023, respectively. As of July 3, 2022 and January 2, 2022, the Company recorded an asset of \$2.2 million and \$1.5 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 July 3, 2022 and January 2, 2022, the Company has recorded assets of \$8.1 million and liabilities of \$14.7 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.

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 July 3, 2022 and January 2, 2022, the total notional amount of foreign exchange derivatives was \$54.1 million and \$51.8 million, respectively. They were scheduled to mature in July 2022 and between January 2022 and February 2022, respectively. The Company recorded a liability of \$0.3 million and \$0.1 million as of July 3, 2022 and January 2, 2022, 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 July 3, 2022 and January 2, 2022, 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
	July 3, 2022	January 2, 2022	
Commodity derivatives	\$ 2,159	\$ 1,486	Prepaid expense and other current assets
Total Assets	\$ 2,159	\$ 1,486	
Foreign currency derivatives	\$ 334	\$ 80	Accrued liabilities
Total Liabilities	\$ 334	\$ 80	

Derivatives Designated as Hedging Instruments	Derivatives Fair Value		Balance Sheet Location
	July 3, 2022	January 2, 2022	
Interest rate derivatives (current)	\$ 5,358	\$ —	Prepaid expense and other current assets
Interest rate derivatives (noncurrent)	2,783	—	Other assets
Total Assets	\$ 8,141	\$ —	
Interest rate derivatives (current)	\$ —	\$ 8,535	Accrued liabilities
Interest rate derivatives (noncurrent)	—	6,132	Other long-term obligations and deferred credits
Total Liabilities	\$ —	\$ 14,667	

The effect of derivative instruments on the Condensed Consolidated Statements of Operations for the quarter and two quarters ended July 3, 2022 and July 4, 2021 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 Two Quarters Ended		Location of Derivative Gain/(Loss) Recognized in Income
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021	
Loss on interest rate derivatives	\$ (1,861)	\$ (2,561)	\$ (4,371)	\$ (5,091)	Interest expense, net
	<u>\$ (1,861)</u>	<u>\$ (2,561)</u>	<u>\$ (4,371)</u>	<u>\$ (5,091)</u>	
Derivatives Not Designated as Hedging Instruments	Derivative Gain/(Loss) Recognized in Income for the Quarter Ended		Derivative Gain/(Loss) Recognized in Income for the Two Quarters Ended		Location of Derivative Gain/(Loss) Recognized in Income
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021	
Gain/(loss) on foreign currency derivatives	\$ 108	\$ 235	\$ (255)	\$ (375)	Other non-operating expense/(income), net
(Loss)/gain on commodity derivatives	(188)	477	672	1,470	Other non-operating expense/(income), net
	<u>\$ (80)</u>	<u>\$ 712</u>	<u>\$ 417</u>	<u>\$ 1,095</u>	

Note 8 — Share-based Compensation

Restricted Stock Units (“RSUs”)

The Company and certain of its subsidiaries issue time-vested RSUs under their respective executive ownership plans and long-term incentive plans.

RSU 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 2, 2022	Granted	Vested	Forfeited	Non-vested shares outstanding at July 3, 2022
KKI					
RSUs	5,866	941	267	318	6,222
Weighted Average Grant Date Fair Value	\$ 13.78	14.45	9.35	14.66	\$ 14.03
KKUK					
RSUs	60	—	—	—	60
Weighted Average Grant Date Fair Value	\$ 15.77	—	—	—	\$ 15.77
Insomnia Cookies					
RSUs	33	10	—	4	40
Weighted Average Grant Date Fair Value	\$ 79.66	169.70	—	100.80	\$ 100.40
KK Australia					
RSUs	1,897	21	—	—	1,918
Weighted Average Grant Date Fair Value	\$ 1.48	1.73	—	—	\$ 1.49
KK Mexico					
RSUs	58	2	—	—	60
Weighted Average Grant Date Fair Value	\$ 32.86	40.14	—	—	\$ 33.08

The Company recorded total non-cash compensation expense related to RSUs under the plans of \$4.7 million and \$8.9 million for the quarter and two quarters ended July 3, 2022, respectively, and \$7.4 million and \$9.8 million for the quarter and two quarters ended July 4, 2021, respectively.

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

	As of July 3, 2022	
	Unrecognized Compensation Cost	Recognized Over a Weighted-Average Period of
KKI	\$ 58,025	3.2 years
KKUK	291	1.5 years
Insomnia Cookies	2,847	3.2 years
KK Australia	305	0.6 years
KK Mexico	1,498	3.5 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 2, 2022 and changes during the first two quarters of fiscal 2022 is presented below:

	Share Options Outstanding At January 2, 2022	Granted	Exercised	Forfeited or Expired	Share Options Outstanding At July 3, 2022
<i>(in thousands, except per share amounts)</i>					
KKI					
Options	2,817	—	—	—	2,817
Weighted Average Grant Date Fair Value	\$ 6.10	—	—	—	\$ 6.10
Weighted Average Exercise Price	\$ 14.61	—	—	—	\$ 14.61

The Company recorded total non-cash compensation expense related to the time-vested stock options of \$0.8 million and \$1.6 million for the quarter and two quarters ended July 3, 2022, respectively, and \$0.9 million for the quarter and two quarters ended July 4, 2021.

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 July 3, 2022	
	Unrecognized Compensation Cost	Recognized Over a Weighted-Average Period of
KKI	\$ 12,235	3.8 years

No time-vested stock options under the KKI plan vested nor were exercised during the fiscal periods presented.

Note 9 — 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 income/(loss). 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 (188.73)% and 57.02% for the quarter and two quarters ended July 3, 2022, respectively, and (195.60)% and (222.58)% for the quarter and two quarters ended July 4, 2021, respectively. The Company's effective income tax rate for the quarter and two quarters ended July 3, 2022 differed from the respective statutory rates primarily due to disallowed executive compensation expense, the mix of income and taxes attributable to foreign jurisdictions, the recognition of previously unrecognized tax benefits, and a discrete tax benefit related to a legal accrual discussed in [Note 10](#), Commitments and Contingencies. The Company's effective income tax rate for the quarter and two quarters ended July 4, 2021 differed from the respective statutory rates primarily due to the revaluation of U.K. deferred taxes as a result of the increase in the corporate tax rate from 19.0% to 25.0% beginning in 2023 and disallowed executive compensation in connection with the IPO.

Note 10 — Commitments and Contingencies

Pending Litigation

TSW Foods, LLC litigation

On November 13, 2020, TSW Foods, LLC ("TSW"), a reseller of certain Krispy Kreme packaged products, filed a demand for arbitration and statement of claim alleging Anticipatory Repudiation of the Master Reseller Agreement, Breach of the Master Reseller Agreement, and Breach of the Implied Covenant of Good Faith and Fair Dealing. On July 14, 2022, the Company and TSW negotiated a net settlement of approximately \$3.3 million, for which the related liability has been reflected in the accompanying Condensed Consolidated Financial Statements.

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 \$10.3 million and \$8.5 million as of July 3, 2022 and January 2, 2022, respectively, a majority of which secure the Company's reimbursement obligations to insurers under its self-insurance arrangements.

Note 11 — Related Party Transactions

As of July 3, 2022 and January 2, 2022, the Company had an equity ownership in two franchisees, KremeWorks USA, LLC (20% ownership) and KremeWorks Canada, L.P. (25% ownership), with an aggregate carrying value of \$1.1 million as of both July 3, 2022 and January 2, 2022.

The Company was party to a senior unsecured note agreement with Krispy Kreme, G.P. ("KK GP") for an aggregate principal amount of \$283.1 million. In April 2019, the Company entered into an additional unsecured note with KK GP for \$54.0 million (such notes together, the "Related Party Notes"). As of January 3, 2021, the outstanding amount of principal and interest was \$344.6 million. The Related Party Notes were paid off in full during the second quarter of fiscal 2021. The interest expense was \$4.8 million and \$10.4 million for the quarter and two quarters ended July 4, 2021. No interest expense was incurred for the quarter and two quarters ended July 3, 2022.

Note 12 — Revenue Recognition*Disaggregation of Revenues*

Revenues are disaggregated as follows:

	Quarter Ended		Two Quarters Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
Company Shops, DFD and Branded Sweet Treat Line	\$ 354,551	\$ 329,775	\$ 706,385	\$ 630,270
Mix and equipment revenue from franchisees	13,226	11,448	25,444	24,538
Franchise royalties and other	7,468	7,963	15,948	16,187
Total net revenues	\$ 375,245	\$ 349,186	\$ 747,777	\$ 670,995

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 subject to Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, and related receivables are as follows:

	July 3, 2022	January 2, 2022	Balance Sheet Location
Trade receivables, net of allowances of \$424 and \$896, respectively	\$ 37,413	\$ 41,132	Accounts receivables, net
Deferred revenue:			
Current	\$ 16,916	\$ 17,458	Accrued liabilities
Noncurrent	3,084	2,981	Other long-term obligations and deferred credits
Total deferred revenue	\$ 20,000	\$ 20,439	

Note 13 — Net Loss per Share

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

	Quarter Ended		Two Quarters Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
<i>(in thousands, except per share amounts)</i>				
Net (loss)/income attributable to Krispy Kreme, Inc.	\$ (3,849)	\$ (17,142)	\$ 153	\$ (20,203)
Adjustment to net (loss)/income attributable to common shareholders	—	(424)	(374)	(417)
Net loss attributable to common shareholders - Basic	\$ (3,849)	\$ (17,566)	\$ (221)	\$ (20,620)
Additional income attributed to noncontrolling interest due to subsidiary potential common shares	(83)	(120)	(122)	(145)
Net loss attributable to common shareholders - Diluted	\$ (3,932)	\$ (17,686)	\$ (343)	\$ (20,765)
Basic weighted average common shares outstanding	167,367	132,351	167,314	128,669
Dilutive effect of outstanding common stock options and RSUs	—	—	—	—
Diluted weighted average common shares outstanding	167,367	132,351	167,314	128,669
Loss per share attributable to common shareholders:				
Basic	\$ (0.02)	\$ (0.13)	\$ 0.00	\$ (0.16)
Diluted	\$ (0.02)	\$ (0.13)	\$ 0.00	\$ (0.16)

Potential dilutive shares consist of unvested RSUs and stock options, 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 excluded due to antidilution (unadjusted for the treasury stock method):

	Quarter Ended		Two Quarters Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
<i>(in thousands)</i>				
KKI	6,222	5,318	6,222	5,238
KKUK	—	3	—	3
Insomnia Cookies	—	—	5	—
KK Australia	—	—	—	—
KK Mexico	—	—	1	—

For the quarter and two quarters ended July 3, 2022, as well as the quarter and two quarters ended July 4, 2021, all 2.8 million time-vested stock options were excluded from the computation of diluted weighted average common shares outstanding based on application of the treasury stock method.

Note 14 — Segment Reporting

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

The reportable segment results are as follows:

	Quarter Ended		Two Quarters Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
Net revenues:				
U.S. and Canada	\$ 250,460	\$ 230,918	\$ 503,587	\$ 453,388
International	93,853	89,237	181,054	155,743
Market Development	30,932	29,031	63,136	61,864
Total net revenues	\$ 375,245	\$ 349,186	\$ 747,777	\$ 670,995
	Quarter Ended		Two Quarters Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
Segment Adjusted EBITDA:				
U.S. and Canada	\$ 26,017	\$ 28,285	\$ 59,625	\$ 55,848
International	19,535	23,673	36,779	39,021
Market Development	10,495	9,858	21,782	20,749
Corporate	(8,686)	(9,423)	(21,918)	(16,822)
	47,361	52,393	96,268	98,796
Interest expense, net	7,586	9,793	14,937	18,042
Interest expense — related party ⁽¹⁾	—	4,821	—	10,387
Income tax expense	1,574	9,923	5,374	10,608
Depreciation and amortization expense	27,814	25,194	55,655	48,595
Share-based compensation	5,452	8,290	10,493	10,658
Employer payroll taxes related to share-based compensation	35	841	90	841
Other non-operating expense/(income), net ⁽²⁾	756	(416)	435	(858)
Acquisition and integration expenses ⁽³⁾	82	223	599	2,375
Shop closure expenses ⁽⁴⁾	1,894	—	2,124	—
Restructuring and severance expenses ⁽⁵⁾	476	1,336	476	1,336
IPO-related expenses ⁽⁶⁾	—	6,727	—	10,203
Gain on sale-leaseback	—	—	(2,374)	—
Other ⁽⁷⁾	4,100	657	4,409	1,983
Net (loss)/income	\$ (2,408)	\$ (14,996)	\$ 4,050	\$ (15,374)

⁽¹⁾ Consists of interest expense related to the Related Party Notes which were paid off in full during the quarter ended July 4, 2021.

⁽²⁾ Primarily foreign translation gains and losses in each period.

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

⁽⁴⁾ Includes lease termination costs, impairment charges, and loss on disposal of property, plant and equipment.

⁽⁵⁾ The quarter and two quarters ended July 3, 2022 consist of costs associated with restructuring of the global executive team. The quarter and two quarters ended July 4, 2021 consist of severance and related benefits costs associated with the Company's realignment of the Company shop organizational structure to better support the DFD and Branded Sweet Treat Line businesses.

⁽⁶⁾ Includes consulting and advisory fees incurred in connection with preparation for and execution of the Company's IPO.

⁽⁷⁾ The quarter and two quarters ended July 3, 2022 and July 4, 2021 consist primarily of legal expenses incurred outside the ordinary course of business on matters described in [Note 10](#), Commitments and Contingencies, including the TSW litigation.

Note 15 — Subsequent Events

The Company evaluated subsequent events and transactions for potential recognition or disclosure in the Condensed Consolidated Financial Statements through August 17, 2022, 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 August 5, 2022, the Company signed an agreement to acquire ownership of six franchise shops in the U.S. (located in the Midwest), as well as an additional shop still under construction. The acquisition is expected to occur later in August, with an expected total cash consideration of approximately \$18.5 million. The acquisition provides the opportunity to expand the Company's omni-channel strategy in the U.S., and is expected to be accounted for as a business combination. The results of the acquired franchise business were reported within the Market Development segment through the quarter ended July 3, 2022 and are expected to be reported within the U.S. and Canada segment following the acquisition date.

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 2, 2022, 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 conditions, 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 2, 2022, 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. Our iconic Original Glazed® doughnut is universally recognized for its hot-off-the-line, melt-in-your-mouth experience. Krispy Kreme operates in over 30 countries through its unique network of fresh Doughnut Shops, partnerships with leading retailers, 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			Two Quarters Ended		
	July 3, 2022	July 4, 2021	% Change	July 3, 2022	July 4, 2021	% Change
Total Net Revenues	\$ 375,245	\$ 349,186	7.5 %	\$ 747,777	\$ 670,995	11.4 %
Net (Loss)/Income	(2,408)	(14,996)	83.9 %	4,050	(15,374)	126.3 %
Adjusted Net Income	14,646	20,469	-28.4 %	30,729	38,095	-19.3 %
Adjusted EBITDA	47,361	52,393	-9.6 %	96,268	98,796	-2.6 %

We generated 8.9% and 11.8% organic revenue growth for the quarter and two quarters ended July 3, 2022.

Significant Events and Transactions

Executing on our Omni-channel Strategy

We made strong progress on the execution of our omni-channel model in the second quarter of fiscal 2022, where we focus on being able to deliver fresh doughnuts to where our consumers are located. We continued to add quality Global Points of Access across our network as we convert markets into fully implemented Hub and Spoke models, including a net total of 382 new Global Points of Access in the second quarter of fiscal 2022 to surpass 11,400 Global Points of Access. The primary driver of the increased Points of Access during the second quarter was the continued expansion of our low capital DFD network in alignment with our transformation strategy, as we added 396 DFD Doors globally, including 109 DFD Doors to the U.S. and Canada segment, 209 to the International segment, and 78 to the Market Development segment. As highlighted by the more developed model within the International segment, the capital-efficient Hub and Spoke distribution model increases

accessibility to our consumers and drives higher profitability and increased margins. 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 per week (“APD”), which rose by 9.0% in the U.S. and Canada in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021.

The increase in Points of Access and the strong growth in APD in the U.S. and Canada allowed our trailing four quarters Sales per Hub to increase 22.2% from \$3.6 million in the second quarter of fiscal 2021 to a record high \$4.4 million in the second quarter of fiscal 2022. Our trailing four quarters International Sales per Hub also increased by 22.5% from \$8.0 million to \$9.8 million for the same periods. The increase in our Sales per Hub domestically and internationally led to 8.9% organic revenue growth in the second quarter compared to the same period in the prior year. Our goal is to continue to grow our Sales per Hub over time, which we believe will drive higher margins and higher return on invested capital.

During the second quarter, the macroeconomic environment has been challenging with supply chain disruption, inflationary pressures in commodities and labor costs, and inflationary pressures on consumer demand. These effects have been felt most heavily by our KKUK and Krispy Kreme U.S. and Canada businesses, with weakness in our less resilient Hubs without Spokes. With this backdrop, our strategy has been to continue to focus on long-term growth through execution of the omni-channel model in the U.S. and Canada as well as internationally, and to invest in the consumer through Acts of Joy, including a “Sweet New Deal” and other higher promotional activity. We also delayed pricing action in the U.K. and the U.S. and Canada until the beginning of the third quarter of fiscal 2022, when we increased prices by mid to high single digits for the first time in fiscal 2022. We made the increase to offset labor and commodity pressures, while continuing to leverage innovation and promotions to connect with consumers in a thoughtful way and build brand power.

Additionally, during the second quarter of fiscal 2022, we initiated portfolio optimization efforts for our legacy Krispy Kreme U.S. and Canada business, with a focus on our Hubs without Spokes and overall efficiencies. Some of this optimization may include converting shop types to better leverage labor costs and to better facilitate the expansion of DFD, reviewing the overall cost structure, and other potential actions. We believe this will enable us to focus even more on capital-efficient expansion in key strategic markets and to improve overall margins. As part of these efforts, we decided to exit six Doughnut Shops in the U.S. during the second quarter of fiscal 2022.

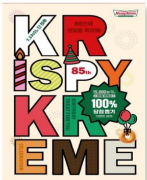
Ecommerce, Brand, and Innovation

Ecommerce represented 17.5% of our Doughnut and Cookie Shop sales (excluding DFD) for the second quarter of fiscal 2022, up from less than 10% pre-pandemic and 17.2% for the full fiscal year 2021. This reflects the growing importance of our loyalty members which increased to over 13 million in our equity markets during the second quarter. We are also expanding the delivery radius in several key markets around the world through partnerships with third party aggregators and the addition of Dark Shops.

Innovation is a significant driver of frequency as we create and introduce premium, fresh and buzz-worthy offerings to consumers across our Points of Access. High profile initiatives during the second quarter included Cinnamon Toast Crunch in the U.S. and Xbox in the U.K. In addition, we started a limited pilot of soft-serve ice cream products in 44 shops in the U.S. which generated over one billion earned media impressions. We also had successful seasonal activations across the globe, including our Easter and Mother’s Day limited time offerings (“LTOs”), and our celebrations of National Doughnut Day and Krispy Kreme’s 85th birthday.



Myanmar



South Korea



Singapore



United States

Key Performance Indicators and Non-GAAP Measures

We monitor the key performance indicators 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 performance indicators 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, Food Trucks, and Other, DFD Doors, Cookie Shops, 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 second quarter of fiscal 2022, the second quarter of fiscal 2021, and fiscal 2021, respectively:

	Global Points of Access ⁽¹⁾		
	Quarter Ended		Fiscal Year Ended
	July 3, 2022	July 4, 2021	January 2, 2022
U.S. and Canada: ⁽²⁾			
Hot Light Theater Shops	245	237	241
Fresh Shops	66	56	66
Cookie Shops	221	199	210
Carts, Food Trucks, and Other ⁽³⁾	1	—	2
DFD Doors	5,520	5,067	5,204
Total	6,053	5,559	5,723
International:			
Hot Light Theater Shops	34	28	32
Fresh Shops	386	365	370
Carts, Food Trucks, and Other ⁽³⁾	2	—	1
DFD Doors	3,003	2,264	2,488
Total	3,425	2,657	2,891
Market Development: ⁽⁴⁾			
Hot Light Theater Shops	107	113	109
Fresh Shops	778	739	782
Carts, Food Trucks, and Other ⁽³⁾	29	30	31
DFD Doors	1,017	518	891
Total	1,931	1,400	1,813
Total Global Points of Access (as defined)	11,409	9,616	10,427
Total Hot Light Theater Shops	386	378	382
Total Fresh Shops	1,230	1,160	1,218
Total Cookie Shops	221	199	210
Total Shops	1,837	1,737	1,810
Total Carts, Food Trucks, and Other	32	30	34
Total DFD Doors	9,540	7,849	8,583
Total Global Points of Access (as defined)	11,409	9,616	10,427

⁽¹⁾ Excludes Branded Sweet Treat Line distribution points.

⁽²⁾ Includes Points of Access that were acquired from a franchisee in the Canada during the fourth quarter of fiscal 2021. These Points of Access were previously included in the Market Development segment. See [Note 2](#), Acquisitions, to our Condensed Consolidated Financial Statements for further information.

⁽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 as of July 3, 2022.

- Points of Access in this category are primarily found in international locations, in airports, train stations, etc. Comparative data has been included in all periods presented above.
- ⁽⁴⁾ Includes locations in Japan, which were acquired in the fourth quarter of fiscal 2020 and are now Company-owned. All remaining Points of Access in the Market Development segment relate to our franchise business.

As of July 3, 2022, we had 11,409 Global Points of Access, with 1,837 Krispy Kreme and Insomnia Cookies branded shops, 32 Carts, Food Trucks, and Other, and 9,540 DFD Doors. During the second quarter of fiscal 2022 we added a net 18 additional shops globally (excluding the exit of 30 franchise shops in Russia), including two Hot Light Theater Shops, 12 Fresh Shops and four Insomnia Cookie Shops. In the quarter, Hot Light Theater Shops were added in locations such as Cairo, Egypt and Maribymong, Australia. We added 396 new DFD Doors during the quarter as we continue to focus on the expansion of our Hub and Spoke model. We plan to continue adding new locations and expanding our Ecommerce and delivery platform in order to extend the availability of our products.

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, Food Trucks, and Other, Dark Shops, and DFD Doors (“Spokes”) through an integrated network of company-operated delivery routes, ensuring quality and freshness. A Dark Shop is a non-consumer facing, non-producing facility where product is received from a Hub and stored until taken out for delivery, typically via Ecommerce channels.

The following table presents our Hubs, by segment and type, as of the end of the second quarter of fiscal 2022, the second quarter of fiscal 2021 and fiscal 2021, respectively:

	Hubs		
	Quarter Ended		Fiscal Year Ended
	July 3, 2022	July 4, 2021	January 2, 2022
U.S. and Canada:			
Hot Light Theater Shops ⁽¹⁾	242	233	238
Doughnut Factories	4	5	4
Total	246	238	242
Hubs with Spokes	127	114	126
International:			
Hot Light Theater Shops ⁽¹⁾	26	25	25
Doughnut Factories	11	12	11
Total	37	37	36
Hubs with Spokes	37	37	36
Market Development:			
Hot Light Theater Shops ⁽¹⁾	104	112	106
Doughnut Factories	26	26	27
Total	130	138	133
Total Hubs	413	413	411

- ⁽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 United States of America (“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 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 twelve months following their acquisition, (ii) the impact of foreign currency exchange rate changes, and (iii) the impact of 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. See “Results of Operations” for our organic growth calculations for the periods presented.

Adjusted EBITDA and Adjusted Net Income

We define “Adjusted EBITDA” as earnings before interest expense, net (including interest payable to related parties), income tax expense/(benefit), 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 enables operating performance to be reviewed across reporting periods on a consistent basis and is one of the principal measures used by management to evaluate and monitor our operating performance.

We define “Adjusted Net Income” as net loss adjusted for interest expense – related party, 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 EBITDA and Adjusted Net Income 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 and Adjusted Net Income 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 and Adjusted Net Income supplementally.

The following tables present a reconciliation of net (loss)/income to Adjusted EBITDA and net (loss)/income to Adjusted Net Income for the periods presented:

(in thousands)	Quarter Ended		Two Quarters Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
Net (loss)/income	\$ (2,408)	\$ (14,996)	\$ 4,050	\$ (15,374)
Interest expense, net	7,586	9,793	14,937	18,042
Interest expense — related party ⁽¹⁾	—	4,821	—	10,387
Income tax expense	1,574	9,923	5,374	10,608
Depreciation and amortization expense	27,814	25,194	55,655	48,595
Share-based compensation	5,452	8,290	10,493	10,658
Employer payroll taxes related to share-based compensation	35	841	90	841
Other non-operating expense/(income), net ⁽²⁾	756	(416)	435	(858)
Acquisition and integration expenses ⁽³⁾	82	223	599	2,375
Shop closure expenses ⁽⁴⁾	1,894	—	2,124	—
Restructuring and severance expenses ⁽⁵⁾	476	1,336	476	1,336
IPO-related expenses ⁽⁶⁾	—	6,727	—	10,203
Gain on sale-leaseback	—	—	(2,374)	—
Other ⁽⁷⁾	4,100	657	4,409	1,983
Adjusted EBITDA	\$ 47,361	\$ 52,393	\$ 96,268	\$ 98,796

(in thousands)	Quarter Ended		Two Quarters Ended	
	July 3, 2022	July 4, 2021	July 3, 2022	July 4, 2021
Net (loss)/income	\$ (2,408)	\$ (14,996)	\$ 4,050	\$ (15,374)
Interest expense — related party ⁽¹⁾	—	4,821	—	10,387
Share-based compensation	5,452	8,290	10,493	10,658
Employer payroll taxes related to share-based compensation	35	841	90	841
Other non-operating expense/(income), net ⁽²⁾	756	(416)	435	(858)
Acquisition and integration expenses ⁽³⁾	82	223	599	2,375
Shop closure expenses ⁽⁴⁾	2,144	—	2,374	—
Restructuring and severance expenses ⁽⁵⁾	476	1,336	476	1,336
IPO-related expenses ⁽⁶⁾	—	6,727	—	10,203
Gain on sale-leaseback	—	—	(2,374)	—
Other ⁽⁷⁾	4,100	657	4,409	1,983
Amortization of acquisition related intangibles ⁽⁸⁾	6,978	7,627	14,224	15,076
KKI Term Loan Facility interest and debt issuance costs ⁽⁹⁾	—	2,341	—	2,341
Tax impact of adjustments ⁽¹⁰⁾	(2,341)	(798)	(3,419)	(4,820)
Tax specific adjustments ⁽¹¹⁾	(628)	3,816	(628)	3,947
Adjusted net income	\$ 14,646	\$ 20,469	\$ 30,729	\$ 38,095

⁽¹⁾ Consists of interest expense related to the Related Party Notes which were paid off in full during the quarter ended July 4, 2021.

⁽²⁾ Primarily foreign translation gains and losses in each period.

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

⁽⁴⁾ Includes lease termination costs, impairment charges, and loss on disposal of property, plant and equipment. Shop closure expenses included in Adjusted Net Income are inclusive of accelerated depreciation related to replacing a point of sale system.

⁽⁵⁾ The quarter and two quarters ended July 3, 2022 consist of costs associated with restructuring of the global executive team. The quarter and two quarters ended July 4, 2021 consist of severance and related benefits costs associated with the Company's realignment of the Company shop organizational structure to better support the DFD and Branded Sweet Treat Line businesses.

⁽⁶⁾ Includes consulting and advisory fees incurred in connection with preparation for and execution of the Company's IPO.

⁽⁷⁾ The quarter and two quarters ended July 3, 2022 and July 4, 2021 consist primarily of legal expenses incurred outside the ordinary course of business on matters described in [Note 10](#), Commitments and Contingencies.

⁽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 expense of \$0.6 million and debt issuance costs of \$1.7 million incurred and recognized as expenses in the quarter ended July 4, 2021 in connection with the extinguishment of the KKI Term Loan Facility within four business days of receipt of the net proceeds from the IPO.

⁽¹⁰⁾ Tax impact of adjustments calculated applying the applicable statutory rates. The quarter and two quarters ended July 3, 2022 also include the impact of disallowed executive compensation expense and a discrete tax benefit related to a legal accrual described in [Note 10](#), Commitments and Contingencies.

⁽¹¹⁾ The quarter and two quarters ended July 3, 2022 consist of the recognition of a previously unrecognized tax benefit unrelated to ongoing operations. The quarter and two quarters ended July 4, 2021 consist primarily of the effect of tax law changes on existing temporary differences.

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 sales from our legacy wholesale business and our Branded Sweet Treat Line. It also excludes 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 trailing four quarters periods below:

<i>(in thousands, unless otherwise stated)</i>	Trailing Four Quarters Ended	Fiscal Year Ended	
	July 3, 2022	January 2, 2022	January 3, 2021
U.S. and Canada:			
Revenues	\$ 978,612	\$ 928,413	\$ 782,717
Non-Fresh Revenues ⁽¹⁾	(39,677)	(37,311)	(128,619)
Fresh Revenues from Insomnia Cookies and Hubs without Spokes ⁽²⁾	(399,959)	(415,768)	(323,079)
Sales from Hubs with Spokes	538,976	475,334	331,019
Sales per Hub (millions)	4.4	4.0	3.5
International:			
Sales from Hubs with Spokes ⁽³⁾	\$ 358,306	\$ 332,995	\$ 230,185
Sales per Hub (millions)	9.8	9.1	6.4

⁽¹⁾ Includes legacy wholesale business revenues and Branded Sweet Treat Line 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.

In our International segment, where the Hub and Spoke model is most developed, Sales per Hub reached \$9.8 million, up from \$9.1 million in the full fiscal year 2021 and \$6.4 million in the full fiscal year 2020. The International segment illustrates the benefits of leveraging our Hub and Spoke model in the most efficient way to grow the business, as shown by the its quick recovery from the impacts of the COVID-19 pandemic and growth in profit margins. In the U.S. and Canada segment, we reached Sales per Hub of \$4.4 million, up from \$4.0 million in the full fiscal year 2021 and \$3.5 million in the full fiscal year 2020. U.S. and Canada 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 International. As we further extend the Hub and Spoke model into existing and new markets around the world, increase innovation, and selectively take pricing actions, 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 July 3, 2022 compared to the Quarter ended July 4, 2021

The following table presents our unaudited condensed consolidated results of operations for the quarter ended July 3, 2022 and the quarter ended July 4, 2021:

(in thousands except percentages)	Quarter Ended				Change	
	July 3, 2022		July 4, 2021			
	Amount	% of Revenue	Amount	% of Revenue	\$	%
Net revenues						
Product sales	\$ 367,777	98.0 %	\$ 341,223	97.7 %	\$ 26,554	7.8 %
Royalties and other revenues	7,468	2.0 %	7,963	2.3 %	(495)	-6.2 %
Total net revenues	375,245	100.0 %	349,186	100.0 %	26,059	7.5 %
Product and distribution costs	100,558	26.8 %	85,017	24.3 %	15,541	18.3 %
Operating expenses	173,942	46.4 %	157,877	45.2 %	16,065	10.2 %
Selling, general and administrative expense	51,754	13.8 %	60,930	17.4 %	(9,176)	-15.1 %
Marketing expenses	11,215	3.0 %	10,052	2.9 %	1,163	11.6 %
Pre-opening costs	985	0.3 %	1,752	0.5 %	(767)	-43.8 %
Other expenses/(income), net	1,469	0.4 %	(761)	-0.2 %	2,230	293.0 %
Depreciation and amortization expense	27,814	7.4 %	25,194	7.2 %	2,620	10.4 %
Operating income	7,508	2.0 %	9,125	2.6 %	(1,617)	-17.7 %
Interest expense, net	7,586	2.0 %	9,793	2.8 %	(2,207)	-22.5 %
Interest expense — related party	—	— %	4,821	1.4 %	(4,821)	-100.0 %
Other non-operating expense/(income), net	756	0.2 %	(416)	-0.1 %	1,172	281.7 %
Loss before income taxes	(834)	-0.2 %	(5,073)	-1.5 %	4,239	83.6 %
Income tax expense	1,574	0.4 %	9,923	2.8 %	(8,349)	-84.1 %
Net loss	(2,408)	-0.6 %	(14,996)	-4.3 %	12,588	83.9 %
Net income attributable to noncontrolling interest	1,441	0.4 %	2,146	0.6 %	(705)	-32.9 %
Net loss attributable to Krispy Kreme, Inc.	\$ (3,849)	-1.0 %	\$ (17,142)	-4.9 %	\$ 13,293	77.5 %

Product sales: Product sales increased \$26.6 million, or 7.8%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022. Approximately \$4.5 million of the increase in product sales was attributable to shops acquired from franchisees. However, product sales growth was partially offset by \$9.1 million attributable to foreign currencies weakening against the U.S. dollar.

Royalties and other revenues: Royalties and other revenues decreased \$0.5 million, or 6.2%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, reflecting the impact of the acquisition of KK Canada in the fourth quarter of fiscal 2021.

The following table presents a further breakdown of total net revenue and organic revenue growth by segment for the quarter ended July 3, 2022 compared to the quarter ended July 4, 2021:

<i>(in thousands except percentages)</i>	U.S. and Canada	International	Market Development	Total Company
Total net revenues in second quarter of fiscal 2022	\$ 250,460	\$ 93,853	\$ 30,932	\$ 375,245
Total net revenues in second quarter of fiscal 2021	230,918	89,237	29,031	349,186
Total Net Revenues Growth	19,542	4,616	1,901	26,059
Total Net Revenues Growth %	8.5 %	5.2 %	6.5 %	7.5 %
Impact of acquisitions	(5,795)	—	1,623	(4,172)
Impact of foreign currency translation	—	7,018	2,044	9,062
Organic Revenue Growth	\$ 13,747	\$ 11,634	\$ 5,568	\$ 30,949
Organic Revenue Growth %	6.0 %	13.0 %	19.2 %	8.9 %

Total net revenue growth during the second quarter of fiscal 2022 of \$26.1 million, or approximately 7.5%, and organic revenue growth of \$30.9 million, or approximately 8.9%, was driven by increasing availability through new Global Points of Access, mostly capital-light DFD Doors, and via Ecommerce. A record 420 million doughnuts were sold around the world during the quarter, an increase of 7% over the prior year. The lower revenue growth compared to recent quarters is primarily explained by the strong U.S. dollar as well as wider consumer traffic declines in the U.K. Additionally, pricing action was taken early in the third quarter of fiscal 2022 in the U.S. and the U.K. to offset labor and commodity inflation impacts.

U.S. and Canada segment net revenue growth was driven by a combination of continued execution of our omni-channel strategy and the acquisition of KK Canada (10 shops in the fourth quarter of fiscal 2021). U.S. and Canada net revenue grew \$19.5 million, or approximately 8.5%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022 while U.S. and Canada organic revenue increased \$13.7 million, or approximately 6.0%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022. Organic growth was driven by continued expansion of fresh Points of Access, particularly low capital DFD Doors which have increased by 453 (and with a 9.0% increase in APD) compared to the second quarter of fiscal 2021. We also operated an additional 22 Insomnia Cookies shops compared to the second quarter of fiscal 2021. Our organic growth has also been supplemented by effective pricing increases taken in the second half of fiscal 2021, leading to significant increase in the average transaction size, but offset some by transaction declines.

Our International segment net revenue grew \$4.6 million, or approximately 5.2%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, in spite of foreign currency translation impacts of \$7.0 million from a strengthening U.S. dollar. International organic revenue grew \$11.6 million, or approximately 13.0%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, driven by the substantial expansion of DFD Doors and new shop openings, with fresh Points of Access increasing by 768, or 28.9%, to 3,425 compared to the second quarter of fiscal 2021. Growth was strong in Mexico, Australia, and New Zealand. We still saw growth in the U.K. and Ireland despite a challenging consumer environment, with U.K. industry retail footfall traffic declining compared to the prior year.

Our Market Development segment net revenue increased \$1.9 million, or approximately 6.5%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, in spite of the impact of franchise acquisitions such as KK Canada and by certain foreign currencies devaluing against the U.S. dollar. When adjusted for the impacts of acquisitions and foreign currency, Market Development organic revenue grew \$5.6 million, or approximately 19.2%, from the first quarter of fiscal 2021 to the first quarter of fiscal 2022, driven by focused growth in our international franchise markets and benefits from DFD and Ecommerce expansion in Japan.

Product and distribution costs (exclusive of depreciation and amortization): Product and distribution costs increased \$15.5 million, or 18.3%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, attributable to the same factors as our revenue growth. Product and distribution costs as a percentage of revenue increased by approximately 250 basis points from 24.3% in the second quarter of fiscal 2021 to 26.8% in the second quarter of fiscal 2022. This increase was primarily driven by inflationary pressures on commodities and logistics costs in the second quarter of fiscal 2022, as well as targeted discount promotions such as “Beat the Pump.”

Operating expenses: Operating expenses increased \$16.1 million, or 10.2%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, driven mainly by labor cost inflation, as well as investments to support growth. Operating expenses as a percentage of revenue increased approximately 120 basis points, from 45.2% in the second quarter of fiscal 2021 to 46.4% in the second quarter of fiscal 2022 with decreased performance for Hubs without Spokes for Krispy Kreme U.S. and

Canada coupled with transaction volume declines for KKUK. This has been partially offset by efficiency benefits from DFD expansion as we execute our Hub and Spoke transformation.

Selling, general and administrative expense: Selling, general and administrative (“SG&A”) expense decreased \$9.2 million, or 15.1%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022. As a percentage of revenue, SG&A expense decreased approximately 360 basis points, from 17.4% in the second quarter of fiscal 2021 to 13.8% in the second quarter of fiscal 2022, primarily due to a decrease in advisory service fees as we completed our IPO in the second quarter of fiscal 2021. The decline for the quarter was also driven by a decrease in employee compensation.

Marketing expenses: Marketing expenses increased \$1.2 million, or 11.6%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, primarily driven by an increased cost of advertising.

Other expense/(income), net: Other expense, net of \$1.5 million in the second quarter of fiscal 2022 was primarily driven by impairment and lease termination costs. As part of our omni-channel transformation, we initiated portfolio optimization efforts for Krispy Kreme U.S. and Canada during the second quarter of fiscal 2022, which included deciding to exit six lower margin shops in the U.S. We expect additional impairment and lease termination costs related to this project in the second half of fiscal 2022.

Depreciation and amortization expense: Depreciation and amortization expense increased \$2.6 million, or 10.4%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, primarily driven by increased capital spend and assets placed into service to support the Hub and Spoke model evolution.

Interest expense - related party: Interest expense with related parties decreased \$4.8 million or 100.0%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, driven by paying off our Related Party Notes in full with KK GP during the second quarter of fiscal 2021.

Income tax expense: The income tax expense of \$1.6 million in the second quarter of fiscal 2022 was driven by disallowed executive compensation expense, the recognition of previously unrecognized tax benefits, and a discrete tax benefit related to a legal accrual described in [Note 10](#), Commitments and Contingencies. Our tax expense was also impacted by the mix of income between the U.S. and foreign jurisdictions.

Net income attributable to noncontrolling interest: Net income attributable to noncontrolling interest decreased \$0.7 million or 32.9%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, driven by less earnings allocated to certain consolidated subsidiaries, particularly WKS Krispy Kreme.

Results of Operations by Segment – Quarter ended July 3, 2022 compared to the Quarter ended July 4, 2021

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

<i>(in thousands except percentages)</i>	Quarter Ended		Change	
	July 3, 2022	July 4, 2021	\$	%
Adjusted EBITDA				
U.S. and Canada	\$ 26,017	\$ 28,285	\$ (2,268)	-8.0 %
International	19,535	23,673	(4,138)	-17.5 %
Market Development	10,495	9,858	637	6.5 %
Corporate	(8,686)	(9,423)	737	7.8 %
Total Adjusted EBITDA ⁽¹⁾	\$ 47,361	\$ 52,393	\$ (5,032)	-9.6 %

⁽¹⁾ Refer to “Key Performance Indicators and Non-GAAP Measures” above for a reconciliation of Adjusted EBITDA to net income/(loss).

U.S. and Canada Adjusted EBITDA decreased \$2.3 million, or 8.0%, with margin decline of approximately 180 basis points to 10.4% in the second quarter of fiscal 2022 compared to the second quarter of fiscal 2021. This decrease was driven by cost increases in labor and commodities, as well as weaker performance in our Hubs without Spokes. This has been partially offset by efficiency benefits from DFD expansion as we execute our Hub and Spoke transformation, as well as an improvement in margin for our Branded Sweet Treat Line. Since the end of the second quarter of fiscal 2022, we have also implemented mid-single digit pricing increases which we believe will improve margins. Additionally, we believe the legacy U.S. and Canada

optimization efforts discussed in “Significant Events and Transactions” above will yield improvement to margins in fiscal 2023 and 2024.

International Adjusted EBITDA decreased \$4.1 million, or 17.5%, with margin decline of approximately 570 basis points to 20.8% from the second quarter of fiscal 2021 to the second quarter of fiscal 2022, due to cycling record performance a year ago upon the re-opening from COVID-19, cost pressures from labor and commodities, and a challenging consumer environment in the U.K. Additionally, foreign currency translation had an adverse impact of \$1.4 million on International’s Adjusted EBITDA during the quarter.

Market Development Adjusted EBITDA increased \$0.6 million, or 6.5%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022 driven by top-line growth of our international franchise markets, which more than offset the impact of acquisitions and foreign currency fluctuations.

Corporate expenses within Adjusted EBITDA decreased \$0.7 million, or 7.8%, from the second quarter of fiscal 2021 to the second quarter of fiscal 2022 driven in part by a decrease of our employee compensation accrual.

Two Quarters ended July 3, 2022 compared to the Two Quarters ended July 4, 2021

The following table presents our unaudited condensed consolidated results of operations for the two quarters ended July 3, 2022 and the two quarters ended July 4, 2021:

(in thousands except percentages)	Two Quarters Ended				Change	
	July 3, 2022		July 4, 2021			
	Amount	% of Revenue	Amount	% of Revenue	\$	%
Net revenues						
Product sales	\$ 731,829	97.9 %	\$ 654,808	97.6 %	\$ 77,021	11.8 %
Royalties and other revenues	15,948	2.1 %	16,187	2.4 %	(239)	-1.5 %
Total net revenues	747,777	100.0 %	670,995	100.0 %	76,782	11.4 %
Product and distribution costs	196,669	26.3 %	165,014	24.6 %	31,655	19.2 %
Operating expenses	342,668	45.8 %	305,418	45.5 %	37,250	12.2 %
Selling, general and administrative expense	105,465	14.1 %	110,467	16.5 %	(5,002)	-4.5 %
Marketing expenses	21,374	2.9 %	19,559	2.9 %	1,815	9.3 %
Pre-opening costs	2,314	0.3 %	3,143	0.5 %	(829)	-26.4 %
Other income, net	(1,164)	-0.2 %	(4,006)	-0.6 %	2,842	70.9 %
Depreciation and amortization expense	55,655	7.4 %	48,595	7.2 %	7,060	14.5 %
Operating income	24,796	3.3 %	22,805	3.4 %	1,991	8.7 %
Interest expense, net	14,937	2.0 %	18,042	2.7 %	(3,105)	-17.2 %
Interest expense – related party	—	— %	10,387	1.5 %	(10,387)	-100.0 %
Other non-operating expense/(income), net	435	0.1 %	(858)	-0.1 %	1,293	150.7 %
Income/(loss) before income taxes	9,424	1.3 %	(4,766)	-0.7 %	14,190	297.7 %
Income tax expense	5,374	0.7 %	10,608	1.6 %	(5,234)	-49.3 %
Net income/(loss)	4,050	0.5 %	(15,374)	-2.3 %	19,424	126.3 %
Net income attributable to noncontrolling interest	3,897	0.5 %	4,829	0.7 %	(932)	-19.3 %
Net income/(loss) attributable to Krispy Kreme, Inc	\$ 153	— %	\$ (20,203)	-3.0 %	\$ 20,356	100.8 %

Product sales: Product sales increased \$77.0 million, or 11.8%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022. Approximately \$12.9 million of the increase in product sales was attributable to shops acquired from franchisees. However, product sales growth was partially offset by \$13.2 million attributable to foreign currencies weakening against the U.S. dollar.

Royalties and other revenues: Royalties and other revenues remained consistent from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, impacted by activity related to the start of business with franchisees in new markets such as Chile, Costa Rica, Jordan, and Switzerland offset by the impact of franchise acquisitions such as KK Canada in the fourth quarter of fiscal 2021.

The following table presents a further breakdown of total net revenue and organic revenue growth by segment for the two quarters ended July 3, 2022 compared to the two quarters ended July 4, 2021:

<i>(in thousands except percentages)</i>	U.S. and Canada	International	Market Development	Total Company
Total net revenues in first two quarters of fiscal 2022	\$ 503,587	\$ 181,054	\$ 63,136	\$ 747,777
Total net revenues in first two quarters of fiscal 2021	453,388	155,743	61,864	670,995
Total Net Revenues Growth	50,199	25,311	1,272	76,782
Total Net Revenues Growth %	11.1 %	16.3 %	2.1 %	11.4 %
Impact of acquisitions	(14,929)	—	4,213	(10,716)
Impact of foreign currency translation	—	9,953	3,205	13,158
Organic Revenue Growth	\$ 35,270	\$ 35,264	\$ 8,690	\$ 79,224
Organic Revenue Growth %	7.8 %	22.6 %	14.0 %	11.8 %

Total net revenue growth of \$76.8 million, or approximately 11.4%, and organic revenue growth of \$79.2 million, or approximately 11.8%, was driven by the continued and successful execution of our growth strategy of deploying our omni-channel approach globally. We have continued to increase availability through new Global Points of Access and the omni-channel model, particularly the expansion of Spokes, including DFD Doors, for existing Hubs with Spokes during the first two quarters of fiscal 2022.

U.S. and Canada net revenue grew \$50.2 million, or approximately 11.1% from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, and was impacted by U.S. franchise acquisitions (17 shops in the first quarter of fiscal 2021) and the acquisition of KK Canada. U.S. and Canada organic revenue grew \$35.3 million, or approximately 7.8%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, driven by significant expansion of the DFD business in strategic markets, increased leverage of Ecommerce and delivery channels, Krispy Kreme and Insomnia Cookies new shop openings, and successful LTOs.

Our International segment net revenue grew \$25.3 million, or approximately 16.3%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, in spite of foreign currency translation impacts of \$10.0 million from a strengthening U.S. dollar. International organic revenue grew \$35.3 million, or approximately 22.6%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, driven mainly by substantial expansion of DFD Doors, new shop openings, and successful LTOs.

Our Market Development segment net revenue grew \$1.3 million, or approximately 2.1%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, in spite of the impact of franchise acquisitions and by certain foreign currencies devaluing against the U.S. dollar. Market Development organic revenue grew \$8.7 million, or approximately 14.0%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, driven by focused expansion in Japan and international franchise markets.

Product and distribution costs (exclusive of depreciation and amortization): Product and distribution costs increased \$31.7 million, or 19.2%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, largely in line with and attributable to the same factors as our revenue growth. Product and distribution costs as a percentage of revenue increased by approximately 170 basis points from 24.6% in the first two quarters of fiscal 2021 to 26.3% in the first two quarters of fiscal 2022. The increase was primarily driven by inflationary pressures on commodities and logistics costs in the first two quarters of fiscal 2022.

Operating expenses: Operating expenses increased \$37.3 million, or 12.2%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, driven mainly by franchise acquisitions, labor cost inflation, and labor investments to support growth. Franchise acquisitions, which result in additional operating expenses that are needed to run Company-owned operations versus franchises, contributed to the increase. Operating expenses as a percentage of revenue increased approximately 30 basis points, from 45.5% in the first two quarters of fiscal 2021 to 45.8% in the first two quarters of fiscal 2022 with decreased

performance for Hubs without Spokes for Krispy Kreme U.S. and Canada coupled with transaction volume declines for KKUK. This has been partially offset by efficiency benefits from DFD expansion as we execute our Hub and Spoke transformation.

Selling, general and administrative expense: SG&A expenses decreased by \$5.0 million, or 4.5%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022. As a percentage of revenue, SG&A expenses decreased approximately 240 basis points, from 16.5% in the first two quarters of fiscal 2021 to 14.1% in the first two quarters of fiscal 2022. The decrease was driven by higher IPO costs and acquisition and integration costs recognized in the first two quarters of fiscal 2021, a decrease of our employee compensation accrual in the second quarter of fiscal 2022, as well as economies of scale from our top-line revenue growth.

Other income, net: Other income, net of \$1.2 million in the first two quarters of fiscal 2022 was primarily driven by a gain on sale-leaseback of \$2.6 million during the first quarter of fiscal 2022, partially offset by impairment and lease termination costs in the second quarter of fiscal 2022. Other income, net of \$4.0 million in the first two quarters of fiscal 2021 was primarily driven by one-time COVID-related business interruption insurance proceeds of approximately \$3.5 million in the U.K. and Ireland.

Depreciation and amortization expense: Depreciation and amortization expense increased \$7.1 million, or 14.5%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, primarily driven by increased assets placed into service to support the Hub and Spoke model evolution.

Interest expense - related party: Interest expense with related parties decreased \$10.4 million, or 100.0% from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, driven by paying off our Related Party Notes in full with KK GP during the second quarter of fiscal 2021.

Income tax expense: Income tax expense of \$5.4 million in the first two quarters of fiscal 2022 was driven by the mix of income between the U.S. and foreign jurisdictions, disallowed executive compensation expense, the recognition of previously unrecognized tax benefits, and a discrete tax benefit related to a legal accrual described in [Note 10](#), Commitments and Contingencies.

Net income attributable to noncontrolling interest: Net income attributable to noncontrolling interest for the first two quarters of fiscal 2022 decreased \$0.9 million, or 19.3%, from the first two quarters of fiscal 2021, driven by less earnings allocated to certain consolidated subsidiaries, particularly WKS Krispy Kreme.

Results of Operations by Segment – Two Quarters ended July 3, 2022 compared to the Two Quarters ended July 4, 2021

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

(in thousands except percentages)	Two Quarters Ended		Change	
	July 3, 2022	July 4, 2021	\$	%
Adjusted EBITDA				
U.S. and Canada	\$ 59,625	\$ 55,848	\$ 3,777	6.8 %
International	36,779	39,021	(2,242)	-5.7 %
Market Development	21,782	20,749	1,033	5.0 %
Corporate	(21,918)	(16,822)	(5,096)	-30.3 %
Total Adjusted EBITDA ⁽¹⁾	\$ 96,268	\$ 98,796	\$ (2,528)	-2.6 %

⁽¹⁾ Refer to “Key Performance Indicators and Non-GAAP Measures” above for a reconciliation of Adjusted EBITDA to net loss.

U.S. and Canada Adjusted EBITDA increased \$3.8 million, or 6.8%, with margin decline of approximately 50 basis points to 11.8% from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022. This decrease in margin was driven by cost increases in labor and commodities and underperformance in our Hubs without Spokes, partially offset by the positive impacts from an increase in our Points of Access in our Hubs with Spokes. Since the end of the second quarter of fiscal 2022, we also implemented mid-single digit pricing increases which we believe will improve margins. Additionally, we believe the legacy U.S. and Canada optimization efforts discussed in “Significant Events and Transactions” above will yield improvement to margins in fiscal 2023 and 2024.

International Adjusted EBITDA decreased \$2.2 million, or 5.7%, with margin decline of approximately 480 basis points to 20.3% from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022, due primarily to an increase in labor and commodity costs compared to timing of price increases, as well as a challenging consumer environment in the U.K. Additionally, foreign currency translation had an adverse impact of \$2.0 million on International’s Adjusted EBITDA during the first two quarters. Adjusted EBITDA in the first two quarters of fiscal 2021 was also impacted positively by \$3.5 million business interruption insurance proceeds related to COVID-19 in the U.K. Despite these factors, we have seen positive impacts on Adjusted EBITDA margin from Points of Access expansion and efficiencies from our Hub and Spoke model evolution.

Market Development Adjusted EBITDA increased \$1.0 million, or 5.0%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022 driven by top-line growth of our international franchise markets and Japan. This growth more than offset the impact of acquisitions and foreign currency translation.

Corporate expenses within Adjusted EBITDA increased \$5.1 million, or 30.3%, from the first two quarters of fiscal 2021 to the first two quarters of fiscal 2022 driven by an increase in costs associated with our operation as a public company.

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 “Supply Chain Financing Program” or the “SCF Program.” 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 2, 2022, we had the following future obligations:

- An aggregate principal amount of \$696.3 million outstanding under the 2019 Facility;
- Non-cancellable future minimum operating lease payments totaling \$722.6 million;
- Non-cancellable future minimum finance lease payments totaling \$39.9 million; and
- Purchase commitments under ingredient and other forward purchase contracts of \$132.4 million.

As of July 3, 2022, our outstanding principal amount under the 2019 Facility was \$700.8 million. The increase from the balance as of January 2, 2022 is due to a net draw of \$22.0 million on the revolving credit facility, which was used in part to fund quarterly term loan repayments of \$17.5 million.

We had cash and cash equivalents of \$38.6 million as of January 2, 2022 and \$25.8 million as of July 3, 2022. 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 to acquire franchises, 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>	Two Quarters Ended	
	July 3, 2022	July 4, 2021
Net cash provided by operating activities	\$ 53,923	\$ 56,845
Net cash used for investing activities	(48,279)	(86,261)
Net cash (used for)/provided by financing activities	(14,156)	30,553

Cash Flows Provided by Operating Activities

Cash provided by operations totaled \$53.9 million for the first two quarters of fiscal 2022, a decrease of \$2.9 million compared with the amount for the first two quarters of fiscal 2021. Cash provided by operations decreased due to a decline of \$9.8 million from changes in operating assets and liabilities, largely as a result of increases in inventories and other current and noncurrent assets and partially offset by increases in accounts payable and accrued liabilities. These effects were also partially offset by operating results producing net income in the first two quarters of fiscal 2022 compared to a net loss in the first two quarters of fiscal 2021.

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 as part of our SCF Program. Our 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, we have established payable terms ranging up to, but not exceeding, 360 days. When participating vendors elect to sell one or more of our payment obligations, our rights and obligations to settle the payables on their contractual due date are not impacted. We have no economic or commercial interest in a vendor's decision to enter into these agreements and the financial institutions do not provide us with incentives such as rebates or profit sharing under the SCF Program. We agree 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 trade payables. Our increased use of the SCF programs has continued through the quarter ended July 3, 2022.

Cash Flows Used for Investing Activities

Cash used for investing activities totaled \$48.3 million for the first two quarters of fiscal 2022, a decrease in investment of \$38.0 million compared with the first two quarters of fiscal 2021. The decrease is primarily due to \$33.9 million cash used for acquisitions of franchised shops in the first two quarters of fiscal 2021 (compared to no cash used for acquisitions in the first two quarters of fiscal 2022), in addition to \$3.0 million of proceeds from a sale-leaseback transaction completed in the first quarter of fiscal 2022. We also decreased our cash paid for purchases of property and equipment as a percentage of net revenue in the first two quarters of fiscal 2022 compared to the first two quarters of fiscal 2021, aided by capital-light DFD expansion.

Cash Flows (Used for)/Provided by Financing Activities

Cash used for financing activities totaled \$14.2 million for the first two quarters of fiscal 2022, a reduction in financing of \$44.7 million compared with the first two quarters of fiscal 2021. The reduction in financing was primarily due to decreasing our reliance on equity financing (reduction of \$54.3 million invested, net of distributions) in the first two quarters of fiscal 2022 compared to the first two quarters of fiscal 2021, in addition to our payment of \$12.5 million of issuance costs in connection with the IPO during the first quarter of fiscal 2022.

These reductions in financing were partially offset by \$17.1 million of cash inflows related to structured payables programs (net proceeds on structured payables of \$19.6 million in the two quarters ended July 3, 2022 compared to net proceeds from structured payables of \$2.5 million in the two quarters ended July 4, 2021). We utilize various card products issued by financial institutions to facilitate purchases of goods and services. By using these products, we may receive differing levels of rebates based on timing of repayment. The payment obligations under these cards products are classified as structured payables on our Condensed Consolidated Balance Sheets and the associated cash flows are included in the financing section of our Condensed Consolidated Statement of Cash Flows.

Debt

Our long-term debt obligations consist of the following:

<i>(in thousands)</i>	July 3, 2022	January 2, 2022
2019 Facility - term loan	\$ 603,750	\$ 621,250
2019 Facility - revolving credit facility	97,000	75,000
Less: Debt issuance costs	(3,040)	(3,833)
Financing obligations	28,147	24,473
Total long-term debt	725,857	716,890
Less: Current portion of long-term debt	(39,844)	(36,583)
Long-term debt, less current portion	\$ 686,013	\$ 680,307

2019 Facility

On June 13, 2019, we entered into a credit agreement (the “2019 Facility”). The 2019 Facility provides for senior secured credit facilities in the form of \$700.0 million in aggregate principal of term loans and \$300.0 million of revolving capacity. Borrowings under the 2019 Facility are subject to an interest rate of one-month LIBOR *plus* 2.25% if our Total Net Leverage Ratio (as defined in the 2019 Facility) equals or exceeds 4.00 to 1.00, 2.00% if our Total Net Leverage Ratio is less than 4.00 to 1.00 but greater than or equal to 3.00 to 1.00 or 1.75% if our Total Net Leverage Ratio is less than 3.00 to 1.00, as determined under the 2019 Facility. We are required to make equal installments of 1.25% of the aggregate closing date principal amount of the term loans on the last business day of each fiscal quarter. All remaining term loan and revolving loan balances are to be due five years from the initial closing date.

Under the terms of the 2019 Facility, we are subject to a requirement to maintain a Total Net Leverage Ratio of less than 5.25 to 1.00 as of July 3, 2022, which reduces to 5.00 to 1.00 by April 2, 2023. The Total Net Leverage Ratio under the 2019 Facility is defined as the ratio of (a) Total Indebtedness (as defined in the 2019 Facility, which includes all debt and finance lease obligations) minus unrestricted cash and cash equivalents to (b) a defined calculation of Adjusted EBITDA (“2019 Facility Adjusted EBITDA”) for the most recently ended Test Period (as defined in the 2019 Facility). The 2019 Facility Adjusted EBITDA for purposes of these restrictive covenants includes incremental adjustments beyond those included in our Adjusted EBITDA non-GAAP measure. Specifically, the 2019 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. Our Total Net Leverage Ratio was 3.31 to 1.00 as of the end of the second quarter of fiscal 2022 compared to 2.99 to 1.00 as of the end of fiscal 2021, primarily due to a reduction in cash and cash equivalents.

We were in compliance with the financial and other covenants related to the 2019 Facility as of July 3, 2022 and expect to remain in compliance over the next 12 months. If we are unable to meet the 2019 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 2019 Facility with new sources of financing, which there is no guaranty we could secure.

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 2, 2022.

New Accounting Pronouncements

Refer to [Note 1](#) 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 two quarters of fiscal 2022, 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 LIBOR (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 LIBOR 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 \$700.8 million of outstanding debt under the 2019 Facility as of July 3, 2022, which we account for as cash flow hedges. Based on the \$195.8 million of unhedged outstanding as of July 3, 2022, a 100 basis point increase in the one-month LIBOR would result in a \$2.0 million increase in interest expense for a twelve-month period, while a 100 basis point decrease would result in a \$0.7 million decrease in interest expense for a twelve-month period based on the daily average of the one-month LIBOR through the fiscal quarter ended July 3, 2022.

The Financial Conduct Authority in the U.K. intends to phase out LIBOR by the end of 2023. We have negotiated terms in consideration of this discontinuation and do not expect that the discontinuation of the LIBOR rate, including any legal or regulatory changes made in response to its future phase out, will have a material impact on our liquidity or results of operations.

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 two quarters ended July 3, 2022. A substantial majority of these revenues, or approximately \$215.1 million through the two quarters ended July 3, 2022, 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 \$21.5 million in our total net revenues through the two quarters ended July 3, 2022.

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 Securities and Exchange Commission’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 July 3, 2022, we carried out 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 July 3, 2022 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. We do not presently anticipate any material legal proceedings that, if determined adversely to us, would have a material adverse effect on our financial position, results of operations or cash flows. See [Note 10](#), 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.

Shareholder Derivative Suit

On December 3, 2021, a shareholder of the Company brought a shareholder class and derivative action complaint against the members of the Company's Board of Directors, the Company, JAB Holdings B.V. ("JAB"), and certain entities related to JAB (JAB and the related entities, collectively the "JAB Entities"). The plaintiff alleges that the members of the Company's Board breached their fiduciary duty by allowing the JAB Entities to conduct a creeping takeover of the Company and that the JAB Entities aided and abetted those breaches.

On December 16, 2021, the court denied the plaintiff's request for an emergency temporary restraining order to prohibit further acquisitions of the Company's stock by the JAB Entities. On March 14, 2022, the Company entered into a letter agreement with the JAB Entities that, among other things, (i) requires JAB to provide notice at least 30 days prior to an acquisition of voting rights, directly or indirectly, that would exceed 45% of the Company's total outstanding voting stock, (ii) restricts directors who are employees or designees of the JAB Entities from involvement in the consideration of such acquisition by the Company's Board of Directors, (iii) permits the JAB Entities to enter into future cash-settled total return swap agreements provided that the JAB Entities must comply with the 30-day notice requirement before acquiring shares from or entering into a voting arrangement with the counterparty and that the JAB Entities do not try to influence the voting decisions of the counterparty. The terms of this agreement shall remain in effect for one year from the date of signing, subject to extension by JAB in its sole discretion.

On March 29, 2022, the parties filed a stipulation and order to dismiss the action with prejudice as moot and begin negotiation for an award of attorneys' fees and reimbursement of expenses. No compensation in any form has passed directly or indirectly from any defendant(s) in the action to plaintiff or plaintiff's attorneys in this action, and no promise to give any such compensation has been made. At this time the Company is unable to predict the amount of attorneys' fees (if any) that the court will award, but we do not expect the amount to be material to the Company.

Item 1A. Risk Factors

With the exception of the changes discussed below, there have been no 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 2, 2022.

We will become increasingly reliant on a single vendor for distribution of materials and supplies in the U.S. and a portion of Canada. If the vendor fails to provide these materials and supplies per the agreement, our and our franchisees' ability to make doughnuts could be negatively affected.

To consolidate our third-party logistics operations, we have entered into an exclusive distribution agreement (the "Distribution Agreement") with BakeMark USA LLC, a Delaware limited liability company ("BakeMark"). The Distribution Agreement, among other things, grants BakeMark exclusive rights to distribute ingredients, packaging, and supplies to Company-owned and franchise shops in the U.S., except for New York City and British Columbia, Canada. Exclusivity is granted on a regional basis once BakeMark commences distribution to Company-owned and franchise shops in each of the territories, with all regions expected to be served by BakeMark on or before March 15, 2023. The initial term ends on December 31, 2028, and renews automatically on an annual basis unless either the Company or BakeMark elect not to continue the arrangement.

As BakeMark distribution progresses, we will become increasingly reliant on BakeMark to distribute materials and supplies. If BakeMark experiences economic or operational challenges, this could cause disruptions to our supply chain in the U.S. and Canada. We cannot control the factors that may cause such challenges, and we may not be able to find an alternative distribution channel in a timely manner to prevent disruptions to our operations, which might even require that we temporarily

stop production in the affected shops until other arrangements are taken. Additionally, the cost of a replacement distribution channel may also affect the financial performance of these shops. Severe disruption to BakeMark could result in a material and adverse impact on our business and our consolidated financial position, results of operations, and cash flows.

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

None.

Item 6. Exhibits

Exhibit No.	Description of Exhibit
10.1	Letter Agreement, dated March 14, 2022, by and among Krispy Kreme, Inc., JAB Indulgence B.V., and JAB Holdings B.V. (filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K, File number 001-40573, filed on March 16, 2022, and incorporated by reference herein).
10.2	Exclusive distribution agreement dated March 15, 2022, by and among Krispy Kreme Doughnut Corporation and BakeMark USA LLC.
10.3*	Form of RSU award agreement under the Krispy Kreme, Inc. 2021 Omnibus Incentive Plan.
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 July 3, 2022, 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 August 17, 2022.

Krispy Kreme, Inc.
By: /s/ Josh Charlesworth
Name: Josh Charlesworth
Title: Global President, Chief Operating Officer & Chief Financial Officer

**KRISPY KREME, INC.
2021 OMNIBUS INCENTIVE PLAN**

RESTRICTED STOCK UNIT AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (this “**Restricted Stock Unit Agreement**”), dated as of [REDACTED], 20 [REDACTED] (the “**Effective Date**”), is made by and between **KRISPY KREME, INC.**, a Delaware corporation (the “**Company**”), and [REDACTED] (the “**Participant**”). Capitalized terms used but not defined herein shall have the respective meanings ascribed to them in the Krispy Kreme, Inc. 2021 Omnibus Incentive Plan (as may be amended and/or restated from time to time, the “**Plan**”).

1. **Restricted Stock Unit Grant.** In accordance with the terms of the Plan and subject to this Restricted Stock Unit Agreement, as of the Effective Date, the Participant is hereby granted [REDACTED] Restricted Stock Units. The Restricted Stock Units, and any Shares acquired upon settlement thereof, are subject to the following terms and conditions and to the provisions of the Plan, the terms of which are incorporated by reference herein.
 2. **Vesting Period.**
 - (a) In General. The Restricted Stock Units shall become vested as follows: (i) sixty percent (60%) of the Restricted Stock Units shall vest on the third anniversary of the Vesting Commencement Date; (ii) twenty percent (20%) of the Restricted Stock Units shall vest on the fourth anniversary of the Vesting Commencement Date; and (iii) twenty percent (20%) of the Restricted Stock Units shall vest on the fifth anniversary of the Vesting Commencement Date (each, a “**Vesting Date**”); provided that the Participant remain in continuous employment with the Company or one of its Affiliates at all times from the Effective Date through each applicable Vesting Date. For purposes of this Restricted Stock Unit Agreement, “**Vesting Commencement Date**” means [REDACTED], 20 [REDACTED].
 - (b) Death or Disability. If, before the Restricted Stock Units have otherwise become fully vested in accordance with this Section 2, the Participant’s employment with the Company and its Affiliates terminates by reason of death or Disability, then the Restricted Stock Units shall immediately vest in full as of the date of such termination.
 - (c) Retirement. If, before the Restricted Stock Units have otherwise become fully vested in accordance with this Section 2, the Participant’s employment with the Company and its Affiliates terminates by reason of Retirement, then the Restricted Stock Units shall (i) immediately become vested with respect to the Applicable Fraction of the Restricted Stock Units less any previously vested Restricted Stock Units and (ii) be immediately forfeited and canceled with respect to the remaining unvested Restricted Stock Units. For purposes of applying the Applicable Fraction to the Restricted Stock Units under this Section 2(c), the numerator shall be the number of full months elapsed between the Vesting Commencement Date and the date of the Participant’s termination of employment by reason of Retirement, and the denominator shall be the number of months between the Vesting Commencement Date and the final Vesting Date. For purposes of this Restricted Stock Unit Agreement, “**Retirement**” means the
-

Participant's termination of employment (other than a termination for Cause) after attaining age sixty (60) and having completed at least five (5) years of continuous employment with the Company or any of its Affiliates.

- (d) Change in Control. In the event of a Change in Control, the Restricted Stock Units shall be treated in accordance with Section 13 of the Plan.
- 3. **Settlement of Restricted Stock Units.** The Shares related to such vested Restricted Stock Units shall be delivered promptly (and in all events within 60 days) following the date such Restricted Stock Units have become vested.
- 4. **Rights as a Stockholder.** The Participant shall not have any rights of a stockholder as a result of receiving a Restricted Stock Unit under this Restricted Stock Unit Agreement, including, but not limited to, any right to vote the Shares to be issued hereunder, unless and until (and only to the extent) the Restricted Stock Units have vested and, thereafter, the Shares have been distributed pursuant to Section 3 hereof.
- 5. **Withholding Taxes.**
 - (a) As a condition to acceptance of any Shares in settlement of the Restricted Stock Units, the Participant authorizes withholding from payroll and any other amounts payable to such Participant, and otherwise agrees to make adequate provision for (including), any sums required to be withheld (or permitted to be withheld in a manner that will not cause adverse accounting consequences for the Company or an Affiliate) to satisfy any U.S. federal, state, local and/or foreign tax or social insurance contribution withholding obligations (the "**Required Tax Payments**") of the Company or an Affiliate, if any, that arise in connection with the Restricted Stock Units. If the Participant shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to the Participant.
 - (b) The Participant may elect, subject to Company approval, to satisfy his or her obligation to advance the Required Tax Payments with respect to the Restricted Stock Units by any of the following means: (1) a cash payment to the Company pursuant to Section 5(a) hereof, (2) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole Shares (which the Participant has held for at least six (6) months prior to the delivery of such Shares or which the Participant purchased on the open market and for which the Participant has good title, free and clear of all liens and encumbrances) having a Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Restricted Stock Units (the "**Tax Date**"), equal to the Required Tax Payments, (3) authorizing the Company to withhold from the Shares otherwise to be delivered to the Participant pursuant to the Restricted Stock Units, a number of whole Shares having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments, (4) a cash payment following the Participant's sale of (or by a broker-dealer acceptable to the Company through which the Participant has sold) a number of Shares with respect to which the Required Tax Payments have arisen having a Fair Market Value determined as of the Tax Date equal to the Required

Tax Payments, or (5) any combination of (1), (2), (3) and (4) above. Any fraction of a Share that would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Participant. No certificate representing a Share shall be delivered until the Required Tax Payments have been satisfied in full.

6. **Transfers.** Restricted Stock Units may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.
7. **Governing Law.** This Restricted Stock Unit Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the principles of conflicts of law of such state.
8. **Agreement Binding on Successors.** The terms of this Restricted Stock Unit Agreement shall be binding upon the Participant and upon the Participant's heirs, executors, administrators, personal representatives, transferees, assignees and successors in interest, and upon the Company and its successors and assignees, subject to the terms of the Plan.
9. **No Assignment.** Notwithstanding anything to the contrary in this Restricted Stock Unit Agreement, neither this Restricted Stock Unit Agreement nor any rights granted herein shall be assignable by the Participant.
10. **Nature of Grant.** This Restricted Stock Unit Agreement is intended to comply with the applicable laws of any country or jurisdiction where Restricted Stock Units are granted under the Plan, and all provisions hereof shall be construed in a manner to so comply. In accepting the Restricted Stock Units, the Participant acknowledges, understands and agrees that:
 - (a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;
 - (b) the grant of the Restricted Stock Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Awards, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;
 - (c) all decisions with respect to future Awards or other grants, if any, will be at the sole discretion of the Company;
 - (d) the Participant is voluntarily participating in the Plan;
 - (e) the Restricted Stock Units and any Shares acquired under the Plan are not intended to replace any pension rights or compensation;
 - (f) the Restricted Stock Units and any Shares acquired under the Plan and the income and value of same, are not part of the Participant's normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments;

- (g) the future value of the Shares underlying the Restricted Stock Units is unknown, indeterminable, and cannot be predicted with certainty;
- (h) the value of such Shares may increase or decrease in value;
- (i) to the extent permitted by applicable law, no claim or entitlement to compensation or damages shall arise from the forfeiture of the Restricted Stock Units resulting from the termination of the Participant's employment with the Company or an Affiliate (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is providing continuous employment or the terms of the Participant's employment agreement, if any), and in consideration of the grant of the Restricted Stock Units to which the Participant is otherwise not entitled, the Participant irrevocably agrees never to institute any claim against the Company or an Affiliate, waive the Participant's ability, if any, to bring any such claim, and release the Company or an Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, the Participant shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;
- (j) for purposes of the Restricted Stock Units, the Participant's employment will be considered terminated as of the date the Participant is no longer actively providing services to the Company or an Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is providing employment or service or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Restricted Stock Unit Agreement or determined by the Company, the Participant's right to vest in the Restricted Stock Units will terminate as of such date and will not be extended by any notice period (e.g., the Participant's period of employment would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any);
- (k) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Restricted Stock Unit Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and
- (l) the Participant acknowledges and agrees that neither the Company nor an Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to the Participant upon settlement of the Restricted Stock Units.

11. **DATA PRIVACY.** *The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in this Restricted Stock Unit Agreement and any other grant materials by and among, as applicable, the Company and any Affiliate for the exclusive purpose of implementing, administering and managing participation in the Plan. The Participant understands that the Company and any Affiliate may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of all Awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan. The Participant understands that Data will be transferred to a third party stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipient's country (e.g., the United States) may have different data privacy laws with a lower level of protection than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. The Participant authorizes the Company, and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purposes of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke his or her consent, the Participant's continuous employment and career with the Company or an Affiliate will not be adversely affected; the only adverse consequence of refusing or withdrawing consent is that the Company would not be able to grant the Participant restricted stock units or other equity awards or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing consent may affect his or her ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.*
12. **Necessary Acts.** The Participant hereby agrees to perform all acts, and to execute and deliver any documents that may be reasonably necessary to carry out the provisions of this Restricted Stock Unit Agreement, including but not limited to all acts and documents related to compliance with federal and/or state securities and/or tax laws.

13. **Severability.** Should any provision of this Restricted Stock Unit Agreement be held by a court of competent jurisdiction to be unenforceable, or enforceable only if modified, such holding shall not affect the validity of the remainder of this Restricted Stock Unit Agreement, the balance of which shall continue to be binding upon the parties hereto with any such modification (if any) to become a part hereof and treated as though contained in this original Restricted Stock Unit Agreement. Moreover, if one or more of the provisions contained in this Restricted Stock Unit Agreement shall for any reason be held to be excessively broad as to scope, activity, subject or otherwise so as to be unenforceable, in lieu of severing such unenforceable provision, such provision or provisions shall be construed by the appropriate judicial body by limiting or reducing it or them, so as to be enforceable to the maximum extent compatible with the applicable law as it shall then appear, and such determination by such judicial body shall not affect the enforceability of such provisions or provisions in any other jurisdiction.
14. **Entire Agreement.** This Restricted Stock Unit Agreement and the Plan contain the entire agreement and understanding among the parties as to the subject matter hereof, and supersede any other agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof.
15. **Headings.** Headings are used solely for the convenience of the parties and shall not be deemed to be a limitation upon or descriptive of the contents of any such Section.
16. **Counterparts; Electronic Signature.** This Restricted Stock Unit Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument. The Participant's electronic signature of this Restricted Stock Unit Agreement shall have the same validity and effect as a signature affixed by the Participant's hand.
17. **Amendment.** No amendment or modification hereof shall be valid unless it shall be in writing and signed by all parties hereto.
18. **Set-Off.** The Participant hereby acknowledges and agrees, without limiting the rights of the Company or any Affiliate thereof otherwise available at law or in equity, that, to the extent permitted by law, any amount due to the Participant under this Restricted Stock Unit Agreement may be reduced by, and set-off against, any or all amounts or other consideration payable by the Participant to the Company or any of its Affiliates under any other agreement or arrangement between the Participant and the Company or any of its Affiliates; provided that any such set-off does not result in a penalty under Section 409A of the Code.
19. **Code Section 280G.**
 - (a) Notwithstanding anything to the contrary contained in this Restricted Stock Unit Agreement, to the extent that, upon a Change in Control, any of the payments and benefits provided for under the Plan, any Award Agreement or any other agreement or arrangement between the Company or any of its Affiliates and the Participant (collectively, the "**Payments**") would constitute a "parachute payment" within the meaning of Section 280G of the Code (a "**Parachute Payment**"), then, if and solely to the extent that reducing such Payments would result in the Participant receiving a

greater amount, on an after-tax basis, taking into account any excise tax and all applicable income, employment and other taxes payable on such amounts, the Payments shall be reduced to the amount that would result in no portion of the Payments being treated as an excess parachute payment pursuant to section 280G of the Code.

- (b) Any reduction in the amount of compensation or benefits effected pursuant to this Section 19 shall first come, in order and, in each case, solely to the extent necessary, from any cash severance benefits payable to the Participant, then from any other payments that are treated in their entirety as Parachute Payments and then from any other Parachute Payments payable to the Participant with the later possible payment or vesting date being reduced or eliminated before a payment or benefit with an earlier payment or vesting date; provided that if the foregoing order of reduction or elimination would violate Section 409A of the Code, then the reduction shall be made pro rata among the payments or benefits otherwise due or payable to the Participant.

20. **Code Section 409A; Reformation.**

- (a) The intent of the parties is that the payments and benefits under this Restricted Stock Unit Agreement comply with Section 409A of the Code ("**Section 409A**"), to the extent subject thereto, and accordingly, to the maximum extent permitted, this Restricted Stock Unit Agreement shall be interpreted to be in compliance therewith or exempt therefrom. Without limiting the foregoing and notwithstanding anything contained herein to the contrary, to the extent required in order to avoid accelerated taxation and/or tax penalties under Section 409A, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Restricted Stock Unit Agreement or any other arrangement between the Participant and the Company during the six (6) month period immediately following the Participant's separation from service shall instead be paid on the first business day after the date that is six (6) months following the Participant's separation from service (or, if earlier, the Participant's date of death). All payments under this Restricted Stock Unit Agreement shall be considered to be separate payments for purposes of Section 409A. The Company makes no representation that any or all of the payments described in this Restricted Stock Unit Agreement will be exempt from or comply with Section 409A and makes no undertaking to preclude Section 409A from applying to any such payment. The Participant shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A.
- (b) If any provision of this Restricted Stock Unit Agreement or the Plan shall be invalid or unenforceable, in whole or in part, or as applied to any circumstance, under the laws of any jurisdiction that may govern for such purpose, or if any provision of this Restricted Stock Unit Agreement or the Plan needs to be interpreted to comply with the requirements of Section 409A, then such provision shall be deemed to be modified or restricted, or so interpreted, to the extent and in the manner necessary to render the same valid and enforceable, or to the extent and in the manner necessary to be interpreted in compliance with such requirements of the Code, either generally or as applied to such circumstance, or shall be deemed excised from this Restricted Stock Unit Agreement or the Plan, as the case may require, and this Restricted Stock Unit

Agreement or the Plan shall be construed and enforced to the maximum extent permitted by law as if such provision had been originally incorporated herein as so modified or restricted, or as if such provision had not been originally incorporated herein, as the case may be.

[remainder of page intentionally left]

00027474.docx

ELECTRONIC ACCEPTANCE

By the Participant's electronic acceptance hereof, the Participant and the Company agree that this Award is granted and governed by the terms and conditions of the Plan and this Restricted Stock Unit Agreement.

By the Participant's electronic acceptance hereof, the Participant agrees that in lieu of receiving documents in paper format, the Participant accepts the electronic delivery of any documents by the Company, or any third party involved in administering the Plan that the Company may designate, may deliver in connection with this Award (including the Plan, this Restricted Stock Unit Agreement, account statements, or other communications or information) whether via the Company's intranet or the internet site of such third party or via email or such other means of electronic delivery specified by the Company. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or any third party involved in administering the Plan that the Company may designate.

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 July 3, 2022 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: August 17, 2022

/s/ Michael Tattersfield
Michael Tattersfield
Chief Executive Officer

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

I, Josh Charlesworth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended July 3, 2022 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: August 17, 2022

/s/ Josh Charlesworth
 Josh Charlesworth
 Global President, Chief Operating Officer & 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 July 3, 2022, 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: August 17, 2022

/s/ Michael Tattersfield
Michael Tattersfield
Chief Executive Officer

Date: August 17, 2022

/s/ Josh Charlesworth
Josh Charlesworth
Global President, Chief Operating Officer & Chief Financial Officer