DUNKIN' BRANDS GROUP, INC.
Form 10-K
February 18, 2016

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the year ended December 26, 2015

OR

¨ 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 001-35258

DUNKIN' BRANDS GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	20-4145825
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

130 Royall Street
Canton, Massachusetts 02021
(Address of principal executive offices) (zip code)
(781) 737-3000
(Registrants' telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock, $0.001 par value per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	x	Accelerated filer	¨

Non-accelerated filer ¨ Smaller Reporting Company ¨

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

The aggregate market value of the voting and non-voting stock of the registrant held by non-affiliates of Dunkin' Brands Group, Inc. computed by reference to the closing price of the registrant's common stock on the NASDAQ Global Select Market as of June 27, 2015, was approximately $5.27 billion.

As of February 16, 2016, 91,667,379 shares of common stock of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for the 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Form 10-K, are incorporated by reference in Part III, Items 10-14 of this Form 10-K.

DUNKIN' BRANDS GROUP, INC. AND SUBSIDIARIES
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Forward-Looking Statements

This report on Form 10-K, as well as other written reports and oral statements that we make from time to time, includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Generally these statements can be identified by the use of words such as "anticipate," "believe," "could," "estimate," "expect," "feel," "forecast," "intend," "may," "plan," "potential," "project," "should" or "would" and simi intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include all matters that are not historical facts.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Our actual results and the timing of certain events could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this report and in our other public filings with the Securities and Exchange Commission, or SEC.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments.

PART I

Item 1. Business.

Our Company

We are one of the world's leading franchisors of quick service restaurants ("QSRs") serving hot and cold coffee and baked goods, as well as hard serve ice cream. We franchise restaurants under our Dunkin' Donuts and Baskin-Robbins brands. With over 19,000 points of distribution in more than 60 countries worldwide, we believe that our portfolio has strong brand awareness in our key markets.

We believe that our nearly 100% franchised business model offers strategic and financial benefits. For example, because we do not own or operate a significant number of restaurants, our Company is able to focus on menu innovation, marketing, franchisee coaching and support, and other initiatives to drive the overall success of our brand. Financially, our franchised model allows us to grow our points of distribution and brand recognition with limited capital investment by us.

We operate our business in four segments: Dunkin' Donuts U.S., Dunkin' Donuts International, Baskin-Robbins International and Baskin-Robbins U.S. In 2015, our Dunkin' Donuts segments generated revenues of $614.0 million, or 79% of our total segment revenues, of which $591.1 million was in the U.S. segment and $23.0 million was in the international segment. In 2015, our Baskin-Robbins segments generated revenues of $164.2 million, of which $119.0 million was in the international segment and $45.2 million was in the U.S. segment. As of December 26, 2015, there were 11,750 Dunkin' Donuts points of distribution, of which 8,431 were in the U.S. and 3,319 were international, and 7,607 Baskin-Robbins points of distribution, of which 5,104 were international and 2,503 were in the U.S. See note 12 to our consolidated financial statements included herein for segment information.

We generate revenue from five primary sources: (i) royalty income and fees associated with franchised restaurants; (ii) rental income from restaurant properties that we lease or sublease to franchisees; (iii) sales of ice cream and other products to franchisees in certain international markets; (iv) retail store revenue at our company-operated restaurants, and (v) other income including fees for the licensing of the Dunkin' Donuts brand for products sold in non-franchised outlets (such as retail packaged coffee and Dunkin' K-Cup® pods), the licensing of the rights to manufacture Baskin-Robbins ice cream products to a third party for sale to U.S. franchisees, refranchising gains, transfer fees from franchisees, and online training fees.

Our history

Both of our brands have a rich heritage dating back to the 1940s, when Bill Rosenberg founded his first restaurant, subsequently renamed Dunkin' Donuts, and Burt Baskin and Irv Robbins each founded a chain of ice cream shops that eventually combined to form Baskin-Robbins. Baskin-Robbins and Dunkin' Donuts were individually acquired by Allied Domecq PLC in 1973 and 1989, respectively. The brands were organized under the Allied Domecq Quick Service Restaurants subsidiary, which was renamed Dunkin' Brands, Inc. in 2004. Allied Domecq was acquired in July 2005 by Pernod Ricard S.A. In March of 2006, we were acquired by investment funds affiliated with Bain Capital Partners, LLC, The Carlyle Group and Thomas H. Lee Partners, L.P. through a holding company that was incorporated in Delaware on November 22, 2005, and was later renamed Dunkin' Brands Group, Inc. In July 2011, we completed our initial public offering (the "IPO"). Upon the completion of the IPO, our common stock became listed on the NASDAQ Global Select Market under the symbol "DNKN."

Our brands

Dunkin' Donuts-U.S.

Dunkin' Donuts is a leading U.S. QSR concept, and is a QSR market leader in donut and bagel categories for servings. Dunkin' Donuts is also a national QSR leader for breakfast sandwich servings. Since the late 1980s, Dunkin' Donuts has transformed itself into a coffee and beverage-based concept, and is the national QSR leader in servings in the hot regular/decaf/flavored coffee category and the iced regular/decaf/flavored coffee category, with sales of over 1.7 billion servings of total hot and iced coffee annually. From the fiscal year ended August 31, 2005 to the fiscal year ended December 26, 2015, Dunkin' Donuts U.S. systemwide sales have grown at a 6.8% compound annual growth rate. Total U.S. Dunkin' Donuts points of distribution grew from 4,815 at August 31, 2005 to 8,431 as of December 26, 2015. Approximately 86% of these points of distribution are traditional restaurants consisting of end-cap, in-line and stand-alone restaurants, many with drive-thrus, and gas and convenience locations. In addition, we have alternative points of distribution (“APODs”), such as full- or self-service kiosks in offices, hospitals, colleges, airports, grocery stores, and other smaller-footprint properties. We believe that Dunkin’ Donuts continues to have significant growth potential in the U.S. given its strong brand awareness and variety of restaurant formats. For fiscal year 2015, the Dunkin’ Donuts franchise system generated U.S. franchisee-reported sales of $7.6 billion, which accounted for approximately 75% of our global franchisee-reported sales, and had 8,431 U.S. points of distribution (with more than 50% of our restaurants having drive-thrus) at period end.

Baskin-Robbins-U.S.

Baskin-Robbins is one of the leading QSR chains in the U.S. for servings of hard-serve ice cream and develops and sells a full range of frozen ice cream treats such as cones, cakes, sundaes and frozen beverages. Baskin-Robbins enjoys 89% aided brand awareness in the U.S., and we believe the brand is known for its innovative flavors, popular "Birthday Club" program and ice cream flavor library of over 1,300 different offerings. Additionally, our Baskin-Robbins U.S. segment has experienced comparable store sales growth in each of the last five fiscal years. We believe we can capitalize on the brand's strengths and continue generating renewed excitement for the brand. Baskin-Robbins' "31 flavors," offering consumers a different flavor for each day of the month, is recognized by ice cream consumers nationwide. For fiscal year 2015, the Baskin-Robbins franchise system generated U.S. franchisee-reported sales of approximately $582 million, which accounted for approximately 6% of our global franchisee-reported sales. Total U.S. Baskin-Robbins points of distribution declined from 2,780 at August 31, 2005 to 2,503 as of December 26, 2015.

International operations

Our international business is primarily conducted via joint ventures and country or territorial license arrangements with "master franchisees," who both operate and sub-franchise the brand within their licensed areas. Increasingly, in certain high potential markets, we are migrating to a model with multiple franchisees in one country, including markets in the United Kingdom, Germany, China, and Mexico. Our international franchise system, predominantly located across Asia and the Middle East, generated franchisee-reported sales of $2.0 billion for fiscal year 2015, which represented approximately 19% of Dunkin' Brands' global franchisee-reported sales. Dunkin' Donuts had 3,319 restaurants in 42 countries (excluding the U.S.), representing $678 million of international franchisee-reported sales for fiscal year 2015, and Baskin-Robbins had 5,104 restaurants in 47 countries (excluding the U.S.), representing approximately $1.3 billion of international franchisee-reported sales for the same period. From August 31, 2005 to December 26, 2015, total international Dunkin' Donuts points of distribution grew from 1,775 to 3,319, and total international Baskin-Robbins points of distribution grew from 2,856 to 5,104. We believe that we have opportunities to continue to grow our Dunkin' Donuts and Baskin-Robbins concepts internationally in new and existing markets through brand and menu differentiation.

Overview of franchising

Franchising is a business arrangement whereby a service organization, the franchisor, grants an operator, the franchisee, a license to sell the franchisor's products and services and use its system and trademarks in a given area, with or without exclusivity. In the context of the restaurant industry, a franchisee pays the franchisor for its concept, strategy, marketing, operating system, training, purchasing power, and brand recognition. Franchisees are solely responsible for the day-to-day operations in each franchised restaurant, including but not limited to all labor and employment decisions, such as hiring, promoting, discharging, scheduling, and setting wages, benefits and all other terms of employment with respect to their employees.

Franchisee relationships

We seek to maximize the alignment of our interests with those of our franchisees. For instance, we do not derive additional income through serving as the supplier to our domestic franchisees. In addition, because the ability to execute our strategy is dependent upon the strength of our relationships with our franchisees, we maintain a multi-tiered advisory council system to foster an active dialogue with franchisees. The advisory council system provides feedback and input on all major brand initiatives and is a source of timely information on evolving consumer preferences, which assists new product introductions and advertising campaigns.

Unlike certain other QSR franchise systems, we generally do not guarantee our franchisees' financing obligations. From time to time, at our discretion, we may offer voluntary financing to existing franchisees for specific programs such as the purchase of specialized equipment. As of December 26, 2015, if all of our outstanding guarantees of third party franchisee financing obligations came due, we would be liable for $2.0 million. We intend to continue our past practice of limiting our guarantee of financing for franchisees.

Franchise agreement terms

For each franchised restaurant in the U.S., we enter into a franchise agreement covering a standard set of terms and conditions. A prospective franchisee may elect to open either a single-branded distribution point or a multi-branded distribution point. In addition, and depending upon the market, a franchisee may purchase the right to open a franchised restaurant at one or multiple locations (via a store development agreement, or “SDA”). When granting the right to operate a restaurant to a potential franchisee, we will generally evaluate the potential franchisee’s prior food-service experience, history in managing profit and loss operations, financial history, and available capital and financing. We also evaluate potential new franchisees based on financial measures, including liquid asset and net worth minimums for each brand.

The typical franchise agreement in the U.S. has a 20-year term. The majority of our franchisees have entered into prime leases with a third-party landlord. The Company is the lessee on certain land leases (the Company leases the land and erects a building) or improved leases (lessor owns the land and building) covering restaurants and other properties. In addition, the Company has leased and subleased land and buildings to other franchisees. When we sublease properties to franchisees, the sublease generally follows the prime lease term. Our leases to franchisees are typically for an overall term of 20 years.

We help domestic franchisees select sites and develop restaurants that conform to the physical specifications of our typical restaurant. Each domestic franchisee is responsible for selecting a site, but must obtain site approval from us based on accessibility, visibility, proximity to other restaurants, and targeted demographic factors including population density and traffic patterns. Additionally, the franchisee must also refurbish and remodel each restaurant periodically (typically every five and ten years, respectively).

We currently require each domestic franchisee’s managing owner and/or designated manager to complete initial and ongoing training programs provided by us, including minimum periods of classroom and on-the-job training. We monitor quality and endeavor to ensure compliance with our standards for restaurant operations through restaurant visits in the U.S. In addition, a restaurant operation review is conducted throughout our domestic operations at least once per year. To complement these procedures, we use “Guest Satisfaction Surveys” in the U.S. to assess customer satisfaction with restaurant operations, such as product quality, restaurant cleanliness, and customer service.

Store development agreements

We grant domestic franchisees the right to open one or more restaurants within a specified geographic area pursuant to the terms of store development agreements (“SDAs”). An SDA specifies the number of restaurants and the mix of the brands represented by such restaurants that a franchisee is obligated to open. Each SDA also requires the franchisee to meet certain milestones in the development and opening of the restaurant and, if the franchisee meets those obligations, we agree, during the term of such SDA, not to operate or franchise new restaurants in the designated geographic area covered by such SDA. In addition to an SDA, a franchisee signs a separate franchise agreement for each restaurant developed under such SDA.

Master franchise model and international arrangements

Master franchise arrangements are used on a limited basis domestically (the Baskin-Robbins brand has one “territory” franchise agreement for certain Midwestern markets) but more widely internationally for both the Baskin-Robbins brand and the Dunkin’ Donuts brand. In addition, international arrangements include joint venture agreements in South Korea (both brands), Spain (Dunkin’ Donuts brand), Australia (Baskin-Robbins brand), and Japan (Baskin-Robbins brand), as well as single unit franchises, such as in Canada (both brands). We are increasingly utilizing a multi-franchise system in certain high potential markets, including in the United Kingdom, Germany, China, and Mexico.

Master franchise agreements are the most prevalent international relationships for both brands. Under these agreements, the applicable brand grants the master franchisee the exclusive right to develop and operate a certain number of restaurants within a particular geographic area, such as selected cities, one or more provinces or an entire country, pursuant to a development schedule that defines the number of restaurants that the master franchisee must open annually. Those development schedules customarily extend for five to ten years. If the master franchisee fails to perform its obligations, the exclusivity provision of the agreement terminates and additional franchise agreements may be put in place to develop restaurants.

The master franchisee is generally required to pay an upfront initial franchise fee for each developed restaurant or an upfront market development fee, and, for the Dunkin’ Donuts brand, royalties. For the Baskin-Robbins brand, the master franchisee is typically required to purchase ice cream from Baskin-Robbins or an approved supplier. In most countries, the master franchisee is also required to spend a certain percentage of gross sales on advertising in such foreign country in order to promote the brand. Generally, the master franchise agreement serves as the franchise agreement for the underlying restaurants operating pursuant to such model. Depending on the individual agreement, we may permit the master franchisee to subfranchise within its territory.

Within each of our master franchisee and joint venture organizations, training facilities have been established by the master franchisee or joint venture based on our specifications. From those training facilities, the master franchisee or joint venture trains future staff members of the international restaurants. Our master franchisees and joint venture entities also periodically send their primary training managers to the U.S. for re-certification.

Franchise fees

In the U.S., once a franchisee is approved, a restaurant site is approved, and a franchise agreement is signed, the franchisee will begin to develop the restaurant. Franchisees pay us an initial franchise fee for the right to operate a restaurant for one or more franchised brands. The franchisee is required to pay all or part of the initial franchise fee upfront upon execution of the franchise agreement, regardless of when the restaurant is actually opened. Initial franchise fees vary by brand, type of development agreement and geographic area of development, but generally range from $25,000 to $100,000, as shown in the table below.

Restaurant type	Initial franchise fee*
Dunkin' Donuts Single-Branded Restaurant	$ 40,000-90,000
Baskin-Robbins Single-Branded Restaurant	$25,000
Dunkin' Donuts/Baskin-Robbins Multi-Branded Restaurant	$ 50,000-100,000

* Fees effective as of January 1, 2016 and excludes alternative points of distribution

In addition to the payment of initial franchise fees, our U.S. Dunkin' Donuts brand franchisees, U.S. Baskin-Robbins brand franchisees, and our international Dunkin' Donuts brand franchisees pay us royalties on a percentage of the gross sales made from each restaurant. In the U.S., the majority of our franchise agreement renewals and the vast majority of our new franchise agreements require our franchisees to pay us a royalty of 5.9% of gross sales. During 2015, our effective royalty rate in the Dunkin' Donuts U.S. segment was approximately 5.4% and in the Baskin-Robbins U.S. segment was approximately 4.9%. The arrangements for Dunkin' Donuts in the majority of our international markets require royalty payments to us of 5.0% of gross sales. However, many of our larger international partners, including our South Korean joint venture partner, have agreements at a lower rate, resulting in an effective royalty rate in the Dunkin' Donuts international segment in 2015 of approximately 2.3%. We typically collect royalty payments on a weekly basis from our domestic franchisees. For the Baskin-Robbins brand in international markets, we do not generally receive royalty payments from our franchisees; instead we earn revenue from such franchisees as a result of our sale of ice cream products to them, and in 2015 our effective royalty rate in this segment was approximately 0.5%.

In certain instances, we supplement and modify certain SDAs, and franchise agreements entered into pursuant to such SDAs with certain incentives that may (i) reduce or eliminate the initial franchise fee associated with a franchise agreement; (ii) reduce the royalties for a specified period of the term of the franchise agreements depending on the details related to each specific incentive program; (iii) reimburse the franchisee for certain local marketing activities in excess of the minimum required; and (iv) provide certain development incentives. To qualify for any or all of these incentives, the franchisee must meet certain requirements, each of which are set forth in an addendum to the SDA and the franchise agreement. We believe these incentives will lead to accelerated development in our less mature markets.

Franchisees in the U.S. also pay advertising fees to the brand-specific advertising funds administered by us. Franchisees make weekly contributions, generally 5% of gross sales, to the advertising funds. Franchisees may elect to increase the contribution to support general brand-building efforts or specific initiatives. The advertising funds for the U.S., which received $400.6 million in contributions from franchisees in fiscal year 2015, are almost exclusively franchisee-funded and cover all expenses related to marketing, research and development, innovation, advertising and promotion, including market research, production, advertising costs, public relations, and sales promotions. We use no more than 20% of the advertising funds to cover the administrative expenses of the advertising funds and for other strategic initiatives designed to increase sales and to enhance the reputation of the brands. As the administrator of the advertising funds, we determine the content and placement of advertising, which is done through print, radio, television, online, billboards, sponsorships, and other media, all of which is sourced by agencies. Under certain circumstances, franchisees are permitted to conduct their own local advertising, but must obtain our prior approval of content and promotional plans.

Other franchise related fees

We lease and sublease properties to franchisees in the U.S. and in Canada, generating net rental fees when the cost charged to the franchisee exceeds the cost charged to us. For fiscal year 2015, we generated 12.4%, or $100.4 million, of our total revenue from rental fees from franchisees and incurred related occupancy expenses of $54.6 million.

We also receive a license fee from Dean Foods Co. ("Dean Foods") as part of an arrangement whereby Dean Foods manufactures and distributes ice cream and other frozen products to Baskin-Robbins franchisees in the U.S. In connection with this agreement, Dunkin' Brands receives a fee based on net sales of covered products. For fiscal year

2015, we generated 1.2%, or $10.1 million, of our total revenue from license fees from Dean Foods.

We distribute ice cream products to Baskin-Robbins franchisees who operate Baskin-Robbins restaurants located in certain foreign countries and receive revenue associated with those sales. For fiscal year 2015, we generated 14.2%, or $115.3 million, of our total revenue from the sale of ice cream products to franchisees primarily in certain foreign countries.

Other revenue sources include online training fees, licensing fees earned from the sale of retail packaged coffee and K-Cup® pods, net refranchising gains, and other one-time fees such as transfer fees and late fees. For fiscal year 2015, we generated 5.4%, or $43.6 million, of our total revenue from these other sources.

International operations

Our international business is organized by brand and by country and/or region. Operations are primarily conducted through master franchise agreements with local operators. In certain instances, the master franchisee may have the right to sub-franchise. Increasingly, we have utilized a multi-franchise system in certain high potential markets, including the United Kingdom, Germany, China and Mexico. In addition, we have a joint venture with a local, publicly-traded company for the Baskin-Robbins brand in Japan and joint ventures with local companies in Australia for the Baskin-Robbins brand, in Spain for the Dunkin' Donuts brand, and in South Korea for both the Dunkin' Donuts and Baskin-Robbins brands. By teaming with local operators, we believe we are better able to adapt our concepts to local business practices and consumer preferences. We have had an international presence since 1961 when the first Dunkin' Donuts restaurant opened in Canada. As of December 26, 2015, there were 5,104 Baskin-Robbins restaurants in 47 countries outside the U.S. and 3,319 Dunkin' Donuts restaurants in 42 countries outside the U.S. Baskin-Robbins points of distribution represent the majority of our international presence and accounted for approximately 65% of international franchisee-reported sales and approximately 84% of our international revenues for fiscal year 2015.

Our key markets for both brands are predominantly based in Asia and the Middle East, which accounted for approximately 69% and 18%, respectively, of international franchisee-reported sales for fiscal year 2015. For fiscal year 2015, $2.0 billion of total franchisee-reported sales were generated by restaurants located in international markets, which represented approximately 19% of total franchisee-reported sales, with the Dunkin' Donuts brand accounting for $678 million and the Baskin-Robbins brand accounting for $1.3 billion of our international franchisee-reported sales. For the same period, our revenues from international operations totaled $142.0 million, with the Baskin-Robbins brand generating approximately 84% of such revenues.

Overview of key markets

As of December 26, 2015, the top foreign countries and regions in which the Dunkin' Donuts brand and/or the Baskin-Robbins brand operated were:

Country/Region	Type	Franchised brand(s)	Number of restaurants
South Korea	Joint Venture	Dunkin' Donuts	788
		Baskin-Robbins	1,196
Japan	Joint Venture	Baskin-Robbins	1,191
Middle East	Master Franchise Agreements	Dunkin' Donuts	458
		Baskin-Robbins	778

South Korea

Restaurants in South Korea accounted for approximately 38% of total franchisee-reported sales from international operations for fiscal year 2015. Baskin-Robbins accounted for 67% of such sales. In South Korea, we conduct business through a 33.3% ownership stake in a combination Dunkin' Donuts brand/Baskin-Robbins brand joint venture, with South Korean shareholders owning the remaining 66.7% of the joint venture. The joint venture acts as the master franchisee for South Korea, sub-franchising the Dunkin' Donuts and Baskin-Robbins brands to franchisees. The joint venture also manufactures and supplies restaurants located in South Korea with ice cream, donuts, and coffee products.

Japan

Restaurants in Japan accounted for approximately 18% of total franchisee-reported sales from international operations for fiscal year 2015, 100% of which came from Baskin-Robbins. We conduct business in Japan through a 43.3% ownership stake in a Baskin-Robbins brand joint venture. Our partner also owns a 43.3% interest in the joint venture, with the remaining 13.4% owned by public shareholders. The joint venture manufactures and sells ice cream to restaurants in Japan and acts as master franchisee for the country.

Middle East
The Middle East represents another key region for us. Restaurants in the Middle East accounted for approximately 18% of total franchisee-reported sales from international operations for fiscal year 2015. Baskin-Robbins accounted for approximately 71% of such sales. We conduct operations in the Middle East through master franchise arrangements.

Industry overview
According to The NPD Group/CREST® ("CREST®"), the QSR segment of the U.S. restaurant industry accounted for approximately $269 billion of the total $431 billion restaurant industry sales in the U.S. for the twelve months ended December 31, 2015. The U.S. restaurant industry is generally categorized into segments by price point ranges, the types of food and beverages offered, and service available to consumers. QSR is a restaurant format characterized by counter or drive-thru ordering and limited, or no, table service. QSRs generally seek to capitalize on consumer desires for quality and convenient food at economical prices.

Our Dunkin' Donuts brand competes in the QSR segment categories and subcategories that include coffee, donuts, muffins, bagels, and breakfast sandwiches. In addition, in the U.S., our Dunkin' Donuts brand has historically focused on the breakfast daypart, which we define to include the portion of each day from 5:00 a.m. until 11:00 a.m. While, according to CREST® data, the compound annual growth rate for total QSR daypart visits in the U.S. grew by 1% over the five-year period ended December 31, 2015, the compound annual growth rate for QSR visits in the U.S. during the morning meal daypart was 3% over the same five-year period. There can be no assurance that such growth rates will be sustained in the future.

For the twelve months ended December 31, 2015, there were sales of over 8 billion restaurant servings of coffee in the U.S., 86% of which were attributable to the QSR segment, according to CREST® data. According to CREST®, total coffee servings at QSR have grown at a 4% compound annual rate for the five-year period ending December 31, 2015. Over the years, our Dunkin' Donuts brand has evolved into a predominantly coffee-based concept, with approximately 58% of Dunkin' Donuts' U.S. franchisee-reported sales for fiscal year 2015 generated from coffee and other beverages. We believe QSRs, including Dunkin' Donuts, are positioned to capture additional coffee market share through an increased focus on coffee offerings.

Our Baskin-Robbins brand competes primarily in QSR segment categories and subcategories that include hard-serve ice cream as well as those that include soft serve ice cream, frozen yogurt, shakes, malts, floats, and cakes. While both of our brands compete internationally, approximately 67% of Baskin-Robbins restaurants are located outside of the U.S. and represent the majority of our total international sales and points of distribution.

Competition
We compete primarily in the QSR segment of the restaurant industry and face significant competition from a wide variety of restaurants, convenience stores, and other outlets that provide consumers with coffee, baked goods, sandwiches, and ice cream on an international, national, regional, and local level. We believe that we compete based on, among other things, product quality, restaurant concept, service, convenience, value perception, and price. Our competition continues to intensify as competitors increase the breadth and depth of their product offerings, particularly during the breakfast daypart, and open new units. Although new competitors may emerge at any time due to the low barriers to entry, our competitors include: 7-Eleven, Burger King, Cold Stone Creamery, Cumberland Farms, Dairy Queen, McDonald's, Panera Bread, Quick Trip, Starbucks, Subway, Taco Bell, Tim Hortons, WaWa, and Wendy's, among others. Additionally, we compete with QSRs, specialty restaurants, and other retail concepts for prime restaurant locations and qualified franchisees.

Licensing
We derive licensing revenue from agreements with Dean Foods for domestic ice cream sales, with The J.M. Smucker Co. ("Smuckers") for the sale of packaged coffee in non-franchised outlets (primarily grocery retail), and with Keurig Green Mountain, Inc. ("KGM") and Smuckers for sale of Dunkin' K-Cup® pods in non-franchised outlets (primarily grocery retail), as well as from other licensees. For the 52 weeks ending December 27, 2015, the Dunkin' Donuts branded 12 oz. original blend coffee, which is distributed by Smuckers, was the #1 stock-keeping unit nationally in the premium coffee category. For the 52 weeks ending December 27, 2015, sales of our 12 oz. original blend, as expressed in total equivalent units and dollar sales, were double that of the next closest competitor. Additionally, for

the four weeks ending December 27, 2015, the newly launched 10 count carton of our original blend K-Cup® pods, also distributed by Smuckers, was the #1 stock-keeping unit nationally in the K-Cup® pod category. We sold more than 150 million Dunkin’ K-Cup® pods into the grocery outlets since launch in May 2015. With the introduction of Dunkin’ K-Cup® pods into grocery outlets, more than 1.9 billion cups of Dunkin’ Donuts coffee were sold through grocery outlets during calendar year 2015.

Marketing

We coordinate domestic advertising and marketing at the national and local levels. The goals of our marketing strategy include driving comparable store sales and brand differentiation, increasing our total coffee and beverage sales, protecting and growing our morning daypart sales, and growing our afternoon daypart sales. Generally, our domestic franchisees contribute 5% of weekly gross retail sales to fund brand specific advertising funds. The funds are used for various national and local advertising campaigns including print, radio, television, online, mobile, loyalty, billboards, and sponsorships. Over the past ten years, our U.S. franchisees have invested approximately $2.5 billion on advertising to increase brand awareness and restaurant performance across both brands. Additionally, we have various pricing strategies, so that our products appeal to a broad range of customers. In August 2012, we launched the Dunkin' Donuts mobile application for payment and gifting, which built the foundation for one-to-one marketing with our customers. In January 2014, we launched a new DD Perks® Rewards loyalty program nationally, which is fully integrated with the Dunkin' Donuts mobile application and allows us to engage our customers in these one-to-one marketing interactions. As of December 26, 2015, our mobile application had over 16.3 million downloads and our DDPerks® Rewards loyalty program had over 4.3 million members.

The supply chain

Domestic

We do not typically supply products to our domestic franchisees. As a result, with the exception of licensing fees paid by Dean Foods on domestic ice cream sales, we do not typically derive revenues from product distribution. Our franchisees' suppliers include Rich Products Corp., Dean Foods, The Coca-Cola Company, and KGM. In addition, our franchisees' primary coffee roasters currently are New England Tea & Coffee Co., Inc., Mother Parkers Tea & Coffee Inc., S&D Coffee, Inc., and Massimo Zanetti Beverage USA, Inc., and their primary donut mix suppliers currently are Continental Mills and Pennant Ingredients Inc. We periodically review our relationships with licensees and approved suppliers and evaluate whether those relationships continue to be on competitive or advantageous terms for us and our franchisees.

Purchasing

Purchasing for the Dunkin' Donuts brand is facilitated by National DCP, LLC (the "NDCP"), which is a Delaware limited liability company operated as a cooperative owned by its franchisee members. The NDCP is managed by a staff of supply chain professionals who report directly to the NDCP's board of directors. The NDCP has approximately 1,600 employees including executive leadership, sourcing professionals, warehouse staff, and drivers. The NDCP board of directors has eight voting franchisee members, one NDCP non-voting member, and one independent non-voting member. In addition, our Chief Financial Officer is a voting member of the NDCP board. The NDCP engages in purchasing, warehousing, and distribution of food and supplies on behalf of participating restaurants and some international markets. The NDCP program provides franchisee members nationwide the benefits of scale while fostering consistent product quality across the Dunkin' Donuts brand. We do not control the NDCP and have only limited contractual rights associated with managing that franchisee-owned purchasing and distribution cooperative.

Manufacturing of Dunkin' Donuts bakery goods

Centralized production is another element of our supply chain that is designed to support growth for the Dunkin' Donuts brand. Centralized manufacturing locations ("CMLs") are franchisee-owned and -operated facilities for the centralized production of donuts and bakery goods. The CMLs deliver freshly baked products to Dunkin' Donuts restaurants on a daily basis and are designed to provide consistent quality products while simplifying restaurant-level operations. As of December 26, 2015, there were 106 CMLs (of varying size and capacity) in the U.S. CMLs are an important part of franchise economics, and are supportive of profit building initiatives as well as protecting brand quality standards and consistency.

Certain of our Dunkin' Donuts brand restaurants produce donuts and bakery goods on-site rather than sourcing from CMLs. Many of such restaurants, known as full producers, also supply other local Dunkin' Donuts restaurants that do not have access to CMLs. In addition, in newer markets, Dunkin' Donuts brand restaurants source donuts and bakery goods that are finished in restaurants. We believe that this "just baked on demand" donut manufacturing platform enables the Dunkin' Donuts brand to more efficiently expand its restaurant base in newer markets where franchisees may not have access to a CML.

Baskin-Robbins ice cream

We outsource the manufacturing and distribution of ice cream products for the domestic Baskin-Robbins brand franchisees to Dean Foods, which strengthens our relationships with franchisees and allows us to focus on our core franchising operations.

International

Dunkin' Donuts

International Dunkin' Donuts franchisees are responsible for sourcing their own supplies, subject to compliance with our standards. Most also produce their own donuts following the Dunkin' Donuts brand's approved processes. Franchisees in some markets source donuts produced by a brand approved third party supplier. Franchisees are permitted to source coffee from a number of coffee roasters approved by the brand, including the NDCP, as well as certain approved regional and local roasters. In certain countries, our international franchisees source virtually everything locally within their market while in others our international franchisees source most of their supplies from the NDCP. Where supplies are sourced locally, we help identify and approve those suppliers. In addition, we assist our international franchisees in identifying regional and global suppliers with the goal of leveraging the purchasing volume for pricing and product continuity advantages.

Baskin-Robbins

The Baskin-Robbins manufacturing network is comprised of eighteen facilities, none of which are owned or operated by us, that supply our international markets with ice cream products. We utilize facilities owned by Dean Foods to produce ice cream products which we purchase and distribute to many of our international markets. Certain international franchisees rely on third-party-owned facilities to supply ice cream products to them, including facilities in Ireland and Canada. The Baskin-Robbins brand restaurants in India and Russia are supported by master franchisee-owned facilities in those respective countries while the restaurants in Japan and South Korea are supported by the joint venture-owned facilities located within each country.

Research and development

New product innovation is a critical component of our success. We believe the development of successful new products for each brand attracts new customers, increases comparable store sales, and allows franchisees to expand into other dayparts. New product research and development is located in a state-of-the-art facility at our headquarters in Canton, Massachusetts. The facility includes a sensory lab, a quality assurance lab and a demonstration test kitchen. We rely on our internal culinary team, which uses consumer research, to develop and test new products.

Operational support

Substantially all of our executive management, finance, marketing, legal, technology, human resources, and operations support functions are conducted from our global headquarters in Canton, Massachusetts. In the United States, our franchise operations for both brands are organized into regions, each of which is headed by a regional vice president and directors of operations supported by field personnel who interact directly with the franchisees. Our international businesses are organized by region and each brand has dedicated marketing and restaurant operations support teams that work with our master licensees and joint venture partners to improve restaurant operations and restaurant-level economics. Management of a franchise restaurant is the responsibility of the franchisee, who is trained in our techniques and is responsible for ensuring that the day-to-day operations of the restaurant are in compliance with our operating standards. We have implemented a computer-based disaster recovery program to address the possibility that a natural (or other form of) disaster may impact the information technology systems located at our Canton, Massachusetts headquarters.

Regulatory matters

Domestic

We and our franchisees are subject to various federal, state, and local laws affecting the operation of our respective businesses, including various health, sanitation, fire, and safety standards. In some jurisdictions our restaurants are required by law to display nutritional information about our products. Each restaurant is subject to licensing and regulation by a number of governmental authorities, which include zoning, health, safety, sanitation, building, and fire agencies in the jurisdiction in which the restaurant is located. Franchisee-owned NDCP and CMLs are licensed and subject to similar regulations by federal, state, and local governments.

We and our franchisees are also subject to the Fair Labor Standards Act and various other laws governing such matters as minimum wage requirements, overtime and other working conditions, and citizenship requirements. A significant number of food-service personnel employed by franchisees are paid at rates related to the federal minimum wage.

Our franchising activities are subject to the rules and regulations of the Federal Trade Commission (“FTC”) and various state laws regulating the offer and sale of franchises. The FTC’s franchise rule and various state laws require that we furnish a franchise disclosure document (“FDD”) containing certain information to prospective franchisees and a number of states require registration of the FDD with state authorities. We are operating under exemptions from registration in several states based on our experience and aggregate net worth. Substantive state laws that regulate the franchisor-franchisee relationship exist in a substantial number of states, and bills have been introduced in Congress from time to time that would provide for federal regulation of the franchisor-franchisee relationship. The state laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply. We believe that the FDD for each of our Dunkin' Donuts brand and our Baskin-Robbins brand, together with any applicable state versions or supplements, and franchising procedures, comply in all material respects with both the FTC franchise rule and all applicable state laws regulating franchising in those states in which we have offered franchises.

International

Internationally, we and our franchisees are subject to national and local laws and regulations that often are similar to those affecting us and our franchisees in the U.S., including laws and regulations concerning franchises, labor, health, sanitation, and safety. International Baskin-Robbins brand and Dunkin' Donuts brand restaurants are also often subject to tariffs and regulations on imported commodities and equipment, and laws regulating foreign investment. We believe that the international disclosure statements, franchise offering documents, and franchising procedures for our Baskin-Robbins brand and Dunkin' Donuts brand comply in all material respects with the laws of the applicable countries.

Environmental

Our operations, including the selection and development of the properties we lease and sublease to our franchisees and any construction or improvements we make at those locations, are subject to a variety of federal, state, and local laws and regulations, including environmental, zoning, and land use requirements. Our properties are sometimes located in developed commercial or industrial areas and might previously have been occupied by more environmentally significant operations, such as gasoline stations and dry cleaners. Environmental laws sometimes require owners or operators of contaminated property to remediate that property, regardless of fault. While we have been required to, and are continuing to, clean up contamination at a limited number of our locations, we have no known material environmental liabilities.

Employees

As of December 26, 2015, excluding employees at our company-operated restaurants, we employed 1,145 people, 1,098 of whom were based in the U.S. and 47 of whom were based in other countries. Of our domestic employees, 462 worked in the field and 636 worked at our corporate headquarters or our satellite office in California. Of these employees, 199, who are almost exclusively in marketing positions, were paid by certain of our advertising funds. In addition, we employed approximately 714 people at our company-operated restaurants in the U.S. None of our employees are represented by a labor union, and we believe our relationships with our employees are healthy.

Our franchisees are independent business owners, so they and their employees are not included in our employee count.

Intellectual property

We own many registered trademarks and service marks ("Marks") in the U.S. and in other countries throughout the world. We believe that our Dunkin' Donuts and Baskin-Robbins names and logos, in particular, have significant value and are important to our business. Our policy is to pursue registration of our Marks in the U.S. and selected international jurisdictions, monitor our Marks portfolio both internally and externally through external search agents and vigorously oppose the infringement of any of our Marks. We license the use of our registered Marks to franchisees and third parties through franchise arrangements and licenses. The franchise and license arrangements restrict franchisees' and licensees' activities with respect to the use of our Marks, and impose quality control standards in connection with goods and services offered in connection with the Marks and an affirmative obligation on the franchisees to notify us upon learning of potential infringement. In addition, we maintain a limited patent portfolio in the U.S. for bakery and serving-related methods, designs and articles of manufacture. We generally rely on common law protection for our copyrighted works. Neither the patents nor the copyrighted works are material to the operation of our business. We also license some intellectual property from third parties for use in certain of our products. Such licenses are not individually, or in the aggregate, material to our business.

Seasonality

Our revenues are subject to fluctuations based on seasonality, primarily with respect to Baskin-Robbins. The ice cream industry generally experiences an increase during the spring and summer months, whereas Dunkin' Donuts hot beverage sales generally increase during the fall and winter months and iced beverage sales generally increase during the spring and summer months.

Additional Information

The Company makes available, free of charge, through its internet website www.dunkinbrands.com, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after electronically filing such material with the Securities and Exchange Commission. You may read and copy any materials filed with the Securities and Exchange Commission at the Securities and Exchange Commission’s Public Reference Room at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. This information is also available at www.sec.gov. The reference to these website addresses does not constitute incorporation by reference of the information contained on the websites and should not be considered part of this document.

Item 1A. Risk Factors.

Risks related to our business and industry

Our financial results are affected by the operating results of our franchisees.

We receive a substantial majority of our revenues in the form of royalties, which are generally based on a percentage of gross sales at franchised restaurants, rent, and other fees from franchisees. Accordingly, our financial results are to a large extent dependent upon the operational and financial success of our franchisees. If sales trends or economic conditions worsen for franchisees, their financial results may deteriorate and our royalty, rent, and other revenues may decline and our accounts receivable and related allowance for doubtful accounts may increase. In addition, if our franchisees fail to renew their franchise agreements, our royalty revenues may decrease which in turn may materially and adversely affect our business and operating results.

Our franchisees could take actions that could harm our business.

Our franchisees are contractually obligated to operate their restaurants in accordance with the operations, safety, and health standards set forth in our agreements with them. However, franchisees are independent third parties whom we do not control. The franchisees own, operate, and oversee the daily operations of their restaurants and have sole control over all employee and other workforce decisions. As a result, the ultimate success and quality of any franchised restaurant rests with the franchisee. If franchisees do not successfully operate restaurants in a manner consistent with required standards, franchise fees paid to us and royalty income will be adversely affected and brand image and reputation could be harmed, which in turn could materially and adversely affect our business and operating results.

Although we believe we generally enjoy a positive working relationship with the vast majority of our franchisees, active and/or potential disputes with franchisees could damage our brand reputation and/or our relationships with the broader franchisee group.

Our success depends substantially on the value of our brands.

Our success is dependent in large part upon our ability to maintain and enhance the value of our brands, our customers’ connection to our brands and a positive relationship with our franchisees. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Some of these incidents may relate to the way we manage our relationship with our franchisees, our growth strategies, our development efforts in domestic and foreign markets, or the ordinary course of our, or our franchisees’, business. Other incidents may arise from events that are or may be beyond our ability to control and may damage our brands, such as actions taken (or not taken) by one or more franchisees or their employees relating to health, safety, welfare, or otherwise; litigation and claims; security breaches or other fraudulent activities associated with our electronic payment systems; and illegal activity targeted at us or others. Consumer demand for our products and our brands’ value could diminish significantly if any such incidents or other matters erode consumer confidence in us or our products, which would likely result in lower sales and, ultimately, lower royalty income, which in turn could materially and adversely affect our business and operating results.

Incidents involving food-borne illnesses, food tampering, or food contamination involving our brands or our supply chain could create negative publicity and significantly harm our operating results

While we and our franchisees dedicate substantial resources to food safety matters to enable customers to enjoy safe, quality food products, food safety events, including instances of food-borne illness (such as salmonella or E. Coli), have occurred in the food industry in the past, and could occur in the future.

Instances or reports, whether true or not, of food-safety issues, such as food-borne illnesses, food tampering, food contamination or mislabeling, either during the growing, manufacturing, packaging, storing or preparation of products, have in the past severely injured the reputations of companies in the quick-service restaurant sectors and could affect us as well. Any report linking us, our franchisees or our suppliers to food-borne illnesses or food tampering, contamination, mislabeling or other food-safety issues could damage the value of our brands immediately and severely hurt sales of our products and possibly lead to product liability claims, litigation (including class actions) or other damages.

In addition, food safety incidents, whether or not involving our brands, could result in negative publicity for the industry or market segments in which we operate. Increased use of social media could create and/or amplify the effects of negative publicity. This negative publicity may reduce demand for our products and could result in a decrease in guest traffic to our restaurants as consumers shift their preferences to our competitors or to other products or food types. A decrease in traffic as a result of these health concerns or negative publicity could materially and adversely affect our brands, our business and our stock price.

The quick service restaurant segment is highly competitive, and competition could lower our revenues.

The QSR segment of the restaurant industry is intensely competitive. The beverage and food products sold by our franchisees compete directly against products sold at other QSRs, local and regional beverage and food operations, specialty beverage and food retailers, supermarkets, and wholesale suppliers, many bearing recognized brand names and having significant customer loyalty. In addition to the prevailing baseline level of competition, major market players in noncompeting industries may choose to enter the restaurant industry. Key competitive factors include the number and location of restaurants, quality and speed of service, attractiveness of facilities, effectiveness of advertising, marketing, and operational programs, price, demographic patterns and trends, consumer preferences and spending patterns, menu diversification, health or dietary preferences and perceptions, and new product development. Some of our competitors have substantially greater financial and other resources than us, which may provide them with a competitive advantage. In addition, we compete within the restaurant industry and the QSR segment not only for customers but also for qualified franchisees. We cannot guarantee the retention of any, including the top-performing, franchisees in the future, or that we will maintain the ability to attract, retain, and motivate sufficient numbers of franchisees of the same caliber, which could materially and adversely affect our business and operating results. If we are unable to maintain our competitive position, we could experience lower demand for products, downward pressure on prices, the loss of market share, and the inability to attract, or loss of, qualified franchisees, which could result in lower franchise fees and royalty income, and materially and adversely affect our business and operating results.

If we or our franchisees or licensees are unable to protect our customers’ credit card data and other personal information, we or our franchisees could be exposed to data loss, litigation, and liability, and our reputation could be significantly harmed.

Data protection is increasingly demanding and the use of electronic payment methods and collection of other personal information exposes us and our franchisees to increased risk of privacy and/or security breaches as well as other risks. In connection with credit card transactions in-store and online, we and our franchisees collect and transmit confidential credit card information by way of retail networks. Additionally, we collect and store personal information from individuals, including our customers, franchisees, and employees. We rely on commercially available systems, software, tools, and monitoring to provide security for processing, transmitting, and storing such information. The failure of these systems to operate effectively, problems with transitioning to upgraded or replacement systems, or a breach in security of these systems, including through cyber terrorism, could materially and adversely affect our business and operating results.

Further, the standards for systems currently used for transmission and approval of electronic payment transactions, and the technology utilized in electronic payment themselves, all of which can put electronic payment data at risk, are determined and controlled by the payment card industry, not by us. In addition, our employees, franchisees, contractors, or third parties with whom we do business or to whom we outsource business operations may attempt to circumvent our security measures in order to misappropriate such information, and may purposefully or inadvertently cause a breach involving such information. Third parties may have the technology or know-how to breach the security of the personal information collected, stored, or transmitted by us or our franchisees, and our respective security measures, as well as those of our technology vendors, may not effectively prohibit others from obtaining improper access to this information. Advances in computer and software capabilities and encryption technology, new tools, and other developments may increase the risk of such a breach. If a person is able to circumvent our data security measures or that of third parties with whom we do business, including our franchisees, he or she could destroy or steal valuable information or disrupt our operations. Any security breach could expose us to risks of data loss, litigation, liability, and could seriously disrupt our operations. Any resulting negative publicity could significantly harm our reputation and could materially and adversely affect our business and operating results.

Sub-franchisees could take actions that could harm our business and that of our master franchisees.

In certain of our international markets, we enter into agreements with master franchisees that permit the master franchisee to develop and operate restaurants in defined geographic areas. As permitted by our master franchisee agreements, certain master franchisees elect to sub-franchise rights to develop and operate restaurants in the geographic area covered by the master franchisee agreement. Our master franchisee agreements contractually obligate our master franchisees to operate their restaurants in accordance with specified operations, safety, and health standards and also require that any sub-franchise agreement contain similar requirements. However, we are not party to the agreements with the sub-franchisees and, as a result, are dependent upon our master franchisees to enforce these standards with respect to sub-franchised restaurants. As a result, the ultimate success and quality of any sub-franchised restaurant rests with the master franchisee. If sub-franchisees do not successfully operate their restaurants in a manner consistent with required standards, franchise fees and royalty income paid to the applicable master franchisee and, ultimately, to us could be adversely affected and our brand image and reputation may be harmed, which could materially and adversely affect our business and operating results.

We cannot predict the impact that the following may have on our business: (i) new or improved technologies, (ii) alternative methods of delivery, or (iii) changes in consumer behavior facilitated by these technologies and alternative methods of delivery.

Advances in technologies or alternative methods of delivery, including advances in vending machine technology and home coffee makers, or certain changes in consumer behavior driven by these or other technologies and methods of delivery could have a negative effect on our business. Moreover, technology and consumer offerings continue to develop, and we expect that new or enhanced technologies and consumer offerings will be available in the future. We may pursue certain of those technologies and consumer offerings if we believe they offer a sustainable customer proposition and can be successfully integrated into our business model. However, we cannot predict consumer acceptance of these delivery channels or their impact on our business. In addition, our competitors, some of whom have greater resources than us, may be able to benefit from changes in technologies or consumer acceptance of alternative methods of delivery, which could harm our competitive position. There can be no assurance that we will be able to successfully respond to changing consumer preferences, including with respect to new technologies and alternative methods of delivery, or to effectively adjust our product mix, service offerings, and marketing and merchandising initiatives for products and services that address, and anticipate advances in, technology and market trends. If we are not able to successfully respond to these challenges, our business, financial condition, and operating results could be harmed.

Economic conditions adversely affecting consumer discretionary spending may negatively impact our business and operating results.

We believe that our franchisees' sales, customer traffic, and profitability are strongly correlated to consumer discretionary spending, which is influenced by general economic conditions, unemployment levels, and the availability of discretionary income. Our franchisees' sales are dependent upon discretionary spending by consumers; any reduction in sales at franchised restaurants will result in lower royalty payments from franchisees to us and adversely impact our profitability. In an economic downturn our business and results of operations could be materially and adversely affected. In addition, the pace of new restaurant openings may be slowed and restaurants may be forced to close, reducing the restaurant base from which we derive royalty income.

Our substantial indebtedness could adversely affect our financial condition.

We have a significant amount of indebtedness. As of December 26, 2015, we had total indebtedness of approximately $2.5 billion under our securitized debt facility, excluding $26.3 million of undrawn letters of credit and $73.7 million of unused commitments.

Subject to the limits contained in the agreements governing our securitized debt facility, we may be able to incur substantial additional debt from time to time to finance capital expenditures, investments, acquisitions, or for other purposes. If we do incur substantial additional debt, the risks related to our high level of debt could intensify. Specifically, our high level of indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund capital expenditures, investments, acquisitions, or other general corporate requirements;

- requiring a substantial portion of our cash flow to be dedicated to payments to service our indebtedness instead of other purposes, thereby reducing the amount of cash flow available for capital expenditures, investments, acquisitions, and other general corporate purposes;
- increasing our vulnerability to and the potential impact of adverse changes in general economic, industry, and

competitive conditions;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors or competitors with comparable debt at more favorable interest rates; and
- increasing our costs of borrowing.

In addition, the financial and other covenants we agreed to with our lenders may limit our ability to incur additional indebtedness, make investments, and engage in other transactions, and the leverage may cause other potential lenders to be less willing to loan funds to us in the future.

We may be unable to generate sufficient cash flow to satisfy our significant debt service obligations, which would adversely affect our financial condition and results of operations.

Our ability to make principal and interest payments on and to refinance our indebtedness will depend on our ability to generate cash in the future. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If our business does not generate sufficient cash flow from operations, in the amounts projected or at all, or if future borrowings are not available to us under our variable funding notes in amounts sufficient to fund our other liquidity needs, our financial condition and results of operations may be adversely affected. If we cannot generate sufficient cash flow from operations to make scheduled principal amortization and interest payments on our debt obligations in the future, we may need to refinance all or a portion of our indebtedness on or before maturity, sell assets, delay capital expenditures or seek additional equity investments. If we are unable to refinance any of our indebtedness on commercially reasonable terms or at all or to effect any other action relating to our indebtedness on satisfactory terms or at all, our business may be harmed.

The terms of our securitized debt financing of certain of our wholly-owned subsidiaries have restrictive terms and our failure to comply with any of these terms could put us in default, which would have an adverse effect on our business and prospects.

Unless and until we repay all outstanding borrowings under our securitized debt facility, we will remain subject to the restrictive terms of these borrowings. The securitized debt facility, under which certain of our wholly-owned subsidiaries issued and guaranteed fixed rate notes and variable funding notes, contain a number of covenants, with the most significant financial covenant being a debt service coverage calculation. These covenants limit the ability of certain of our subsidiaries to, among other things:
- sell assets;
- alter the business we conduct;
- engage in mergers, acquisitions and other business combinations;
- declare dividends or redeem or repurchase capital stock;
- incur, assume or permit to exist additional indebtedness or guarantees;
- make loans and investments;
- incur liens; and
- enter into transactions with affiliates.

The securitized debt facility also requires us to maintain specified financial ratios. Our ability to meet these financial ratios can be affected by events beyond our control, and we may not satisfy such a test. A breach of these covenants could result in a rapid amortization event or default under the securitized debt facility. If amounts owed under the securitized debt facility are accelerated because of a default and we are unable to pay such amounts, the investors may have the right to assume control of substantially all of the securitized assets.

If we are unable to refinance or repay amounts under the securitized debt facility prior to the expiration of the applicable term, our cash flow would be directed to the repayment of the securitized debt and, other than management fees sufficient to cover minimal selling, general and administrative expenses, would not be available for operating our business.

No assurance can be given that any refinancing or additional financing will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and capital

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markets and other factors beyond our control. There can be no assurance that market conditions will be favorable at the times that we require new or additional financing.

The indenture governing the securitized debt will restrict the cash flow from the entities subject to the securitization to any of our other entities and upon the occurrence of certain events, cash flow would be further restricted.

In the event that a rapid amortization event occurs under the indenture (including, without limitation, upon an event of default under the indenture or the failure to repay the securitized debt at the end of the applicable term), the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business.

Infringement, misappropriation, or dilution of our intellectual property could harm our business.

We regard our Dunkin' Donuts® and Baskin-Robbins® trademarks as having significant value and as being important factors in the marketing of our brands. We have also obtained trademark protection for the trademarks associated with several of our product offerings and advertising slogans, including "America Runs on Dunkin'® " and "What are you Drinkin'?® ". We believe that these and other intellectual property are valuable assets that are critical to our success. We rely on a combination of protections provided by contracts, as well as copyright, patent, trademark, and other laws, such as trade secret and unfair competition laws, to protect our intellectual property from infringement, misappropriation, or dilution. We have registered certain trademarks and service marks and have other trademark and service mark registration applications pending in the United States and foreign jurisdictions. However, not all of the trademarks or service marks that we currently use have been registered in all of the countries in which we do business, and they may never be registered in all of those countries.

Although we monitor trademark portfolios both internally and through external search agents and impose an obligation on franchisees to notify us upon learning of potential infringement, there can be no assurance that we will be able to adequately maintain, enforce, and protect our trademarks or other intellectual property rights. We are aware of names and marks similar to our service marks being used by other persons. Although we believe such uses will not adversely affect us, further or currently unknown unauthorized uses or other infringement of our trademarks or service marks could diminish the value of our brands and may adversely affect our business. Effective intellectual property protection may not be available in every country in which we have or intend to open or franchise a restaurant or license our intellectual property. Failure to adequately protect our intellectual property rights could damage our brands and impair our ability to compete effectively. Even where we have effectively secured statutory protection for our trade secrets and other intellectual property, our competitors may misappropriate our intellectual property and our employees, consultants, and suppliers may breach their contractual obligations not to reveal our confidential information, including trade secrets. Although we have taken measures to protect our intellectual property, there can be no assurance that these protections will be adequate or that third parties will not independently develop products or concepts that are substantially similar to ours. Despite our efforts, it may be possible for third-parties to reverse engineer, otherwise obtain, copy, and use information that we regard as proprietary. Furthermore, defending or enforcing our trademark rights, branding practices, and other intellectual property, and seeking an injunction and/or compensation for misappropriation of confidential information, could result in the expenditure of significant resources and divert the attention of management, which in turn may materially and adversely affect our business and operating results.

Our brands may be limited or diluted through franchisee and third-party activity.

Although we monitor and restrict franchisee activities through our franchise and license agreements, franchisees or third parties may refer to or make statements about our brands that do not make proper use of our trademarks or required designations, that improperly alter trademarks or branding, or that are critical of our brands or place our brands in a context that may tarnish their reputation. This may result in dilution or tarnishment of our intellectual property. It is not possible for us to obtain registrations for all possible variations of our branding in all territories where we operate. Franchisees, licensees or third parties may seek to register or obtain registration for domain names and trademarks involving localizations, variations, and versions of certain branding tools, and these activities may limit our ability to obtain or use such rights in such territories. Franchisee noncompliance with the terms and conditions of our franchise or license agreements may reduce the overall goodwill of our brands, whether through the failure to meet health and safety standards, engage in quality control or maintain product consistency, or through the

participation in improper or objectionable business practices.
Moreover, unauthorized third parties may use our intellectual property to trade on the goodwill of our brands, resulting in consumer confusion or dilution. Any reduction of our brands' goodwill, consumer confusion, or dilution is likely to impact sales, and could materially and adversely impact our business and operating results.
We are and may become subject to third-party infringement claims or challenges to the validity of our intellectual property.
We are and may, in the future, become the subject of claims for infringement, misappropriation or other violation of intellectual property rights, which may or not be unfounded, from owners of intellectual property in areas where our franchisees operate or

where we intend to conduct operations, including in foreign jurisdictions. Such claims could harm our image, our brands, our competitive position or our ability to expand our operations into other jurisdictions and cause us to incur significant costs related to defense or settlement. If such claims were decided against us, or a third party indemnified by us pursuant to license terms, we could be required to pay damages, develop or adopt non-infringing products or services or acquire a license to the intellectual property that is the subject of the asserted claim, which license may not be available on acceptable terms or at all. The attendant expenses could require the expenditure of additional capital, and there would be expenses associated with the defense of any infringement, misappropriation, or other third-party claims, and there could be attendant negative publicity, even if ultimately decided in our favor.

Growth into new territories may be hindered or blocked by pre-existing third-party rights.

We act to obtain and protect our intellectual property rights we need to operate successfully in those territories where we operate. Certain intellectual property rights including rights in trademarks are national in character, and are obtained on a country-by-country basis by the first person to obtain protection through use or registration in that country in connection with specified products and services. As our business grows, we continuously evaluate the potential for expansion into new territories and new products and services. There is a risk with each expansion that growth will be limited or unavailable due to blocking pre-existing third-party intellectual property rights.

The restaurant industry is affected by consumer preferences and perceptions. Changes in these preferences and perceptions may lessen the demand for our products, which could reduce sales by our franchisees and reduce our royalty revenues.

The restaurant industry is affected by changes in consumer tastes, national, regional, and local economic conditions, and demographic trends. For instance, if prevailing health or dietary preferences cause consumers to avoid donuts and other products we offer in favor of foods that are perceived as healthier, our franchisees' sales would suffer, resulting in lower royalty payments to us, and our business and operating results would be harmed.

If we fail to successfully implement our growth strategy, which includes opening new domestic and international restaurants, our ability to increase our revenues and operating profits could be adversely affected.

Our growth strategy relies in part upon new restaurant development by existing and new franchisees. We and our franchisees face many challenges in opening new restaurants, including:

- availability of financing;
- selection and availability of suitable restaurant locations;
- competition for restaurant sites;
- negotiation of acceptable lease and financing terms;
- securing required domestic or foreign governmental permits and approvals;
- consumer tastes in new geographic regions and acceptance of our products;
- employment and training of qualified personnel;
- impact of inclement weather, natural disasters, and other acts of nature; and
- general economic and business conditions.

In particular, because the majority of our new restaurant development is funded by franchisee investment, our growth strategy is dependent on our franchisees' (or prospective franchisees') ability to access funds to finance such development. We do not provide our franchisees with direct financing and therefore their ability to access borrowed funds generally depends on their independent relationships with various financial institutions. If our franchisees (or prospective franchisees) are not able to obtain financing at commercially reasonable rates, or at all, they may be unwilling or unable to invest in the development of new restaurants, and our future growth could be adversely affected.

To the extent our franchisees are unable to open new restaurants as we anticipate, our revenue growth would come primarily from growth in comparable store sales. Our failure to add a significant number of new restaurants or grow comparable store sales would adversely affect our ability to increase our revenues and operating income and could materially and adversely harm our business and operating results.

Increases in commodity prices may negatively affect payments from our franchisees and licensees.

Coffee and other commodity prices are subject to substantial price fluctuations, stemming from variations in weather patterns,

shifting political or economic conditions in coffee-producing countries, and delays in the supply chain. If commodity prices rise, franchisees may experience reduced sales, due to decreased consumer demand at retail prices that have been raised to offset increased commodity prices, which may reduce franchisee profitability. Any such decline in franchisee sales will reduce our royalty income, which in turn may materially and adversely affect our business and operating results.

Our joint ventures in Japan and South Korea, as well as our licensees in Russia and India, manufacture ice cream products independently. The joint ventures in Japan and South Korea each own a manufacturing facility in its country of operation. The revenues derived from these joint ventures differ fundamentally from those of other types of franchise arrangements in the system because the income that we receive from the joint ventures in Japan and South Korea is based in part on the profitability, rather than the gross sales, of the restaurants operated by these joint ventures. Accordingly, in the event that the joint ventures in Japan or South Korea experience staple ingredient price increases that adversely affect the profitability of the restaurants operated by these joint ventures, that decrease in profitability would reduce distributions by these joint ventures to us, which in turn could materially and adversely impact our business and operating results.

Shortages of coffee or milk could adversely affect our revenues.
If coffee or milk consumption continues to increase worldwide or there is a disruption in the supply of coffee or milk due to natural disasters, political unrest, or other calamities, the global supply of these commodities may fail to meet demand. If coffee or milk demand is not met, franchisees may experience reduced sales which, in turn, would reduce our royalty income. Additionally, if milk demand is not met, we may not be able to purchase and distribute ice cream products to our international franchisees, which would reduce our sales of ice cream and other products. Such reductions in our royalty income and sales of ice cream and other products may materially and adversely affect our business and operating results.
We and our franchisees rely on computer systems to process transactions and manage our business, and a disruption or a failure of such systems or technology could harm our ability to effectively manage our business.
Network and information technology systems are integral to our business. We utilize various computer systems, including our FAST System and our EFTPay System, which are customized, web-based systems. The FAST System is the system by which our U.S. and Canadian franchisees report their weekly sales and pay their corresponding royalty fees and required advertising fund contributions. When sales are reported by a U.S. or Canadian franchisee, a withdrawal for the authorized amount is initiated from the franchisee’s bank after 12 days (from the week ending or month ending date). The FAST System is critical to our ability to accurately track sales and compute royalties due from our U.S. and Canadian franchisees. The EFTPay System is used by our U.S. and Canadian franchisees to make payments against open, non-fee invoices (i.e., all invoices except royalty and advertising funds). When a franchisee selects an invoice and submits the payment, on the following day a withdrawal for the selected amount is initiated from the franchisee’s bank. Despite the implementation of security measures, our systems, including the FAST System and the EFTPay System, are subject to damage and/or interruption as a result of power outages, computer and network failures, computer viruses and other disruptive software, security breaches, terrorist attacks, catastrophic events, and improper usage by employees. Such events could result in a material disruption in operations, a need for a costly repair, upgrade or replacement of systems, or a decrease in, or in the collection of, royalties paid to us by our franchisees. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability which could materially affect our results of operations.

Interruptions in the supply of product to franchisees and licensees could adversely affect our revenues.
In order to maintain quality-control standards and consistency among restaurants, we require through our franchise agreements that our franchisees obtain food and other supplies from preferred suppliers approved in advance. In this regard, we and our franchisees depend on a group of suppliers for ingredients, foodstuffs, beverages, and disposable serving instruments including, but not limited to, Rich Products Corp., Dean Foods Co., The Coca-Cola Company,

and Silver Pail Dairy, Ltd. as well as four primary coffee roasters and two primary donut mix suppliers. In 2015, we and our franchisees purchased products from over 400 approved domestic suppliers, with approximately 12 of such suppliers providing half, based on dollar volume, of all products purchased domestically. We look to approve multiple suppliers for most products, and require any single sourced supplier, such as The Coca-Cola Company, to have contingency plans in place to ensure continuity of supply. In addition we believe that, if necessary, we could obtain readily available alternative sources of supply for each product that we currently source through a single supplier. To facilitate the efficiency of our franchisees' supply chain, we have historically entered into several preferred-supplier arrangements for particular food or beverage items.

The Dunkin' Donuts system is supported domestically by the franchisee-owned purchasing and distribution cooperative known as the National Distributor Commitment Program. We have a long-term agreement with the National DCP, LLC (the "NDCP") for the NDCP to provide substantially all of the goods needed to operate a Dunkin' Donuts restaurant in the United States. The

NDCP also supplies some international markets. The NDCP aggregates the franchisee demand, sends requests for proposals to approved suppliers, and negotiates contracts for approved items. The NDCP also inventories the items in its seven regional distribution centers and ships products to franchisees at least one time per week. We do not control the NDCP and have only limited contractual rights under our agreement with the NDCP associated with supplier certification and quality assurance and protection of our intellectual property. While the NDCP maintains contingency plans with its approved suppliers and has a contingency plan for its own distribution function to restaurants, our franchisees bear risks associated with the timeliness, solvency, reputation, labor relations, freight costs, price of raw materials, and compliance with health and safety standards of each supplier (including those of our international joint ventures) including, but not limited to, risks associated with contamination to food and beverage products. We have little control over such suppliers. Disruptions in these relationships may reduce franchisee sales and, in turn, our royalty income.

Overall difficulty of suppliers (including those of certain international joint ventures) meeting franchisee product demand, interruptions in the supply chain, obstacles or delays in the process of renegotiating or renewing agreements with preferred suppliers, financial difficulties experienced by suppliers, or the deficiency, lack, or poor quality of alternative suppliers could adversely impact franchisee sales which, in turn, would reduce our royalty income and could materially and adversely affect our business and operating results.

We may not be able to recoup our expenditures on properties we sublease to franchisees.

In some locations, we may pay more rent and other amounts to third-party landlords under a prime lease than we receive from the franchisee who subleases such property. Typically, our franchisees' rent is based in part on a percentage of gross sales at the restaurant, so a downturn in gross sales would negatively affect the level of the payments we receive. Additionally, pursuant to the terms of certain prime leases we have entered into with third-party landlords, we may be required to construct or improve a property, pay taxes, maintain insurance, and comply with building codes and other applicable laws. The subleases we enter into with franchisees related to such properties typically pass through such obligations, but if a franchisee fails to perform the obligations passed through to them, we will be required to perform those obligations, resulting in an increase in our leasing and operational costs and expenses.

If the international markets in which we compete are affected by changes in political, social, legal, economic, or other factors, our business and operating results may be materially and adversely affected.

As of December 26, 2015, we had 8,423 international restaurants located in 62 foreign countries. The international operations of our franchisees may subject us to additional risks, which differ in each country in which our franchisees operate, and such risks may negatively affect our business or result in a delay in or loss of royalty income to us.

The factors impacting the international markets in which restaurants are located may include:

- recessionary or expansive trends in international markets;
- changes in foreign currency exchange rates and hyperinflation or deflation in the foreign countries in which we or our international joint ventures operate;
- the imposition of restrictions on currency conversion or the transfer of funds;
- availability of credit for our franchisees, licensees, and our international joint ventures to finance the development of new restaurants;
- increases in the taxes paid and other changes in applicable tax laws;
- legal and regulatory changes and the burdens and costs of local operators' compliance with a variety of laws, including trade restrictions and tariffs;
- interruption of the supply of product;
- increases in anti-American sentiment and the identification of the Dunkin' Donuts brand and Baskin-Robbins brand as American brands;
- political and economic instability; and
- natural disasters, terrorist threats and/or activities, and other calamities.

Any or all of these factors may reduce distributions from our international joint ventures or other international partners and/or royalty income, which in turn may materially and adversely impact our business and operating results.

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Termination of an arrangement with a master franchisee could adversely impact our revenues.
Internationally, and in limited cases domestically, we enter into relationships with “master franchisees” to develop and operate restaurants in defined geographic areas. Master franchisees are granted exclusivity rights with respect to larger territories than the typical franchisees, and in particular cases, expansion after minimum requirements are met is subject to the discretion of the master franchisee. In fiscal years 2015, 2014, and 2013, we derived approximately 14.8%, 15.7%, and 15.7%, respectively, of our total revenues from master franchisee arrangements. The termination of an arrangement with a master franchisee or a lack of expansion by certain master franchisees could result in the delay of the development of franchised restaurants, or an interruption in the operation of one of our brands in a particular market or markets. Any such delay or interruption would result in a delay in, or loss of, royalty income to us whether by way of delayed royalty income or delayed revenues from the sale of ice cream and other products by us to franchisees internationally, or reduced sales. Any interruption in operations due to the termination of an arrangement with a master franchisee similarly could result in lower revenues for us, particularly if we were to determine to close restaurants following the termination of an arrangement with a master franchisee.
Fluctuations in exchange rates affect our revenues.
We are subject to inherent risks attributed to operating in a global economy. Most of our revenues, costs, and debts are denominated in U.S. dollars. However, sales made by franchisees outside of the U.S. are denominated in the currency of the country in which the point of distribution is located, and this currency could become less valuable prior to calculation of our royalty payments in U.S. dollars as a result of exchange rate fluctuations. As a result, currency fluctuations could reduce our royalty income. Unfavorable currency fluctuations could result in a reduction in our revenues. Income we earn from our joint ventures is also subject to currency fluctuations. These currency fluctuations affecting our revenues and costs could adversely affect our business and operating results.
Adverse public or medical opinions about the health effects of consuming our products, whether or not accurate, could harm our brands and our business.
Some of our products contain caffeine, dairy products, sugar, other carbohydrates, fats and other active compounds, the health effects of which are the subject of increasing public scrutiny, including the suggestion that excessive consumption of caffeine, dairy products, sugar, other carbohydrates, fats and other active compounds can lead to a variety of adverse health effects. There has also been greater public awareness that sedentary lifestyles, combined with excessive consumption of high- carbohydrate, high-fat or high-calorie foods, have led to a rapidly rising rate of obesity. In the United States and certain other countries, there is increasing consumer awareness of health risks, including obesity, as well as increased consumer litigation based on alleged adverse health impacts of consumption of various food products. While we offer some healthier beverage and food items, including reduced fat items and reduced sugar items, an unfavorable report on the health effects of caffeine or other compounds present in our products, or negative publicity or litigation arising from other health risks such as obesity, could significantly reduce the demand for our beverages and food products. A decrease in customer traffic as a result of these health concerns or negative publicity could materially and adversely affect our brands and our business.
We may not be able to enforce payment of fees under certain of our franchise arrangements.
In certain limited instances, a franchisee may be operating a restaurant pursuant to an unwritten franchise arrangement. Such circumstances may arise where a franchisee arrangement has expired and new or renewal agreements have yet to be executed or where the franchisee has developed and opened a restaurant but has failed to memorialize the franchisor-franchisee relationship in an executed agreement as of the opening date of such restaurant. In certain other limited instances, we may allow a franchisee in good standing to operate domestically pursuant to franchise arrangements which have expired in their normal course and have not yet been renewed. As of December 26, 2015, less than 1% of our restaurants were operating without a written agreement. There is a risk that either category of these franchise arrangements may not be enforceable under federal, state, or local laws and regulations prior to correction or if left uncorrected. In these instances, the franchise arrangements may be enforceable on the basis of custom and assent of performance. If the franchisee, however, were to neglect to remit royalty payments in a timely fashion, we may be unable to enforce the payment of such fees which, in turn, may materially and adversely affect our business and operating results. While we generally require franchise arrangements in foreign jurisdictions to be entered into pursuant to written franchise arrangements, subject to certain exceptions, some expired

contracts, letters of intent, or oral agreements in existence may not be enforceable under local laws, which could impair our ability to collect royalty income, which in turn may materially and adversely impact our business and operating results.

Our business activities subject us to litigation risk that could affect us adversely by subjecting us to significant money damages and other remedies or by increasing our litigation expense.

In the ordinary course of business, we are the subject of complaints or litigation from franchisees, usually related to alleged breaches of contract or wrongful termination under the franchise arrangements. In addition, we are, from time to time, the subject of complaints or litigation from customers alleging illness, injury, or other food-quality, health, or operational concerns and from suppliers alleging breach of contract. We may also be subject to employee claims based on, among other things, discrimination, harassment, or wrongful termination. Finally, litigation against a franchisee or its affiliates by third parties, whether in the ordinary course of business or otherwise, may include claims against us by virtue of our relationship with the defendant-franchisee. In addition to decreasing the ability of a defendant-franchisee to make royalty payments and diverting management resources, adverse publicity resulting from such allegations may materially and adversely affect us and our brands, regardless of whether such allegations are valid or whether we are liable. Our international operations may be subject to additional risks related to litigation, including difficulties in enforcement of contractual obligations governed by foreign law due to differing interpretations of rights and obligations, compliance with multiple and potentially conflicting laws, new and potentially untested laws and judicial systems, and reduced or diminished protection of intellectual property. A substantial unsatisfied judgment against us or one of our subsidiaries could result in bankruptcy, which would materially and adversely affect our business and operating results.

Our business is subject to various laws and regulations and changes in such laws and regulations, and/or failure to comply with existing or future laws and regulations, could adversely affect us.

We are subject to state franchise registration requirements, the rules and regulations of the Federal Trade Commission (the “FTC”), various state laws regulating the offer and sale of franchises in the United States through the provision of franchise disclosure documents containing certain mandatory disclosures, and certain rules and requirements regulating franchising arrangements in foreign countries. Although we believe that the Franchisors’ Franchise Disclosure Documents, together with any applicable state-specific versions or supplements, and franchising procedures that we use comply in all material respects with both the FTC guidelines and all applicable state laws regulating franchising in those states in which we offer new franchise arrangements, noncompliance could reduce anticipated royalty income, which in turn may materially and adversely affect our business and operating results.

Our franchisees are subject to various existing U.S. federal, state, local, and foreign laws affecting the operation of the restaurants including various health, sanitation, fire, and safety standards. Franchisees may in the future become subject to regulation (or further regulation) seeking to tax or regulate high-fat foods, to limit the serving size of beverages containing sugar, to ban the use of certain packaging materials (including polystyrene used in the iconic Dunkin’ Donuts cup), or requiring the display of detailed nutrition information. Each of these regulations would be costly to comply with and/or could result in reduced demand for our products.

In connection with the continued operation or remodeling of certain restaurants, franchisees may be required to expend funds to meet U.S. federal, state, and local and foreign regulations. Difficulties in obtaining, or the failure to obtain, required licenses or approvals could delay or prevent the opening of a new restaurant in a particular area or cause an existing restaurant to cease operations. All of these situations would decrease sales of an affected restaurant and reduce royalty payments to us with respect to such restaurant.

The franchisees are also subject to the Fair Labor Standards Act of 1938, as amended, and various other laws in the United States and in foreign countries governing such matters as minimum-wage requirements, overtime and other working conditions, and citizenship requirements. A significant number of our franchisees’ food-service employees are paid at rates related to the U.S. federal minimum wage and applicable minimum wages in foreign jurisdictions and past increases in the U.S. federal minimum wage and foreign jurisdiction minimum wage have increased labor costs, as would future such increases. Any increases in labor costs might result in franchisees inadequately staffing restaurants. Understaffed restaurants could reduce sales at such restaurants, decrease royalty payments, and adversely affect our brands. Evolving labor and employment laws, rules and regulations could also result in increased exposure on the part of Dunkin’ Brands’ for labor and employment related liabilities that have historically been borne by franchisees.

Our and our franchisees’ operations and properties are subject to extensive U.S. federal, state, and local laws and regulations, including those relating to environmental, building, and zoning requirements. Our development of properties for leasing or subleasing to franchisees depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic, and other regulations and requirements.

Failure to comply with legal requirements could result in, among other things, revocation of required licenses, administrative enforcement actions, fines, and civil and criminal liability. We may incur investigation, remediation, or other costs related to releases of hazardous materials or other environmental conditions at our properties, regardless of whether such environmental conditions were created by us or a third party, such as a prior owner or tenant. We have incurred costs to address soil and groundwater contamination at some sites, and continue to incur nominal remediation costs at some of our other locations. If such issues become more expensive to address, or if new issues arise, they could increase our expenses, generate negative publicity, or otherwise adversely affect us.

We are subject to a variety of additional risks associated with our franchisees.

Our franchise system subjects us to a number of additional risks, any one of which may impact our ability to collect royalty payments from our franchisees, may harm the goodwill associated with our brands, and/or may materially and adversely impact our business and results of operations.

Bankruptcy of U.S. Franchisees. A franchisee bankruptcy could have a substantial negative impact on our ability to collect payments due under such franchisee’s franchise arrangements and, to the extent such franchisee is a lessee pursuant to a franchisee lease/sublease with us, payments due under such franchisee lease/sublease. In a franchisee bankruptcy, the bankruptcy trustee may reject its franchise arrangements and/or franchisee lease/sublease pursuant to Section 365 under the United States bankruptcy code, in which case there would be no further royalty payments and/or franchisee lease/sublease payments from such franchisee, and there can be no assurance as to the proceeds, if any, that may ultimately be recovered in a bankruptcy proceeding of such franchisee in connection with a damage claim resulting from such rejection.

Franchisee Changes in Control. The franchise arrangements prohibit “changes in control” of a franchisee without our consent as the franchisor, except in the event of the death or disability of a franchisee (if a natural person) or a principal of a franchisee entity. In such event, the executors and representatives of the franchisee are required to transfer the relevant franchise arrangements to a successor franchisee approved by the franchisor. There can be, however, no assurance that any such successor would be found or, if found, would be able to perform the former franchisee’s obligations under such franchise arrangements or successfully operate the restaurant. If a successor franchisee is not found, or if the successor franchisee that is found is not as successful in operating the restaurant as the then-deceased or disabled franchisee or franchisee principal, the sales of the restaurant could be adversely affected.

Franchisee Insurance. The franchise arrangements require each franchisee to maintain certain insurance types and levels. Certain extraordinary hazards, however, may not be covered, and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, any loss incurred could exceed policy limits and policy payments made to franchisees may not be made on a timely basis. Any such loss or delay in payment could have a material and adverse effect on a franchisee’s ability to satisfy its obligations under its franchise arrangement, including its ability to make royalty payments.

Some of Our Franchisees are Operating Entities. Franchisees may be natural persons or legal entities. Our franchisees that are operating companies (as opposed to limited purpose entities) are subject to business, credit, financial, and other risks, which may be unrelated to the operations of the restaurants. These unrelated risks could materially and adversely affect a franchisee that is an operating company and its ability to make its royalty payments in full or on a timely basis, which in turn could materially and adversely affect our business and operating results.

Franchise Arrangement Termination; Nonrenewal. Each franchise arrangement is subject to termination by us as the franchisor in the event of a default, generally after expiration of applicable cure periods, although under certain circumstances a franchise arrangement may be terminated by us upon notice without an opportunity to cure. The default provisions under the franchise arrangements are drafted broadly and include, among other things, any failure to meet operating standards and actions that may threaten our licensed intellectual property.

In addition, each franchise agreement has an expiration date. Upon the expiration of the franchise arrangement, we or the franchisee may, or may not, elect to renew the franchise arrangements. If the franchisee arrangement is renewed, the franchisee will receive a “successor” franchise arrangement for an additional term. Such option, however, is contingent on the franchisee’s execution of the then-current form of franchise arrangements (which may include increased royalty payments, advertising fees, and other costs), the satisfaction of certain conditions (including modernization of the restaurant and related operations), and the payment of a renewal fee. If a franchisee is unable or unwilling to satisfy any of the foregoing conditions, the expiring franchise arrangements will terminate upon expiration of the term of the franchise arrangements.

Product Liability Exposure. We require franchisees to maintain general liability insurance coverage to protect against the risk of product liability and other risks and demand strict franchisee compliance with health and safety regulations. However, franchisees may receive through the supply chain (from central manufacturing locations (“CMLs”), NDCP, or otherwise), or produce defective food or beverage products, which may adversely impact our brands’ goodwill.

Americans with Disabilities Act. Restaurants located in the United States must comply with Title III of the Americans with Disabilities Act of 1990, as amended (the “ADA”). Although we believe newer restaurants meet the ADA construction standards and, further, that franchisees have historically been diligent in the remodeling of older restaurants, a finding of noncompliance with the ADA could result in the imposition of injunctive relief, fines, an award of damages to private litigants, or additional capital expenditures to remedy such noncompliance. Any imposition of injunctive relief, fines, damage awards, or capital expenditures could adversely affect the ability of a franchisee to make royalty payments, or could generate negative publicity, or otherwise adversely affect us.

Franchisee Litigation. Franchisees are subject to a variety of litigation risks, including, but not limited to, customer claims, personal-injury claims, environmental claims, employee allegations of improper termination and discrimination, claims related to violations of the ADA, religious freedom, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and intellectual-property claims. Each of these claims may increase costs and limit the funds available to make royalty payments and reduce the execution of new franchise arrangements.

Potential Conflicts with Franchisee Organizations. Although we believe our relationship with our franchisees is open and strong, the nature of the franchisor-franchisee relationship can give rise to conflict. In the U.S., our approach is collaborative in that we have established district advisory councils, regional advisory councils, and a national brand advisory council for each of the Dunkin' Donuts brand and the Baskin-Robbins brand. The councils are comprised of franchisees, brand employees, and executives, and they meet to discuss the strengths, weaknesses, challenges, and opportunities facing the brands as well as the rollout of new products and projects. Internationally, our operations are primarily conducted through joint ventures with local licensees, so our relationships are conducted directly with our licensees rather than separate advisory committees. No material disputes with franchisee organizations exist in the United States or internationally at this time.

Failure to retain our existing senior management team or the inability to attract and retain new qualified personnel could hurt our business and inhibit our ability to operate and grow successfully.

Our success will continue to depend to a significant extent on our executive management team and the ability of other key management personnel to replace executives who retire or resign. We may not be able to retain our executive officers and key personnel or attract additional qualified management personnel to replace executives who retire or resign. Failure to retain our leadership team and attract and retain other important personnel could lead to ineffective management and operations, which could materially and adversely affect our business and operating results.

Unforeseen weather or other events, including terrorist threats or activities, may disrupt our business.

Unforeseen events, including war, terrorism, and other international, regional, or local instability or conflicts (including labor issues), embargos, public health issues (including tainted food, food-borne illnesses, food tampering, or water supply or widespread/pandemic illness such as Ebola, the avian or H1N1 flu, MERS), and natural disasters such as earthquakes, tsunamis, hurricanes, or other adverse weather and climate conditions, whether occurring in the U.S. or abroad, could disrupt our operations or that of our franchisees or suppliers; or result in political or economic instability. These events could reduce traffic in our restaurants and demand for our products; make it difficult or impossible for our franchisees to receive products from their suppliers; disrupt or prevent our ability to perform functions at the corporate level; and/or otherwise impede our or our franchisees' ability to continue business operations in a continuous manner consistent with the level and extent of business activities prior to the occurrence of the unexpected event or events, which in turn may materially and adversely impact our business and operating results.

Risks related to our common stock

Our stock price could be extremely volatile and, as a result, you may not be able to resell your shares at or above the price you paid for them.

Since our initial public offering in July 2011, the price of our common stock, as reported by NASDAQ, has ranged from a low of $23.24 on December 15, 2011 to a high of $56.79 on July 14, 2015. In addition, the stock market in general has been highly volatile. As a result, the market price of our common stock is likely to be similarly volatile, and investors in our common stock may experience a decrease, which could be substantial, in the value of their stock, including decreases unrelated to our operating performance or prospects, and could lose part or all of their investment. The price of our common stock could be subject to wide fluctuations in response to a number of factors, including those described elsewhere in this report and others such as:

- variations in our operating performance and the performance of our competitors;
- actual or anticipated fluctuations in our quarterly or annual operating results;

- publication of research reports by securities analysts about us, our competitors, or our industry;
- our failure or the failure of our competitors to meet analysts’ projections or guidance that we or our competitors may give to the market;
- additions and departures of key personnel;
- strategic decisions by us or our competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments, or changes in business strategy;

- the passage of legislation or other regulatory developments affecting us or our industry;
- speculation in the press or investment community;
- changes in accounting principles;
- terrorist acts, acts of war, or periods of widespread civil unrest;
- natural disasters and other calamities; and
- changes in general market and economic conditions.

As we operate in a single industry, we are especially vulnerable to these factors to the extent that they affect our industry, our products, or to a lesser extent our markets. In the past, securities class action litigation has often been initiated against companies following periods of volatility in their stock price. This type of litigation could result in substantial costs and divert our management's attention and resources, and could also require us to make substantial payments to satisfy judgments or to settle litigation.

Provisions in our charter documents and Delaware law may deter takeover efforts that you feel would be beneficial to stockholder value.

Our certificate of incorporation and bylaws and Delaware law contain provisions which could make it harder for a third party to acquire us, even if doing so might be beneficial to our stockholders. These provisions include a classified board of directors and limitations on actions by our stockholders. In addition, our board of directors has the right to issue preferred stock without stockholder approval that could be used to dilute a potential hostile acquirer. Our certificate of incorporation also imposes some restrictions on mergers and other business combinations between us and a holder of 15% or more of our outstanding common stock. As a result, you may lose your ability to sell your stock for a price in excess of the prevailing market price due to these protective measures, and efforts by stockholders to change the direction or management of the company may be unsuccessful.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters, located in Canton, Massachusetts, houses substantially all of our executive management and employees who provide our primary corporate support functions: legal, marketing, technology, human resources, public relations, financial and research and development.

As of December 26, 2015, we owned 94 properties and leased 911 locations across the U.S. and Canada, a majority of which we leased or subleased to franchisees. For fiscal year 2015, we generated 12.4%, or $100.4 million, of our total revenue from rental fees from franchisees who lease or sublease their properties from us.

The remaining balance of restaurants selling our products are situated on real property owned by franchisees or leased directly by franchisees from third-party landlords. All international restaurants (other than 11 located in Canada) are owned by licensees and their sub-franchisees or leased by licensees and their sub-franchisees directly from a third-party landlord.

Nearly 100% of Dunkin' Donuts and Baskin-Robbins restaurants are owned and operated by franchisees. We have construction and site management personnel who oversee the construction of restaurants by outside contractors. The restaurants are built to our specifications as to exterior style and interior decor. As of December 26, 2015, there were 11,750 Dunkin' Donuts points of distribution, operating in 41 states and the District of Columbia in the U.S. and 42 foreign countries. Baskin-Robbins points of distribution totaled 7,607, operating in 43 states and the District of Columbia in the U.S. and 47 foreign countries. All but 49 of the Dunkin' Donuts and Baskin-Robbins points of distribution were franchisee-owned. The following table illustrates domestic and international points of distribution by brand and whether they are operated by the Company or our franchisees as of December 26, 2015.

	Franchised points of distribution	Company-operated points of distribution
Dunkin' Donuts—US*	8,392	39
Dunkin' Donuts—International	3,319	—
Total Dunkin' Donuts*	11,711	39
Baskin-Robbins—US*	2,493	10
Baskin-Robbins—International	5,104	—
Total Baskin-Robbins*	7,597	10
Total US	10,885	49
Total International	8,423	—

* Combination restaurants, as more fully described below, count as both a Dunkin' Donuts and a Baskin-Robbins point of distribution.

Dunkin' Donuts and Baskin-Robbins restaurants operate in a variety of formats. Dunkin' Donuts traditional restaurant formats include free standing restaurants, end-caps (i.e., end location of a larger multi-store building), and gas and convenience locations. A free-standing building typically ranges in size from 1,200 to 2,500 square feet, and may include a drive-thru window. An end-cap typically ranges in size from 1,000 to 2,000 square feet and may include a drive-thru window. Dunkin' Donuts also has other restaurants designed to fit anywhere, consisting of small full-service restaurants and/or self-serve kiosks in offices, hospitals, colleges, airports, grocery stores, and drive-thru-only units on smaller pieces of property (collectively referred to as alternative points of distributions or "APODs"). APODs typically range in size between 400 to 1,800 square feet. The majority of our Dunkin' Donuts restaurants have their fresh baked goods delivered to them from franchisee-owned and -operated CMLs.

Baskin-Robbins traditional restaurant formats include free standing restaurants and end-caps. A free-standing building typically ranges in size from 600 to 1,200 square feet, and may include a drive-thru window. An end-cap typically ranges in size from 800 to 1,200 square feet and may include a drive-thru window. We also have other restaurants, consisting of small full-service restaurants and/or self-serve kiosks (collectively referred to as APODs). APODs typically range in size between 400 to 1,000 square feet.

In the U.S., Baskin-Robbins can also be found in 1,241 combination restaurants ("combos") that also include a Dunkin' Donuts restaurant, and are typically either free-standing or an end-cap. These combos, which we count as both a Dunkin' Donuts and a Baskin-Robbins point of distribution, typically range from 1,400 to 3,500 square feet.

Of the 9,654 U.S. franchised locations, 86 were sites owned by the Company and leased to franchisees, 856 were leased by us, and in turn, subleased to franchisees, with the remainder either owned or leased directly by the franchisee. Our land or land and building leases are generally for terms of ten years to twenty years, and often have one or more five-year or ten-year renewal options. In certain lease agreements, we have the option to purchase, or the right of first refusal to purchase, the real estate. Certain leases require the payment of additional rent equal to a percentage of annual sales in excess of specified amounts.

Of the sites owned or leased by the Company in the U.S., 14 are locations that no longer have a Dunkin' Donuts or Baskin-Robbins restaurant ("surplus properties"). Some of these surplus properties have been sublet to other parties while the remaining are currently vacant.

We have 9 surplus leased franchised restaurant properties in the U.S. We also have leased office space in Brazil, China, Dubai, and the United Kingdom.

The following table sets forth the Company's owned and leased office and training facilities, including the approximate square footage of each facility. None of these owned properties, or the Company's leasehold interest in leased property, is encumbered by a mortgage.

Location	Type	Owned/Leased	Approximate Sq. Ft.
Canton, MA	Office	Leased	175,000
Braintree, MA (training facility)	Office	Owned	15,000
Burbank, CA (training facility)	Office	Leased	19,000
Dubai, United Arab Emirates (regional office space)	Office	Leased	3,200
Shanghai, China (regional office spaces)	Office	Leased	1,700
Various (regional sales offices)	Office	Leased	Range of 150 to 300

Item 3. Legal Proceedings.

In May 2003, a group of Dunkin' Donuts franchisees from Quebec, Canada filed a lawsuit against the Company on a variety of claims, including but not limited to, alleging that the Company breached its franchise agreements and provided inadequate management and support to Dunkin' Donuts franchisees in Quebec ("Bertico litigation"). In June 2012, the Quebec Superior Court found for the plaintiffs and issued a judgment against the Company in the amount of approximately C$16.4 million, plus costs and interest, representing loss in value of the franchises and lost profits. The Company appealed the decision, and in April 2015, the Quebec Court of Appeals (Montreal) ruled to reduce the damages to approximately C$10.9 million, plus costs and interest. Similar claims have also been made against the Company by other former Dunkin' Donuts franchisees in Canada. As a result of the Bertico litigation appellate ruling and assessment of similar claims, during the first quarter of fiscal year 2015, the Company reduced its aggregate legal reserves for the Bertico litigation and similar claims by approximately $2.8 million resulting in an estimated liability of $18.1 million million as of December 26, 2015. The Company has sought leave to appeal with the Supreme Court of Canada in the Bertico litigation.

In addition, the Company is engaged in several matters of litigation arising in the ordinary course of its business as a franchisor. Such matters include disputes related to compliance with the terms of franchise and development agreements, including claims or threats of claims of breach of contract, negligence, and other alleged violations by the Company.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock has been listed on the NASDAQ Global Select Market under the symbol "DNKN" since July 27, 2011. Prior to that time, there was no public market for our common stock. The following table sets forth for the periods indicated the high and low sale prices of our common stock on the NASDAQ Global Select Market.

Fiscal Quarter	High	Low
2015		
Fourth Quarter (13 weeks ended December 26, 2015)	$50.17	$39.29
Third Quarter (13 weeks ended September 26, 2015)	$56.79	$46.50
Second Quarter (13 weeks ended June 27, 2015)	$55.60	$46.89
First Quarter (13 weeks ended March 28, 2015)	$48.69	$41.72
2014		
Fourth Quarter (13 weeks ended December 27, 2014)	$49.00	$41.55
Third Quarter (13 weeks ended September 27, 2014)	$47.94	$40.50
Second Quarter (13 weeks ended June 28, 2014)	$50.99	$43.18
First Quarter (13 weeks ended March 29, 2014)	$53.05	$45.43

On February 17, 2016, we had 875 holders of record of our common stock.

Dividend policy

During fiscal years 2015 and 2014, the Company paid dividends on common stock as follows:

	Dividend per share	Total amount (in thousands)	Payment date
Fiscal year 2015:			
First quarter	$0.265	$25,688	March 18, 2015
Second quarter	$0.265	$25,127	June 17, 2015
Third quarter	$0.265	$25,197	September 2, 2015
Fourth quarter	$0.265	$24,504	December 2, 2015
Fiscal year 2014:			
First quarter	$0.23	$24,520	March 19, 2014
Second quarter	$0.23	$24,239	June 4, 2014
Third quarter	$0.23	$23,997	September 3, 2014
Fourth quarter	$0.23	$24,019	December 3, 2014

On February 4, 2016, we announced that our board of directors approved an increase to the next quarterly dividend to $0.30 per share of common stock payable March 16, 2016.

We currently anticipate continuing the payment of quarterly cash dividends. The actual amount of such dividends will depend upon future earnings, results of operations, capital requirements, our financial condition and certain other factors. There can be no assurance as to the amount of free cash flow that we will generate in future years and, accordingly, dividends will be considered after reviewing returns to shareholders, profitability expectations and financing needs and will be declared at the discretion of our board of directors.

Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information regarding purchases of our common stock made during the quarter ended December 26, 2015 by or on behalf of Dunkin' Brands Group, Inc. or any "affiliated purchaser," as defined by Rule 10b-18(a)(3) of the Securities Exchange Act of 1934:

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs
09/27/15 - 10/24/15	2,527,167	$39.57	2,527,167	$75,007,402
10/25/15 - 11/28/15	—	—	—	75,007,402
11/29/15 - 12/26/15	—	—	—	75,007,402
Total	2,527,167	$39.57	2,527,167	

On January 26, 2015, our board of directors approved a share repurchase program of up to $700.0 million of outstanding shares of our common stock. Under the program, purchases may be made in the open market or in privately negotiated transactions from time to time subject to market conditions. On February 4, 2016, our board of directors increased the availability under the existing share repurchase program to $200.0 million of outstanding shares of our common stock. This repurchase authorization expires two years from the date of such increase.

On October 22, 2015, the Company entered into an accelerated share repurchase agreement (the "October ASR Agreement") with a third-party financial institution. Pursuant to the terms of the October ASR Agreement, the Company paid the financial institution $125.0 million from cash on hand and received an initial delivery of 2,527,167 shares of the Company's common stock in October 2015, representing an estimate of 80% of the total shares expected to be delivered under the October ASR Agreement. Upon the final settlement of the October ASR Agreement, subsequent to fiscal year 2015, the Company received an

additional delivery of 483,913 shares of its common stock based on a weighted average cost per share of $41.51 over the term of the October ASR Agreement.
On February 4, 2016, the Company entered into an accelerated share repurchase agreement (the "February 2016 ASR Agreement") with a third-party financial institution. Pursuant to the terms of the February 2016 ASR Agreement, the Company paid the financial institution $30.0 million from cash on hand and received an initial delivery of 553,506 shares of the Company’s common stock on February 9, 2016, representing an estimate of 80% of the total shares expected to be delivered under the February 2016 ASR Agreement. At settlement, the financial institution may be required to deliver additional shares of common stock to the Company or, under certain circumstances, the Company may be required to deliver shares of its common stock or may elect to make a cash payment to the financial institution. Final settlement of the February 2016 ASR Agreement is expected to be completed in the first quarter of fiscal year 2016.
Securities authorized for issuance under our equity compensation plans

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights[1]	(b) Weighted-average exercise price of outstanding options, warrants and rights[2]	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))[3]
Equity compensation plans approved by security holders	5,528,611	$34.69	6,698,945
Equity compensation plans not approved by security holders	—	—	—
TOTAL	5,528,611	$34.69	6,698,945

(1)Consists of 5,369,199 shares issuable upon exercise of outstanding options and 159,412 shares issuable upon vesting of outstanding restricted stock units under approved plans.

(2)The weighted-average exercise price takes into account 159,412 shares under approved plans issuable upon vesting of outstanding restricted stock units, which have no exercise price. The weighted average exercise price solely with respect to stock options outstanding under the approved plans is $35.72.
(3)Consists of 6,198,945 shares remaining available for issuance under the Company's 2015 Omnibus Long-Term Incentive Plan and 500,000 shares remaining available for issuance under the Company's employee stock purchase plan.

Performance Graph

The following graph depicts the total return to shareholders from July 27, 2011, the date our common stock became listed on the NASDAQ Global Select Market, through December 26, 2015, relative to the performance of the Standard & Poor's 500 Index and the Standard & Poor's 500 Consumer Discretionary Sector, a peer group. The graph assumes an investment of $100 in our common stock and each index on July 27, 2011 and the reinvestment of dividends paid since that date. The stock price performance shown in the graph is not necessarily indicative of future price performance.

	7/27/2011	12/31/2011	12/29/2012	12/28/2013	12/27/2014	12/26/2015
Dunkin' Brands Group, Inc. (DNKN)	$100.00	$99.92	$132.02	$198.43	$179.51	$183.49
S&P 500	$100.00	$94.42	$105.29	$138.25	$156.83	$154.74
S&P Consumer Discretionary	$100.00	$95.65	$114.27	$163.04	$177.64	$193.22

Item 6. Selected Financial Data.

The following table sets forth our selected historical consolidated financial and other data, and should be read in conjunction with "Management's discussion and analysis of financial condition and results of operations" and the consolidated financial statements and the related notes thereto appearing elsewhere in this Annual Report on Form 10-K. The selected historical financial data has been derived from our audited consolidated financial statements. Historical results are not necessarily indicative of the results to be expected for future periods. The data in the following table related to adjusted operating income, adjusted net income, points of distribution, comparable store sales growth, franchisee-reported sales, company-operated POD sales by brand, and systemwide sales growth are unaudited for all periods presented. The data for fiscal year 2011 reflects the results of operations for a 53-week period. All other periods presented reflect the results of operations for 52-week periods.

	Fiscal Year				
	2015	2014	2013	2012	2011
	($ in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Franchise fees and royalty income	$513,222	482,329	453,976	418,940	398,474
Rental income	100,422	97,663	96,082	96,816	92,145
Sales of ice cream and other products(1)	115,252	117,484	112,276	94,659	100,068
Sales at company-operated restaurants	28,340	22,206	24,976	22,922	12,154
Other revenues(1)	53,697	29,027	26,530	24,844	25,357
Total revenues	810,933	748,709	713,840	658,181	628,198
Amortization of intangible assets	24,688	25,760	26,943	26,943	28,025
Other operating costs and expenses(2)(3)	426,363	406,775	409,688	416,469	392,448
Total operating costs and expenses	451,051	432,535	436,631	443,412	420,473
Net income (loss) of equity method investments(4)	(41,745)	14,846	18,370	22,351	(3,475)
Other operating income, net	1,430	7,838	9,157	2,309	1,059
Operating income	319,567	338,858	304,736	239,429	205,309
Interest expense, net	(96,341)	(67,824)	(79,831)	(73,488)	(104,449)
Loss on debt extinguishment and refinancing transactions	(20,554)	(13,735)	(5,018)	(3,963)	(34,222)
Other gains (losses), net	(1,084)	(1,566)	(1,799)	23	175
Income before income taxes	201,588	255,733	218,088	162,001	66,813
Net income attributable to Dunkin' Brands	$105,227	176,357	146,903	108,308	34,442
Earnings (loss) per share:					
Class L—basic and diluted	n/a	n/a	n/a	n/a	6.14
Common—basic	$1.10	1.67	1.38	0.94	(1.41)
Common—diluted	1.08	1.65	1.36	0.93	(1.41)

	Fiscal Year				
	2015	2014	2013	2012	2011
	($ in thousands, except per share data or as otherwise noted)				
Consolidated Balance Sheet Data:					
Total cash, cash equivalents, and restricted cash	$333,115	208,358	257,238	252,985	246,984
Total assets[5]	3,197,119	3,124,400	3,172,653	3,153,568	3,150,234
Total debt[5][6]	2,453,643	1,807,556	1,811,798	1,832,581	1,445,848
Total liabilities[5]	3,417,862	2,749,450	2,760,365	2,803,593	2,404,298
Total stockholders' equity (deficit)	(220,743)	367,959	407,358	349,975	745,936
Other Financial Data:					
Capital expenditures	$30,246	23,638	31,099	22,398	18,596
Adjusted operating income[7]	400,477	365,956	340,396	307,157	270,740
Adjusted net income[7]	187,893	186,113	165,761	149,700	101,744
Points of Distribution[8]:					
Dunkin' Donuts U.S.	8,431	8,082	7,677	7,306	7,015
Dunkin' Donuts International	3,319	3,228	3,181	3,043	2,871
Baskin-Robbins U.S.	2,503	2,484	2,467	2,463	2,493
Baskin-Robbins International	5,104	5,068	4,833	4,556	4,217
Total points of distribution	19,357	18,862	18,158	17,368	16,596
Comparable Store Sales Growth (Decline):					
Dunkin' Donuts U.S.[9]	1.4%	1.7%	3.3%	4.1%	5.1%
Dunkin' Donuts International[10]	0.5%	(2.0)%	(0.4)%	2.0%	n/a
Baskin-Robbins U.S.[9]	6.1%	4.9%	1.0%	4.0%	0.6%
Baskin-Robbins International[10]	(1.9)%	(1.2)%	1.9%	2.8%	n/a
Franchisee-Reported Sales ($ in millions)[11]:					
Dunkin' Donuts U.S.	$7,595.8	7,154.2	6,717.5	6,242.0	5,919.2
Dunkin' Donuts International	678.4	701.8	683.6	663.2	636.7
Baskin-Robbins U.S.	582.3	543.1	513.3	509.3	501.7
Baskin-Robbins International	1,284.7	1,352.2	1,362.0	1,356.8	1,286.3
Total franchisee-reported sales	$10,141.2	9,751.3	9,276.4	8,771.3	8,343.9
Company-Operated POD Sales ($ in millions)[12]:					
Dunkin' Donuts U.S.	$26.9	21.3	24.6	22.2	11.6
Baskin-Robbins U.S.	1.4	0.9	0.4	0.7	0.5
Systemwide Sales Growth (Decline)[13]:					
Dunkin' Donuts U.S.	6.2%	6.4%	7.6%	5.6%	9.4%
Dunkin' Donuts International	(3.3)%	2.7%	3.1%	4.2%	9.1%
Baskin-Robbins U.S.	7.3%	5.9%	0.7%	1.5%	0.2%
Baskin-Robbins International	(5.0)%	(0.7)%	0.4%	5.5%	11.7%
Total systemwide sales growth	4.1%	5.1%	5.8%	5.2%	9.1%

(1) Sales of ice cream and other products includes sales of products sold to Dunkin' Donuts International franchisees that have historically been included in other revenues. Sales from these transactions were reclassified for all prior periods presented to conform to the current period presentation.

(2) Includes management fees paid to our former private equity owners of $16.4 million for fiscal year 2011, under a management agreement, which was terminated in connection with our IPO.

(3) Fiscal year 2012 includes a $20.7 million incremental legal reserve recorded in the second quarter related to the Quebec Superior Court’s ruling in the Bertico litigation, in which the Court found for the Plaintiffs and issued a judgment against Dunkin’ Brands in the amount of approximately C$16.4 million, plus costs and interest. Fiscal year 2015 includes a net reduction to legal reserves for the Bertico litigation and related matters of $2.8 million, as a result

of the Quebec Court of Appeals (Montreal) ruling to reduce the damages assessed against the Company in the Bertico litigation from approximately C$16.4 million to approximately C$10.9 million, plus costs and interest.

(4) Fiscal years 2015 and 2011 include impairments of our equity method investments in Japan and South Korea joint ventures of $54.3 million and $19.8 million, respectively.

(5) As a result of the adoption of new accounting standards, deferred income tax assets that have historically been included in current assets have been reclassified to other assets and long-term liabilities. Additionally, debt issuance costs that have historically been included in long-term assets have been reclassified to long-term debt. All prior periods presented have been revised to conform to the current period presentation.

(6) Includes capital lease obligations of $8.0 million, $8.1 million, $7.4 million, $7.6 million, and $5.2 million as of December 26, 2015, December 27, 2014, December 28, 2013, December 29, 2012, and December 31, 2011, respectively.

(7) Adjusted operating income and adjusted net income are non-GAAP measures reflecting operating income and net income adjusted for amortization of intangible assets, long-lived asset impairments, impairment of joint ventures, and other non-recurring, infrequent, or unusual charges, net of the tax impact of such adjustments in the case of adjusted net income. The Company uses adjusted operating income and adjusted net income as key performance measures for the purpose of evaluating performance internally. We also believe adjusted operating income and adjusted net income provide our investors with useful information regarding our historical operating results. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Use of the terms adjusted operating income and adjusted net income may differ from similar measures reported by other companies. Adjusted operating income and adjusted net income are reconciled from operating income and net income, respectively, determined under GAAP as follows:

	Fiscal Year 2015	2014	2013	2012	2011
	(Unaudited, $ in thousands)				
Operating income	$319,567	338,858	304,736	239,429	205,309
Adjustments:					
Amortization of other intangible assets	24,688	25,760	26,943	26,943	28,025
Long-lived asset impairment charges	623	1,484	563	1,278	2,060
Third-party product volume guarantee	—	(300)	7,500	—	—
Sponsor termination fee	—	—	—	—	14,671
Secondary offering costs	—	—	—	4,783	1,899
Peterborough plant closure[a]	4,075	—	654	14,044	—
Transaction costs[b]	424	154	—	—	—
Japan joint venture impairment, net[c]	53,853	—	—	—	—
South Korea joint venture impairment, net[d]	—	—	—	—	18,776
Bertico litigation[e]	(2,753)	—	—	20,680	—
Adjusted operating income	$400,477	365,956	340,396	307,157	270,740
Net income attributable to Dunkin' Brands	$105,227	176,357	146,903	108,308	34,442
Adjustments:					
Amortization of other intangible assets	24,688	25,760	26,943	26,943	28,025
Long-lived asset impairment charges	623	1,484	563	1,278	2,060
Third-party product volume guarantee	—	(300)	7,500	—	—
Sponsor termination fee	—	—	—	—	14,671
Secondary offering costs	—	—	—	4,783	1,899
Peterborough plant closure[a]	4,075	—	654	14,044	—
Transaction costs[b]	424	154	—	—	—
Japan joint venture impairment, net[c]	53,853	—	—	—	—
South Korea joint venture impairment, net[d]	—	—	—	—	18,776
Bertico litigation[e]	(2,753)	—	—	20,680	—
Loss on debt extinguishment and refinancing transactions	20,554	13,735	5,018	3,963	34,222
Tax impact of adjustments, excluding Bertico litigation[f]	(19,044)	(16,333)	(16,271)	(20,404)	(32,351)
Tax impact of Bertico adjustment[g]	—	—	—	(3,980)	—
Income tax audit settlements[h]	—	(6,717)	(8,417)	(10,514)	—
Tax impact of legal entity conversion[i]	246	(8,541)	—	—	—
State tax apportionment[j]	—	514	2,868	4,599	—
Adjusted net income	$187,893	186,113	165,761	149,700	101,744

(a) For fiscal year 2012, the adjustment includes $3.4 million of severance and other payroll-related costs, $4.2 million of accelerated depreciation, $2.7 million of incremental costs of ice cream products, and $1.6 million of other transition-related costs incurred related to the closure of the Baskin-Robbins ice cream manufacturing plant in Peterborough, Canada. The amount for fiscal year 2012 also reflects the one-time delay in revenue recognition, net of related cost of ice cream and other products, related to the shift in manufacturing to Dean Foods of $2.1 million. For fiscal year 2013, the adjustment represents transition-related general and administrative costs incurred related to the plant closure, such as information technology integration, project management, and transportation costs. For fiscal year 2015, the adjustment represents costs incurred related to the final settlement of the Canadian pension plan as a result of the plant closure.

(b)

Represents non-capitalizable costs incurred in connection with obtaining a new securitized financing facility, which was completed in January 2015.

(c) Amount consists of an other-than-temporary impairment of the investment in the Japan joint venture of $54.3 million, less a reduction in depreciation and amortization of $0.4 million resulting from the allocation of the impairment charge to the underlying long-lived assets of the joint venture.

(d) Amount consists of an other-than-temporary impairment of the investment in the South Korea joint venture of $19.8 million, less a reduction in depreciation and amortization of $1.0 million resulting from the allocation of the impairment charge to the underlying intangible and long-lived assets of the joint venture.

(e) For fiscal year 2012, the adjustment represents the incremental legal reserve recorded in the second quarter of 2012 related to the Quebec Superior Court's ruling in the Bertico litigation, in which the Court found for the Plaintiffs and issued a judgment against Dunkin' Brands in the amount of approximately C$16.4 million (approximately $15.9 million), plus costs and interest. The adjustment for fiscal year 2015 represents the net reduction to legal reserves for the Bertico litigation and related matters of $2.8 million, as a result of the Quebec Court of Appeals (Montreal) ruling to reduce the damages assessed against the Company in the Bertico litigation from approximately C$16.4 million to approximately C$10.9 million, plus costs and interest.

(f) Tax impact of adjustments calculated at a 40% effective tax rate for each period presented, excluding the Japan and South Korea joint venture impairments as there was no tax impact related to those charges and the Bertico litigation adjustment for which the tax impact is calculated separately.

(g) Tax impact of Bertico litigation adjustment calculated as if the incremental reserve had not been recorded, considering statutory tax rates and deductibility.

(h) Represents income tax benefits resulting from the settlement of historical tax positions settled during the prior period, primarily related to the accounting for the acquisition of the Company by private equity firms in 2006.

(i) Represents the net tax impact of converting Dunkin' Brands Canada Ltd. to Dunkin' Brands Canada ULC.

(j) Represents tax expense recognized due to an increase in our overall state tax rate for a shift in the apportionment of income to certain state jurisdictions.

(8) Represents period end points of distribution.

(9) Represents the growth in average weekly sales for franchisee- and company-operated restaurants that have been open at least 78 weeks (approximately 18 months) that have reported sales in the current and comparable prior year week. Previously, U.S. comparable store sales growth were calculated including only sales from franchisee- and company-operated restaurants that had been open at least 54 weeks and that had reported sales in the current and comparable prior year week. Comparable store sales growth for Dunkin' Donuts U.S. and Baskin-Robbins U.S. for all prior periods presented have been revised to include only those restaurants that have been open at least 78 weeks to conform to the current period calculation.

(10) Represents the growth in local currency average weekly sales for franchisee-operated restaurants, including joint ventures, that have been open at least 54 weeks and that have reported sales in the current and comparable prior year week. International comparable store sales growth has not been revised at this time to include only sales from restaurants that have been open at least 78 weeks, similar to the U.S., given that store-level sales information resides on multiple, non-uniform systems owned and controlled by our international partners. Comparable store sales growth data was not available for our international segments until fiscal year 2012.

(11) Franchisee-reported sales include sales at franchisee-operated restaurants, including joint ventures. While we do not record sales by franchisees or licensees as revenue and such sales are not included in our consolidated financial statements, we believe that this operating measure is important in obtaining an understanding of our financial performance. We believe franchisee-reported sales information aids in understanding how we derive royalty revenue and in evaluating our performance relative to competitors.

(12) Company-operated POD sales include sales at restaurants majority owned or operated by Dunkin' Brands.

(13) Systemwide sales growth represents the percentage change in sales at both franchisee- and company-operated restaurants from the comparable period of the prior year. Changes in systemwide sales are driven by changes in average comparable store sales and changes in the number of restaurants.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion of our financial condition and results of operations should be read in conjunction with the selected financial data and the audited financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements about our markets, the demand for our products and services and our future results and involves numerous risks and uncertainties. Generally these statements can be identified by the use of words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “feel,” “forecast,” “intend,” “plan,” “potential,” “project,” “should” or “would” and similar expressions intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Our forward-looking statements are subject to risks and uncertainties, which may cause actual results to differ materially from those projected or implied by the forward-looking statement. Forward-looking statements are based on current expectations and assumptions and currently available data and are neither predictions nor guarantees of future events or performance. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. See “Risk factors” for a discussion of factors that could cause our actual results to differ from those expressed or implied by forward-looking statements.

Introduction and overview

We are one of the world's leading franchisors of quick service restaurants ("QSRs") serving hot and cold coffee and baked goods, as well as hard serve ice cream. We franchise restaurants under our Dunkin' Donuts and Baskin-Robbins brands. With over 19,000 points of distribution in more than 60 countries worldwide, we believe that our portfolio has strong brand awareness in our key markets. QSR is a restaurant format characterized by counter or drive-thru ordering and limited or no table service. As of December 26, 2015, Dunkin' Donuts had 11,750 global points of distribution with restaurants in 41 U.S. states and the District of Columbia and in 42 foreign countries. Baskin-Robbins had 7,607 global points of distribution as of the same date, with restaurants in 43 U.S. states and the District of Columbia and in 47 foreign countries.

We are organized into four reporting segments: Dunkin' Donuts U.S., Dunkin' Donuts International, Baskin-Robbins U.S., and Baskin-Robbins International. We generate revenue from five primary sources: (i) royalty income and franchise fees associated with franchised restaurants, (ii) rental income from restaurant properties that we lease or sublease to franchisees, (iii) sales of ice cream and other products to franchisees in certain international markets, (iv) retail store revenue at our company-operated restaurants, and (v) other income including fees for the licensing of our brands for products sold in non-franchised outlets, the licensing of the right to manufacture Baskin-Robbins ice cream products sold to U.S. franchisees, refranchising gains, transfer fees from franchisees, and online training fees.

Approximately 63% of our revenue for fiscal year 2015 was derived from royalty income and franchise fees. Rental income from franchisees that lease or sublease their properties from us accounted for 12% of our revenue for fiscal year 2015. An additional 14% of our revenue for fiscal year 2015 was generated from sales of ice cream and other products to franchisees in certain international markets. The balance of our revenue for fiscal year 2015 consisted of revenue from our company-operated restaurants, license fees on products sold in non-franchised outlets, license fees on sales of ice cream and other products to Baskin-Robbins franchisees in the U.S., refranchising gains, transfer fees from franchisees, and online training fees.

Franchisees fund the vast majority of the cost of new restaurant development. As a result, we are able to grow our system with lower capital requirements than many of our competitors. With only 49 company-operated points of distribution as of December 26, 2015, we are less affected by store-level costs, profitability, and fluctuations in commodity costs than other QSR operators.

Our franchisees fund substantially all of the advertising that supports both brands. Those advertising funds also fund the cost of our marketing, research and development, and innovation personnel. Royalty payments and advertising fund contributions typically are made on a weekly basis for restaurants in the U.S., which limits our working capital needs. For fiscal year 2015, franchisee contributions to the U.S. advertising funds were $400.6 million.

We operate and report financial information on a 52- or 53-week year on a 13-week quarter basis with the fiscal year ending on the last Saturday in December and fiscal quarters ending on the 13th Saturday of each quarter (or 14th Saturday when applicable with respect to the fourth fiscal quarter). The data periods contained within fiscal years 2015, 2014, and 2013 reflect the results of operations for the 52-week periods ending on December 26, 2015, December 27, 2014, and December 28, 2013, respectively.

Selected operating and financial highlights

	Fiscal year					
	2015		2014		2013	
Systemwide sales growth	4.1	%	5.1	%	5.8	%
Comparable store sales growth (decline):						
Dunkin' Donuts U.S.[1]	1.4	%	1.7	%	3.3	%
Dunkin' Donuts International	0.5	%	(2.0	)%	(0.4	)%
Baskin-Robbins U.S.[1]	6.1	%	4.9	%	1.0	%
Baskin-Robbins International	(1.9	)%	(1.2	)%	1.9	%
Total revenues	$810,933		748,709		713,840	
Operating income	319,567		338,858		304,736	
Adjusted operating income	400,477		365,956		340,396	
Net income attributable to Dunkin' Brands	105,227		176,357		146,903	

Adjusted net income	187,893	186,113	165,761

(1) Comparable store sales growth for Dunkin' Donuts U.S. and Baskin-Robbins U.S. for fiscal years 2014 and 2013 have been revised to include only those restaurants that have been open at least 78 weeks (approximately 18 months) to conform to the current period

calculation, whereas previously reported figures included only those restaurants that were open at least 54 weeks (approximately 12 months).

Adjusted operating income and adjusted net income are non-GAAP measures reflecting operating income and net income adjusted for amortization of intangible assets, long-lived asset impairments, impairments of investments in joint ventures, and other non-recurring, infrequent, or unusual charges, net of the tax impact of such adjustments in the case of adjusted net income. The Company uses adjusted operating income and adjusted net income as key performance measures for the purpose of evaluating performance internally. We also believe adjusted operating income and adjusted net income provide our investors with useful information regarding our historical operating results. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Use of the terms adjusted operating income and adjusted net income may differ from similar measures reported by other companies. See note 7 to "Selected Financial Data" for reconciliations of operating income and net income determined under GAAP to adjusted operating income and adjusted net income, respectively.

Fiscal year 2015 compared to fiscal year 2014

Overall growth in systemwide sales of 4.1% for fiscal year 2015, resulted from the following:

- Dunkin' Donuts U.S. systemwide sales growth of 6.2%, which was the result of 349 net new restaurants opened in fiscal year 2015 and comparable store sales growth of 1.4%. The increase in comparable store sales was driven by an increase in average ticket, which was favorably impacted by pricing and unfavorably impacted by product mix, offset by a decline in traffic. The growth in average ticket was led by sales of beverages, including iced coffee and espresso, and donuts. In-restaurant K-Cup® sales had a negative impact on comparable store sales.
- Dunkin' Donuts International systemwide sales decline of 3.3% as a result of sales decreases in South Korea and Colombia, offset by sales increases in the Middle East, Asia, and Europe. Sales in South Korea, Europe, South America, and Asia were negatively impacted by unfavorable foreign exchange rates. On a constant currency basis, systemwide sales for fiscal year 2015 increased by approximately 5%. Dunkin' Donuts International comparable store sales increased 0.5% driven primarily by increases in Asia, South America, and the Middle East, offset by declines in Europe and South Korea.
- Baskin-Robbins U.S. systemwide sales growth of 7.3% resulting primarily from comparable store sales growth of 6.1%. Baskin-Robbins U.S. comparable store sales growth was driven by increased sales of cups and cones, beverages, desserts, and sundaes, as well as increased sales of cakes stimulated by strong year-over-year growth of online cake ordering. Comparable store sales growth was driven by increases in both traffic and ticket.
- Baskin-Robbins International systemwide sales decline of 5.0%, driven by sales declines in Japan, South Korea, Europe, and Puerto Rico, offset by sales growth in the Middle East and Asia. Sales in all regions were negatively impacted by unfavorable foreign exchange rates, most notably Japan and South Korea. On a constant currency basis, systemwide sales for fiscal year 2015 increased by approximately 4%. Baskin-Robbins International comparable store sales declined 1.9% driven primarily by declines in Japan and South Korea, offset by growth in the Middle East.

Changes in systemwide sales are impacted, in part, by changes in the number of points of distribution. Points of distribution and net openings as of and for the fiscal years ended December 26, 2015 and December 27, 2014 were as follows:

	December 26, 2015	December 27, 2014
Points of distribution, at period end:		
Dunkin' Donuts U.S.	8,431	8,082
Dunkin' Donuts International	3,319	3,228
Baskin-Robbins U.S.	2,503	2,484
Baskin-Robbins International	5,104	5,068
Consolidated global points of distribution	19,357	18,862

	Fiscal year ended	
	December 26, 2015	December 27, 2014
Net openings, during the period:		
Dunkin' Donuts U.S.[1]	349	405
Dunkin' Donuts International	91	47
Baskin-Robbins U.S.	19	17
Baskin-Robbins International	36	235
Consolidated global net openings	495	704

(1) Net openings for Dunkin' Donuts U.S. for fiscal year 2015 reflect the previously-announced closing of 81 self-serve coffee stations within Speedway locations.

The increase in total revenues of $62.2 million, or 8.3%, for fiscal year 2015 resulted primarily from a $30.9 million increase in franchise fees and royalty income driven by the increase in Dunkin' Donuts U.S. systemwide sales and additional franchise fees due to favorable development mix and additional gross development, and an increase in other revenues of $24.7 million, due primarily to licensing fees earned from the Dunkin' K-Cup® pod licensing agreement. Also contributing to the increase in revenues for fiscal year 2015 was an increase in sales at company-operated restaurants of $6.1 million, driven by a net increase in the number of company-operated restaurants.

Operating income decreased $19.3 million, or 5.7%, for fiscal year 2015 driven by a $54.3 million impairment of our investment in the Japan joint venture ("Japan JV"), an increase in general and administrative expenses driven primarily by incremental incentive compensation accruals, an increase in share-based compensation, and costs incurred related to the final settlement of our Canadian pension plan as a result of the closure of our Canadian ice cream manufacturing plant in fiscal year 2012. Also contributing to the decrease in operating income was a decrease in other operating income due to the timing of the sale of real estate and a gain recognized in the prior year in connection with the sale of company-operated restaurants in the Atlanta market. These items were offset by the increase in franchise fees and royalty income, licensing fees earned from the sale of Dunkin' K-Cup® pods, and an increase in ice cream margin.

Adjusted operating income increased $34.5 million, or 9.4%, for fiscal year 2015 driven by the increases in franchise fees and royalty income, licensing fees earned from the Dunkin' K-Cup® pod licensing agreement, and ice cream margin. The increases in revenues and ice cream margin were offset by an increase in general and administrative expenses, net, driven primarily by incremental incentive compensation accruals and share-based compensation, and a decrease in other operating income due to the timing of the sale of real estate and a gain recognized in the prior year in connection with the sale of company-operated restaurants in the Atlanta market.

Net income attributable to Dunkin' Brands decreased $71.1 million, or 40.3%, for fiscal year 2015 as a result of the $19.3 million decrease in operating income, a $28.5 million increase in net interest expense driven by additional borrowings incurred in conjunction with the securitization refinancing transaction completed during January 2015, a $16.2 million increase in income tax expense as the prior year was favorably impacted by tax benefits resulting from a restructuring of our Canadian subsidiaries, and a $6.8 million increase in loss on debt extinguishment and refinancing transactions.

Adjusted net income increased $1.8 million, or 1.0%, for fiscal year 2015 resulting primarily from a $34.5 million increase in adjusted operating income, offset by the $28.5 million increase in net interest expense and a $3.9 million increase in income tax expense.

Fiscal year 2014 compared to fiscal year 2013

Overall growth in systemwide sales of 5.1% for fiscal year 2014, resulted from the following:

- Dunkin' Donuts U.S. systemwide sales growth of 6.4%, which was the result of comparable store sales growth of 1.7% driven by both increased average ticket and transaction counts, as well as net development of 405 restaurants in 2014. The increase in average ticket was driven by an increase in units per transaction.
- Dunkin' Donuts International systemwide sales growth of 2.7% as a result of sales increases in the Middle East and Europe driven primarily by net new restaurant development, offset by a decline in systemwide sales in South Korea net of favorable foreign exchange rates. Dunkin' Donuts International comparable store sales declined 2.0% driven primarily by a decline in South Korea, offset by growth in the Middle East.
- Baskin-Robbins U.S. systemwide sales growth of 5.9% resulting primarily from comparable store sales growth of 4.9%. Baskin-Robbins U.S. comparable store sales growth was driven by increased sales of cups and cones, desserts, beverages, and take-home ice cream quarts. Additionally, online cake ordering continued to drive cake category growth.
- Baskin-Robbins International systemwide sales decline of 0.7% resulting from decreased sales in Japan, which resulted from both unfavorable foreign exchange rates as well as a decline in comparable store sales, and a decline in sales to the U.S. military in Afghanistan. Offsetting these decreases was an increase in systemwide sales in South Korea driven by favorable foreign exchange rates, net new restaurant development, and comparable store sales growth. Baskin-Robbins International comparable store sales declined 1.2% driven primarily by the decline in Japan, offset by growth in South Korea and the Middle East.

Changes in systemwide sales are impacted, in part, by changes in the number of points of distribution. Points of distribution and net openings as of and for the fiscal years ended December 27, 2014 and December 28, 2013 were as follows:

	December 27, 2014	December 28, 2013
Points of distribution, at period end:		
Dunkin' Donuts U.S.	8,082	7,677
Dunkin' Donuts International	3,228	3,181
Baskin-Robbins U.S.	2,484	2,467
Baskin-Robbins International	5,068	4,833
Consolidated global points of distribution	18,862	18,158

	Fiscal year ended	
	December 27, 2014	December 28, 2013
Net openings, during the period:		
Dunkin' Donuts U.S.	405	371
Dunkin' Donuts International	47	138
Baskin-Robbins U.S.	17	4
Baskin-Robbins International	235	277
Consolidated global net openings	704	790

The increase in total revenues of $34.9 million, or 4.9%, for fiscal year 2014 resulted primarily from a $28.4 million increase in franchise fees and royalty income driven by the increase in Dunkin' Donuts U.S. systemwide sales and additional franchise fees due to favorable development mix and additional gross development. Additionally, sales of ice cream and other products increased by $5.2 million due primarily to additional sales of ice cream and other products in the Middle East and Europe, offset by a decline in sales to our Australian joint venture, due primarily to the sale of all ice cream and other products inventory on hand in fiscal year 2013 in conjunction with the sale of 80% of our Baskin-Robbins Australia business.

Operating income and adjusted operating income increased $34.1 million, or 11.2%, and $25.6 million, or 7.5%, respectively, for fiscal year 2014 driven by the $28.4 million increase in franchise fees and royalty income. Also contributing to the increases in operating and adjusted operating income were gains recognized in connection with the sale of real estate and a gain recognized in connection with the sale of all company-operated restaurants in the Atlanta market in fiscal year 2014. These increases were offset by a $6.3 million gain related to the sale of 80% of our Baskin-Robbins Australia business recorded in fiscal year 2013, additional breakage income, net of gift card program costs, of $5.4 million on unredeemed Dunkin' Donuts gift card balances recorded in fiscal year 2013, and a decrease in net income of equity method investments primarily from our Japan and South Korea joint ventures in fiscal year 2014. Also contributing to the growth in operating income for fiscal year 2014 was a $7.5 million charge related to a third-party product volume guarantee recorded in the prior year.

Net income attributable to Dunkin' Brands increased $29.5 million, or 20.0%, for fiscal year 2014 as a result of the $34.1 million increase in operating income and a $12.0 million decrease in net interest expense due to the refinancing of our term loans in February 2014. These increases were offset by an $8.7 million increase in loss on debt extinguishment and refinancing transactions and an $8.4 million increase in income tax expense driven by increased profit before tax. The effective tax rate for fiscal year 2014 was favorably impacted by tax benefits resulting from a restructuring of our Canadian subsidiaries.

Adjusted net income increased $20.4 million, or 12.3%, for fiscal year 2014 resulting primarily from a $25.6 million increase in adjusted operating income and the $12.0 million decrease in net interest expense, offset by a $17.6 million increase in income tax expense.

Earnings per share

Earnings per common share and adjusted earnings per common share were as follows:

	Fiscal year		
	2015	2014	2013
Earnings per share:			
Common – basic	$1.10	1.67	1.38
Common – diluted	1.08	1.65	1.36
Diluted adjusted earnings per share	1.93	1.74	1.53

Diluted adjusted earnings per share is calculated using adjusted net income, as defined above, and diluted weighted average shares outstanding. Diluted adjusted earnings per share is not a presentation made in accordance with GAAP, and our use of the term diluted adjusted earnings per share may vary from similar measures reported by others in our industry due to the potential differences in the method of calculation. Diluted adjusted earnings per share should not be considered as an alternative to earnings per share derived in accordance with GAAP. Diluted adjusted earnings per share has important limitations as an analytical tool and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Because of these limitations, we rely primarily on our GAAP results. However, we believe that presenting diluted adjusted earnings per share is appropriate to provide investors with useful information regarding our historical operating results.

The following table sets forth the computation of diluted adjusted earnings per share:

	Fiscal year		
	2015	2014	2013
Adjusted net income	$187,893	186,113	165,761
Weighted average number of common shares–diluted	97,131,674	106,705,778	108,217,011
Diluted adjusted earnings per share	$1.93	1.74	1.53

Results of operations

Fiscal year 2015 compared to fiscal year 2014

Consolidated results of operations

	Fiscal year		Increase (Decrease)	
	2015	2014	$	%
	(In thousands, except percentages)			
Franchise fees and royalty income	$513,222	482,329	30,893	6.4%
Rental income	100,422	97,663	2,759	2.8%
Sales of ice cream and other products[1]	115,252	117,484	(2,232)	(1.9)%
Sales at company-operated restaurants	28,340	22,206	6,134	27.6%
Other revenues[1]	53,697	29,027	24,670	85.0%
Total revenues	$810,933	748,709	62,224	8.3%

(1) Sales of Dunkin' Donuts products in certain international markets that have historically been included in other revenues are now included in sales of ice cream and other products. Sales from these transactions for the prior year have been reclassified to conform to the current year presentation.

Total revenues increased $62.2 million, or 8.3%, in fiscal year 2015, driven by an increase in franchise fees and royalty income of $30.9 million, or 6.4%, primarily as a result of Dunkin' Donuts U.S. systemwide sales growth and additional franchise fees due to favorable development mix and additional gross development, as well as an increase in other revenues of $24.7 million. The increase in other revenues was driven by licensing fees earned from the Dunkin' K-Cup® pod licensing agreement and increased licensing fees earned from ice cream sales by our third-party ice cream manufacturer, as well as a settlement reached with a master licensee, which resulted in the recovery of prior period royalty income and franchise fees. Also contributing to the increase in revenues was an increase in sales at company-operated restaurants of $6.1 million driven by a net increase in the number of company-operated restaurants. An increase in rental income of $2.8 million, driven by increases in average rent per lease, sales-based rental income, and the number of leases was offset by a decline in sales of ice cream and other products of $2.2 million.

	Fiscal year		Increase (Decrease)	
	2015	2014	$	%
	(In thousands, except percentages)			
Occupancy expenses – franchised restaurants	$54,611	53,395	1,216	2.3%
Cost of ice cream and other products[1]	76,877	83,129	(6,252)	(7.5)%
Company-operated restaurant expenses	29,900	22,687	7,213	31.8%
General and administrative expenses, net[1]	243,796	226,301	17,495	7.7%
Depreciation and amortization	45,244	45,539	(295)	(0.6)%
Long-lived asset impairment charges	623	1,484	(861)	(58.0)%
Total operating costs and expenses	$451,051	432,535	18,516	4.3%
Net income (loss) of equity method investments	(41,745)	14,846	(56,591)	n/m
Other operating income, net	1,430	7,838	(6,408)	(81.8)%
Operating income	$319,567	338,858	(19,291)	(5.7)%

(1) Costs of Dunkin' Donuts products sold in certain international markets that have historically been included in general and administrative expenses, net and are now included in cost of ice cream and other products. Costs from these transactions for the prior year have been reclassified to conform to the current year presentation.

Occupancy expenses for franchised restaurants for fiscal year 2015 increased $1.2 million, or 2.3%, from the prior fiscal year driven primarily by an increase in average rent per lease and an increase in sales-based rental expense.

Net margin on ice cream products increased for fiscal year 2015 to $38.4 million as a decrease in commodity costs, increase in pricing, and favorable foreign exchange rates more than offset the decrease in sales volume.

Company-operated restaurant expenses increased $7.2 million, or 31.8%, from the prior year primarily as a result of a net increase in the number of company-operated restaurants operating during the year.

General and administrative expenses increased $17.5 million, or 7.7%, in fiscal year 2015 due primarily to an increase in personnel costs, driven primarily by incremental incentive compensation accruals, an increase in share-based compensation, and costs incurred related to the final settlement of our Canadian pension plan as a result of the closure of our Canadian ice cream manufacturing plant in fiscal year 2012. Also contributing to the increase in general and administrative expenses was an increase in costs incurred to support our consumer packaged goods and international businesses.

Depreciation and amortization decreased $0.3 million in fiscal year 2015 resulting primarily from a decrease in amortization due to intangible assets becoming fully amortized and favorable lease intangible assets being written-off upon termination of the related leases, offset by an increase in depreciation due to the addition of depreciable assets.

The decrease in long-lived asset impairment charges in fiscal year 2015 of $0.9 million was driven primarily by the timing of lease terminations, which resulted in the write-off of favorable lease intangible assets and leasehold improvements.

Net income (loss) of equity method investments decreased $56.6 million in fiscal year 2015 driven by an impairment of our investment in the Japan JV of $54.3 million. The Japan JV impairment resulted from an other-than-temporary decline in the value of our investment as a result of various factors including the continued declines in the operating performance of the joint venture and reduced future expectations of the Baskin-Robbins business in Japan, as well as an announced reconsideration of the amount of semi-annual dividend payments by the Japan JV in the fourth quarter (see note 6 to the consolidated financial statements included herein for further discussion). Also contributing to the decrease were unfavorable results from our Japan JV compared to the prior fiscal year and the impact of unfavorable foreign exchange rates on net income of our South Korea joint venture.

Other operating income, net includes gains recognized in connection with the sale of real estate and fluctuates based on the timing of such transactions. Additionally, other operating income, net of $7.8 million for fiscal year 2014 included a gain recognized in connection with the sale of the company-operated restaurants in the Atlanta market.

	Fiscal year		Increase (Decrease)		
	2015	2014	$	%	
	(In thousands, except percentages)				
Interest expense, net	$96,341	67,824	28,517	42.0	%
Loss on debt extinguishment and refinancing transactions	20,554	13,735	6,819		