

CASE STUDY

How Carlyle Creates Value

Deep industry expertise. Global scale and presence. Extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle's value creation model. By leveraging these core capabilities and resources—Carlyle has established a 30-year overall track record of investing in companies, working to make them better and serving our investors' needs.



A successful partnership involving Carlyle, Bain Capital, Thomas H. Lee and the management of Dunkin' Brands Group drove significant operational improvement and growth in Dunkin' Brands, transforming it from a regionally focused collection of brands, buried deep within a large public corporation, into a thriving franchisor of quick-service restaurants with extensive global reach.

About Dunkin' Brands and the Transaction

In March 2006, Carlyle, Bain Capital and Thomas H. Lee each acquired a 33% stake in Dunkin' Brands Group, Inc. Carlyle fully exited the investment in August 2012 after a series of secondary offerings following an IPO in July 2011.

With more than 18,000 points of distribution worldwide, Dunkin' Brands (Nasdaq: DNKN) is one of the world's premier franchisors of quick service restaurants (QSR) serving hot and cold coffee and baked goods, as well as hard-serve ice cream. At the end of 2013, Dunkin' Brands' almost 100 percent-franchised business model included nearly 11,000 Dunkin' Donuts restaurants and 7,300 Baskin-Robbins restaurants. For the full-year 2013, the company had franchisee-reported sales of approximately \$9.3 billion. Dunkin' Brands is headquartered in Canton, Massachusetts, and had approximately 1,150 employees as of December 2013.

Key Value Creation Metrics

- Enhanced the leadership team by recruiting senior managers with deep retail, QSR, foodservice and franchise company expertise
- Entered new U.S. markets with Dunkin' Donuts concept, validating opportunity in new geographies
- Expanded both brands in key, fast-growing international regions, such as Asia and the Middle East
- Strengthened Dunkin' Donuts U.S. unit economics with initiatives to lower



AT A GLANCE

Dunkin' Brands Group, Inc.

Industry: Consumer & Retail

Region: Massachusetts, USA

Fund: Carlyle Partners IV

Acquired: March 2006

Status: Exited

2,125 new stores

With Carlyle's support, Dunkin' opened 2,125 new domestic Dunkin' Donuts stores, validating the opportunity for Dunkin' outside its core geographies.

ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$169 billion of assets under management across 125 funds and 177 fund of funds vehicles as of September 30, 2016. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Investment Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,625 people in 35 offices across six continents.

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new store development and food costs

- Introduced menu innovations focused on the brand's core products as well as new, related offerings
 - Significantly improved marketing for both Dunkin' Donuts and Baskin-Robbins
 - Increased LTM EBITDA by 71% during Carlyle's ownership, with margins expanded by 866 basis points
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Strengthening Management to Support Business Growth

With a strong belief in the potential of Dunkin's brands and a clear vision for the growth of the business, Carlyle and its partners set about recruiting a strong management team that could help the company achieve this growth. We recruited highly experienced senior managers with deep retail, QSR, foodservice and franchisee expertise, led by CEO Nigel Travis, who joined in January 2009 from Papa John's. Mr. Travis shifted the company towards an "operations first" culture, with faster data-driven decision making and stronger franchisee relationships. Carlyle and its partners helped Mr. Travis reorganize the management structure into brand-focused operating teams in order to establish greater brand ownership and accountability within the company.

Executing on a Disciplined Growth Strategy

Before addressing opportunities in the fastest-growing international markets, Dunkin' focused first on expanding into existing and contiguous U.S. markets. The company opened 2,125 new domestic Dunkin' Donuts stores, many of which were in new markets, validating the opportunity for Dunkin' outside its core geographies. With strategic assistance from Carlyle, Bain Capital, Thomas H. Lee and through Carlyle's global network, Dunkin' expanded both of its brands in key, fast-growing regions, resulting in 2,800 net new openings in markets such as China, India and Latin America. Key to this growth was strengthening the store-level unit economics for franchisees. The team executed several initiatives to optimize franchisee returns on new store development, including lowering food costs by streamlining the menu and migrating to standardized builds. From 2008 through mid-2012, store build-out costs were lowered by ~24% and supply chain costs were reduced by ~\$245 million from strategic sourcing and operational efficiencies. In addition, the team focused on driving increased coffee and beverage sales and improving repeat customer traffic. Stronger franchisee demand allowed for robust new store growth, which continued past Carlyle's ownership.

Building an Iconic Global Brand

The Dunkin' Donuts brand had always been well-recognized and respected within its core market in the Northeast U.S., but to execute on domestic and international growth strategies, the company needed to ensure the brand resonated with a much wider audience. With the iconic "America Runs on Dunkin'" and "What are you Drinkin'?" marketing campaigns, the company increasingly focused on its beverages business, which successfully drove customer frequency. In addition to a renewed marketing strategy on high-impact campaigns with a broad reach, the company introduced a value menu with limited time offers and menu innovations to drive additional store traffic. Focusing on the brand's core products as well as new, related offerings, Dunkin' Donuts also expanded into breakfast and lunch sandwiches and launched the popular Dunkin' Donuts K-cups nationwide. All of these initiatives led to improved brand awareness, significant growth in the business and expansion in margins.