

After half a decade, Krispy Kreme is back! It's doughnuts have been available to consumers all this time of course, but its stock is back after a five year hiatus following its acquisition in 2016 by Luxembourg-based JAB holdings -a private equity firm. At that time common shareholders received \$21 in cash (down from a high of \$50 in 2003) and its shares were delisted from the New York Stock Exchange.



*"Everybody gets a doughnut in lieu of everything they ever wanted."*

The company traces its beginnings back to early Depression-era times, and its first store opened in Nashville Tennessee all in 1934. The famous Krispy Kreme logo was designed by a local architect by the name of Benny Dinkins. Originally its doughnuts were just a regional phenomenon, but expansion took off in the 1950s and its success saw it grow to a size that attracted the attention of Chicago-based U.S. multinational Beatrice Foods. In 1976 Krispy Kreme became a subsidiary of Beatrice and remained so until 1982, when it was bought back by a group of franchisees who wanted more control over the future of the iconic brand.



On April 5th, 2000 the corporation went public on the NASDAQ at \$21 using the ticker symbol KREM. It would later switch to the New York Stock Exchange where it hit an all time high of \$50 in August 2003 -a gain of 135% from its initial public offering price (IPO). But like the effect of

eating a Krispy Kreme doughnut on blood sugar levels, after an initial spike, it's shares crashed amid accounting irregularities and by 2005 the company's stock had lost 80% of its value. It would struggle to manage its growth strategy over the next decade, with opening and closing stores, including its first outside of the United States in Mississauga, Ontario.

This year Krispy Kreme earned honourable mention for civic irresponsibility for offering a free Original Glazed doughnut to customers in the US who can prove they received a COVID-19 vaccine. The kicker is that this offer is for *every* American citizen *every* day until year-end. The American Medical Association subsequently criticized the marketing move, pointing out that with 10 grams of sugar, 15 grams of fat, 22 grams of carbohydrates and a whopping 200 calories per doughnut, the average person would gain 15 pounds by year end if they took Krispy Kreme up on their offer. To burn off a single doughnut requires a half hour jog or an hour of walking.

So what's the take-away from all this? Well, it's a quintessential example of the American Dream. Capitalism writ-large. In 1934 eighteen year old Vernon Rudolph and his brother Lewis had a idea and ran with it. And after acquiring the recipe from an Ohio River barge cook named Joseph LeBeouf (renowned for his light and fluffy doughnuts), launched what would become a much-loved part of the American experience. Amidst fierce competition



including Dunkin' Donuts, the fortunes of the company have ebbed and flowed over the decades, and its plan to go public again marks another milestone in the company's storied history. When it comes down to it, investing in securities listed on capital markets is about investing in the great idea behind the product. It is the monetization of entrepreneurial spirit and is what has created the First World standard of living we enjoy today. Understandably this is a topic near and dear to my heart, and you can be sure that our institutional partners at **Dimensional**, **EdgePoint**, **Guardian Capital** and **Mackenzie Investments** will take a look at the IPO as the shares are listed next month. Its share price is expected to value Krispy Kreme at a market capitalization of US \$5 billion. This is a success story any way you look at it, especially considering it's all from a delicious treat made from a bit of flour, eggs, water, palm oil and yes, sugar.

Be safe, be well!

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