Krispy Kreme Case

1. Analysts are predicting that Krispy Kreme will be able to perform highly effectively and continue to grow rapidly in the coming two years. Do you agree with their analysis? If so, why? If not, why not?
2. What factors did the CIBC analysts examine to forecast sales growth for KKD in the years ended January 2003 and 2004? What assumptions did they implicitly make about number of new stores and weekly sales per store (for both company and franchise stores)? What are their implicit assumptions about revenue growth from franchise operations and KKM&D? Do you agree with these forecasts?
3. What are the NOPAT margins that the CIBC analysts have forecasted for KKD for the years ended January 2003 and 2004? What assumptions were made about specific expense items (e.g., margins, G&A, D&A, taxes)? Do you agree with these forecasts?
4. The CIBC analysts do not forecast KKD’S balance sheet for the following year (ended January 2003). Make your own balance sheet forecasts.
5. In general, do you expect analysts’ forecasts for a company like KKD to be optimistic, pessimistic or unbiased? Why?