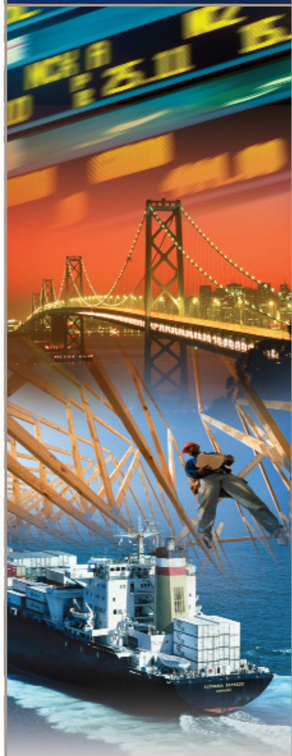
Ambac

Dunkin' Brands Securitization Marks Milestone for Innovative Private Equity Financing



$1,600,000,000

DB Master Finance LLC

Dunkin' Brands Franchise Royalty Securitization

Leveraged buyouts have traditionally been financed using a combination of bank debt and high-yield financing. But for companies with strong, identifiable revenue streams and valuable assets, innovative securitization transactions can provide significantly more cost-effective financing in today's market.

Three leading buyout firms, Bain Capital, The Carlyle Group and Thomas H. Lee Partners, decided to utilize this technique in financing their $2.4 billion purchase of Dunkin' Brands completed in March 2006. Dunkin' Brands, which includes Dunkin' Donuts, Baskin-Robbins and Togo's restaurants, is a leading quick service restaurant franchisor with more than 13,000 points of distribution globally. Dunkin Brands enjoys a powerful market position - #1 in regular hot coffee sales, #1 in bagels, #1 in donuts and #3 in breakfast sandwiches - and boasts a strong and profitable franchise business model. To capitalize on these advantages and replace the interim financing that had initially funded the acquisition, Dunkin' Brands sought to structure a securitization to monetize the value of the company's cash flows. To strengthen the deal, increase investor appetite, and lower the all-in cost of funds, Ambac was asked to join the financing team.

Multiple cash flow streams from three distinct brands across multiple jurisdictions comprise the securitization. These sources of revenue include franchise royalty fees, licensing fees, lease payments, and other valuable cash flows. Working under intense time pressure, the financing team effectively structured the entire Dunkin' Brands business to create a strong securitization transaction. Ambac's previous experience with whole-company securitizations both in the US (including the Hertz deal) and overseas enabled the financial guarantor to gain comfort in the transaction structure and provide a triple-A guarantee.

Although stunning in its size and complexity, the transaction moved forward quickly. The financing team focused on the unique strengths of the Dunkin' Brands business, reputation and franchise model. The experience and strong track record of Dunkin Brands' management contributed to the success of the deal as well. Just three months after closing, $1.5 billion of triple-A-rated, Ambac-insured notes facilitated the refinancing of the acquisition debt, and a $100 million revolving facility wrapped by Ambac was also provided. The Ambac guarantee helped broaden the pool of potential investors and the deal was quickly oversubscribed. The innovative securitization structure will result in substantial interest savings compared with more traditional high-yield bond financing while still providing significant operational flexibility which will allow Dunkin' Brands to continue to grow the business and develop the brands.

2006 Private Equity Deal of the Year
Investment Dealer's Digest

2006 ABS Deal of the Year
Institutional Investor's Total Securitization

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