

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): October 30, 2019

Dine Brands Global, Inc.
(Exact Name of Registrant as Specified in Charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

001-15283
(Commission File
No.)

95-3038279
(I.R.S. Employer
Identification No.)

**450 North Brand Boulevard, Glendale,
California**
(Address of principal executive offices)

91203-2306
(Zip Code)

(818) 240-6055
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$.01 Par Value	DIN	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02 Results of Operations and Financial Condition

On October 30, 2019, Dine Brands Global, Inc., a Delaware corporation (the “Corporation”), issued a press release announcing its third quarter 2019 financial results. A copy of the press release is attached hereto as Exhibit 99.1, and is incorporated herein by reference.

The information contained in this Item 2.02, including the related information set forth in the press release attached hereto as Exhibit 99.1 and incorporated by reference herein, is being “furnished” and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise. The information in this Item 2.02 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in any such filing.

Item 7.01 Regulation FD.

The press release referenced in Item 2.02 of this Current Report on Form 8-K also includes information concerning the Corporation’s 2019 financial outlook. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information contained in this Item 7.01, including the related information set forth in the press release attached hereto as Exhibit 99.1 and incorporated by reference herein, is being “furnished” and shall not be deemed “filed” for the purposes of Section 18 of the Exchange Act or otherwise. The information in this Item 7.01 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, or into any filing or other document pursuant to the Exchange Act, except as otherwise expressly stated in any such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Press Release issued by the Corporation on October 30, 2019.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: October 30, 2019

DINE BRANDS GLOBAL, INC.

By: /s/ Thomas H. Song
Thomas H. Song
Chief Financial Officer



News Release

Investor Contact

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Dine Brands Global, Inc. Reports Third Quarter 2019 Results

Earnings Per Diluted Share (GAAP) Increased 5.4%

Adjusted Earnings Per Diluted Share (Non-GAAP) Increased 1.3%

Total Revenues, Excluding Advertising Revenues, Increased 21.8%

GLENDALE, Calif., October 30, 2019 – Dine Brands Global, Inc. (NYSE: DIN), the parent company of Applebee's Neighborhood Grill + Bar® and IHOP® restaurants, today announced financial results for the third quarter of 2019.

"We are pleased with our overall performance. Our business model continues to deliver robust margin expansion and generate significant adjusted free cash flow. IHOP achieved its seventh consecutive quarter of positive sales growth. While Applebee's faced a difficult comparison against very strong same-restaurant sales in the third quarter of 2018, we are confident in the brand's strategy that's in place," said Steve Joyce, Chief Executive Officer of Dine Brands Global, Inc.

Mr. Joyce added, "We are seeing significant unit growth opportunities as demonstrated by the largest multi-unit franchise agreement signed in IHOP's history."

Key Highlights

- IHOP signs largest multi-unit franchise agreement in the brand's history with TravelCenters of America to develop nearly 100 restaurants.
- Total revenues for the third quarter of 2019, excluding advertising revenues and including Company restaurant sales, increased 22% year-over-year to \$149.9 million.
- IHOP's reported system-wide sales for the third quarter of 2019 increased 1.2% year-over-year to \$845 million.
- General and administrative expenses for the third quarter of 2019 declined 4.5% year-over-year to \$38.9 million.

- GAAP earnings per diluted share for the third quarter of 2019 increased 5.4% year-over-year to \$1.36.
- Adjusted earnings per diluted share for the third quarter of 2019 increased 1.3% year-over-year to \$1.55. (See “Non-GAAP Financial Measures” and reconciliation of GAAP earnings per diluted share to adjusted earnings per diluted share.)
- Net income for the third quarter of 2019 increased 1.4% year-over-year to \$23.9 million.
- Consolidated adjusted EBITDA for the third quarter increased 2.0% to \$63.4 million compared to \$62.2 million for the third quarter of 2018. (See “Non-GAAP Financial Measures” and reconciliation of GAAP net income to consolidated adjusted EBITDA.)
- During the third quarter of 2019, the Company repurchased 523,898 shares of its common stock for a total cost of \$42.7 million and paid quarterly cash dividends totaling \$11.9 million.
- Cash flows from operating activities for the first nine months of 2019 increased 71.4% to \$105.6 million compared to \$61.6 million for the same period of 2018.
- Adjusted free cash flow for the first nine months of 2019 increased 61.0% to \$100.8 million compared to \$62.6 million for the same period of 2018. (See “Non-GAAP Financial Measures” and reconciliation of the Company’s cash provided by operating activities to adjusted free cash flow.)

Financial Summary

(\$ in 000's, except per share amounts)	Third Quarter			First Nine Months		
	2019	2018	% Change	2019	2018	% Change
Total revenues, excluding advertising revenues	\$149,891	\$123,083	22%	\$470,785	\$373,176	26%
Total revenues, excluding Company restaurant sales	\$186,857	\$194,099	-4%	\$582,633	\$566,733	3%
Net income available to common stockholders per share	\$1.36	\$1.29	5%	\$4.27	\$2.90	47%
Diluted net income available to common stockholders per share, as adjusted ⁽¹⁾	\$1.55	\$1.53	1%	\$5.17	\$3.66	41%
Net income	\$23,917	\$23,587	1%	\$76,950	\$53,373	44%
Consolidated adjusted EBITDA ⁽¹⁾⁽²⁾	\$63,394	\$62,154	2%	\$206,065	\$165,581	24%

⁽¹⁾ See “Non-GAAP Financial Measures” and reconciliation of the Non-GAAP financial measure to the respective GAAP financial measure.

⁽²⁾ Does not conform to the definition of Covenant Adjusted EBITDA as found in the Base Indenture.

Domestic System-Wide Comparable Same-Restaurant Sales Performance

Third Quarter of 2019

- Applebee’s comparable same-restaurant sales decreased 1.6% for the third quarter of 2019.
- IHOP’s comparable same-restaurant sales were slightly positive, 0.03%, for the third quarter of 2019, marking the seventh consecutive quarter of sales growth.

First Nine Months of 2019

- Applebee’s comparable same-restaurant sales decreased 0.1% for the nine months of 2019.
- IHOP’s comparable same-restaurant sales increased 1.1% for the first nine months of 2019.

Third Quarter of 2019 Financial Highlights

- GAAP net income available to common stockholders was \$23.1 million, or earnings per diluted share of \$1.36, for the third quarter of 2019. This compared to net income available to common stockholders of \$22.8 million, or earnings per diluted share of \$1.29, for the third quarter of 2018. The increase in net income was primarily due to debt modification costs incurred in the third quarter of 2018 that did not recur in the third quarter of 2019 and a decrease in general and administrative expenses. These items were partially offset by a decline in gross profit.
- Adjusted net income available to common stockholders was \$26.4 million, or adjusted earnings per diluted share of \$1.55, for the third quarter of 2019. This compares to adjusted net income available to common stockholders of \$27.2 million, or adjusted earnings per diluted share of \$1.53, for the third quarter of 2018. The decrease in adjusted net income was primarily due to lower gross profit. The increase in adjusted earnings per diluted share was due to a decrease in weighted average diluted shares outstanding. (See "Non-GAAP Financial Measures" below.)
- General and administrative expenses were \$38.9 million for the third quarter of 2019 compared to \$40.8 million for the third quarter of 2018. The decrease was primarily due to lower personnel-related costs.

First Nine Months of 2019 Financial Highlights

- GAAP net income available to common stockholders was \$74.3 million, or earnings per diluted share of \$4.27, for the first nine months of 2019. This compared to net income available to common stockholders of \$51.6 million, or earnings per diluted share of \$2.90, for the first nine months of 2018. The increase in net income was primarily due to higher gross profit as the result of \$30.0 million in franchisor contributions to the Applebee's national advertising fund made in the first nine months of 2018 that did not recur in 2019. This was partially offset by approximately \$8.3 million in debt extinguishment costs related to the refinancing of our long-term debt, which was completed on June 5, 2019.
- Adjusted net income available to common stockholders was \$90.0 million, or adjusted earnings per diluted share of \$5.17, for the first nine months of 2019. This compares to adjusted net income available to common stockholders of \$65.2 million, or adjusted earnings per diluted share of \$3.66, for the first nine months of 2018. The increase in adjusted net income was primarily due to higher gross profit as the result of \$30.0 million in franchisor contributions to the Applebee's national advertising fund made in the first nine months of 2018 that did not recur in 2019. (See "Non-GAAP Financial Measures" below.)
- General and administrative expenses were approximately \$121.1 million for the first nine months of 2019 compared to \$121.4 million for the same period of 2018.

GAAP Effective Tax Rate

Our effective tax rate of 24.6% for the third quarter of 2019 was similar to the effective tax rate of 24.5% for the comparable period of 2018.

Financial Performance Guidance for 2019

Dine Brands revises certain components of its financial performance guidance for 2019 contained in the press release issued on July 31, 2019 and the Form 8-K filed on the same day, as follows.

The projections are as of this date and do not take into consideration any transactions the Company may enter into after such date that may impact this guidance. The Company assumes no obligation to update or supplement these estimates.

- **Revised** expectations for Applebee's domestic system-wide comparable same-restaurant sales performance to range between 0.0% and negative 1.0%. This compares to previous expectations of between 0.0% and positive 1.5%.

- **Revised** expectations for IHOP's domestic system-wide comparable same-restaurant sales performance to range between positive 1.0% and positive 2.0%. This compares to previous expectations of between positive 1.0% and positive 3.0%.
- **Revised** development activity by Applebee's franchisees, which is expected to result in net closures between 30 and 40 restaurants globally, the majority of which are expected to be domestic closures. This compares to previous expectations of between 20 and 30 net closures globally.
- **Revised** expectations for development activity by IHOP franchisees and area licensees, which is now expected to result in between 10 and 20 net new restaurants globally, the majority of which are expected to be domestic openings. This compares to previous expectations of between 20 and 30 net new restaurants globally.
- **Reiterated** expectations for total segment profit, excluding the company restaurants segment, which is expected to be between approximately \$370 million and \$380 million.
- **Reiterated** expectations for general and administrative expenses, which are expected to range between approximately \$163 million and approximately \$166 million, including non-cash stock-based compensation expense and depreciation totaling approximately \$40 million. This projection includes approximately \$6 million of general and administrative expenses related to the company restaurants segment.
- **Reiterated** expectations for GAAP net income, which is expected to range between approximately \$97 million and approximately \$106 million.
- **Reiterated** consolidated adjusted EBITDA, which is expected to range between approximately \$268 million and approximately \$277 million. This projection includes company restaurants segment EBITDA, which is expected to be between approximately \$9 million and approximately \$11 million. (See "Non-GAAP Financial Measures" and reconciliation of GAAP net income to consolidated adjusted EBITDA.)
- **Revised** expectations for GAAP earnings per diluted share, which are now expected to range from \$5.70 to \$5.95. This compares to previous expectations of between \$5.75 to \$6.00.
- **Revised** expectations for adjusted earnings per diluted share, which are now expected to range from \$6.75 to \$7.00. This compares to previous expectations of between \$6.80 to \$7.05. (See "Non-GAAP Financial Measures" and reconciliation of GAAP earnings per diluted share to adjusted earnings per diluted share.)

**2019 Diluted Net Income Available to Common Stockholders Per Share⁽¹⁾, As Adjusted
Reconciliation Guidance Table**

Net income available to common stockholders per diluted share	\$5.70 – \$5.95
Closure and impairment charges	0.04
Amortization of intangible assets	0.68
Loss on extinguishment of debt	0.48
Loss (gain) on disposition of assets	0.03
Non-cash interest expense	0.19
Income tax provision for above adjustments at 25%	(0.37)
Diluted net income available to common stockholders per share, as adjusted	\$6.75 – \$7.00

(1) The adjustments to net income available to common stockholders per diluted share are midpoint estimates.

2019 Net Income to Consolidated Adjusted EBITDA Reconciliation Guidance Table(1)
(\$ in millions)

Net income	\$97 – \$106
Interest charges	72
Income tax provision	35
Depreciation and amortization	42
Non-cash stock-based compensation	12
Loss on extinguishment of debt	8
Impairment and closure charges	2
Consolidated adjusted EBITDA (Non-GAAP)	\$268 – 277

(1) The adjustments to net income are midpoint estimates.

Third Quarter of 2019 Results Conference Call Details

Dine Brands will host a conference call to discuss its results on October 30, 2019 at 9:00 a.m. Pacific Time/12:00 p.m. Eastern Time. To participate on the call, please dial (888) 771-4371 and reference passcode 49091078. International callers, please dial (847) 585-4405 and reference passcode 49091078.

A live webcast of the call will be available on www.dinebrands.com and may be accessed by visiting Events and Presentations under the site's Investors section. Participants should allow approximately ten minutes prior to the call's start time to visit the site and download any streaming media software needed to listen to the webcast. A telephonic replay of the call may be accessed from 11:30 a.m. Pacific Time on October 30, 2019 through 11:59 p.m. Pacific Time on November 6, 2019 by dialing (888) 843-7419 and referencing passcode 49091078#. International callers, please dial (630) 652-3042 and reference passcode 49091078#. An online archive of the webcast will also be available on Events and Presentations under the Investors section of the Company's website.

About Dine Brands Global, Inc.

Based in Glendale, California, Dine Brands Global, Inc. (NYSE: DIN), through its subsidiaries, franchises restaurants under both the Applebee's Neighborhood Grill + Bar and IHOP brands. With approximately 3,640 restaurants combined in 18 countries and approximately 370 franchisees, Dine Brands is one of the largest full-service restaurant companies in the world. For more information on Dine Brands, visit the Company's website located at www.dinebrands.com.

Forward-Looking Statements

Statements contained in this press release may constitute 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. You can identify these forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “goal” and other similar expressions. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. These factors include, but are not limited to: general economic conditions; our level of indebtedness; compliance with the terms of our securitized debt; our ability to refinance our current indebtedness or obtain additional financing; our dependence on information technology; potential cyber incidents; the implementation of restaurant development plans; our dependence on our franchisees; the concentration of our Applebee’s franchised restaurants in a limited number of franchisees; the financial health of our franchisees; our franchisees’ and other licensees’ compliance with our quality standards and trademark usage; general risks associated with the restaurant industry; potential harm to our brands’ reputation; possible future impairment charges; the effects of tax reform; trading volatility and fluctuations in the price of our stock; our ability to achieve the financial guidance we provide to investors; successful implementation of our business strategy; the availability of suitable locations for new restaurants; shortages or interruptions in the supply or delivery of products from third parties or availability of utilities; the management and forecasting of appropriate inventory levels; development and implementation of innovative marketing and use of social media; changing health or dietary preference of consumers; risks associated with doing business in international markets; the results of litigation and other legal proceedings; third-party claims with respect to intellectual property assets; our ability to attract and retain management and other key employees; compliance with federal, state and local governmental regulations; risks associated with our self-insurance; natural disasters or other serious incidents; our success with development initiatives outside of our core business; the adequacy of our internal controls over financial reporting and future changes in accounting standards; and other factors discussed from time to time in the Company’s Annual and Quarterly Reports on Forms 10-K and 10-Q and in the Company’s other filings with the Securities and Exchange Commission. The forward-looking statements contained in this release are made as of the date hereof and the Company does not intend to, nor does it assume any obligation to, update or supplement any forward-looking statements after the date hereof to reflect actual results or future events or circumstances.

Non-GAAP Financial Measures

This press release includes references to the Company’s non-GAAP financial measure “adjusted net income available to common stockholders”, “adjusted earnings per diluted share (Adjusted EPS)”, “Adjusted EBITDA” and “Adjusted free cash flow.” Adjusted EPS is computed for a given period by deducting from net income or loss available to common stockholders for such period the effect of any closure and impairment charges, any gain or loss related to debt extinguishment, any intangible asset amortization, any non-cash interest expense, any gain or loss related to the disposition of assets, and other items deemed not reflective of current operations. This is presented on an aggregate basis and a per share (diluted) basis. Adjusted EBITDA is computed for a given period by deducting from net income or loss for such period the effect of any closure and impairment charges, any interest charges, any income tax provision or benefit, any non-cash stock-based compensation, any depreciation and amortization, any gain or loss related to the disposition of assets and other items deemed not reflective of current operations. “Adjusted free cash flow” for a given period is defined as cash provided by operating activities, plus receipts from notes and equipment contracts receivable, less capital expenditures. Management may use certain of these non-GAAP financial measures along with the corresponding U.S. GAAP measures to evaluate the performance of the business and to make certain business decisions. Management uses adjusted free cash flow in its periodic assessments of, among other things, the amount of cash dividends per share of common stock and repurchases of common stock and we believe it is important for investors to have the same measure used by management for that purpose. Adjusted free cash flow does not represent residual cash flow available for discretionary purposes. Additionally, adjusted EPS is one of the metrics used in determining payouts under the Company’s annual cash incentive plan. Management believes that these non-GAAP financial measures provide additional meaningful information that should be considered when assessing the business and the Company’s performance compared to prior periods and the marketplace. Adjusted EPS and adjusted free cash flow are supplemental non-GAAP financial measures and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with U.S. GAAP.

Dine Brands Global, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Revenues:				
Franchise revenues:				
Royalties, franchise fees and other	\$ 88,686	\$ 91,062	\$ 275,912	\$ 275,775
Advertising revenue	67,514	71,016	211,882	193,557
Total franchise revenues	156,200	162,078	487,794	469,332
Company restaurant sales	30,548	—	100,034	—
Rental revenues	28,970	30,127	89,559	91,292
Financing revenues	1,687	1,894	5,280	6,109
Total revenues	217,405	194,099	682,667	566,733
Cost of revenues:				
Franchise expenses:				
Advertising expenses	67,514	71,016	211,882	193,557
Other franchise expenses	7,063	7,325	21,905	49,600
Total franchise expenses	74,577	78,341	233,787	243,157
Company restaurant expenses	30,361	—	93,131	—
Rental expenses:				
Interest expense from finance leases	1,351	1,668	4,325	5,315
Other rental expenses	21,251	21,314	63,841	63,096
Total rental expenses	22,602	22,982	68,166	68,411
Financing expenses	145	150	437	449
Total cost of revenues	127,685	101,473	395,521	312,017
Gross profit	89,720	92,626	287,146	254,716
General and administrative expenses	38,922	40,753	121,105	121,423
Interest expense, net	15,238	15,430	45,233	46,110
Amortization of intangible assets	2,925	2,505	8,774	7,513
Closure and impairment charges	157	217	640	119
Loss on extinguishment of debt	—	—	8,276	—
Debt refinancing costs	—	2,532	—	2,532
Loss (gain) on disposition of assets	746	(58)	1,187	(1,535)
Income before income tax provision	31,732	31,247	101,931	78,554
Income tax provision	(7,815)	(7,660)	(24,981)	(25,181)
Net income	<u>\$ 23,917</u>	<u>\$ 23,587</u>	<u>\$ 76,950</u>	<u>\$ 53,373</u>
Net income available to common stockholders:				
Net income	\$ 23,917	\$ 23,587	\$ 76,950	\$ 53,373
Less: Net income allocated to unvested participating restricted stock	(795)	(799)	(2,621)	(1,793)
Net income available to common stockholders	<u>\$ 23,122</u>	<u>\$ 22,788</u>	<u>\$ 74,329</u>	<u>\$ 51,580</u>
Net income available to common stockholders per share:				
Basic	<u>\$ 1.38</u>	<u>\$ 1.31</u>	<u>\$ 4.35</u>	<u>\$ 2.94</u>
Diluted	<u>\$ 1.36</u>	<u>\$ 1.29</u>	<u>\$ 4.27</u>	<u>\$ 2.90</u>
Weighted average shares outstanding:				
Basic	<u>16,762</u>	<u>17,439</u>	<u>17,095</u>	<u>17,562</u>
Diluted	<u>17,055</u>	<u>17,738</u>	<u>17,432</u>	<u>17,797</u>
Dividends declared per common share	<u>\$ 0.69</u>	<u>\$ 0.63</u>	<u>\$ 2.07</u>	<u>\$ 1.89</u>
Dividends paid per common share	<u>\$ 0.69</u>	<u>\$ 0.63</u>	<u>\$ 2.01</u>	<u>\$ 2.23</u>

Dine Brands Global, Inc. and Subsidiaries
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

Assets	September 30, 2019 (Unaudited)	December 31, 2018
Current assets:		
Cash and cash equivalents	\$ 100,518	\$ 137,164
Receivables, net	91,426	137,504
Restricted cash	36,694	48,515
Prepaid gift card costs	29,090	38,195
Prepaid income taxes	11,349	17,402
Other current assets	6,928	3,410
Total current assets	276,005	382,190
Other intangible assets, net	577,357	585,889
Operating lease right-of-use asset	370,500	—
Goodwill	343,862	345,314
Property and equipment, net	220,744	240,264
Long-term receivables, net	93,262	103,102
Deferred rent receivable	72,366	77,069
Non-current restricted cash	15,700	14,700
Other non-current assets, net	27,712	26,152
Total assets	<u>\$ 1,997,508</u>	<u>\$ 1,774,680</u>
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current maturities of long-term debt	\$ —	\$ 25,000
Accounts payable	33,689	43,468
Gift card liability	103,756	160,438
Current maturities of operating lease obligations	67,815	—
Current maturities of finance lease and financing obligations	13,219	14,031
Accrued employee compensation and benefits	21,410	27,479
Dividends payable	11,831	11,389
Deferred franchise revenue, short-term	10,328	10,138
Other accrued expenses	28,686	24,243
Total current liabilities	290,734	316,186
Long-term debt, less current maturities	1,287,738	1,274,087
Operating lease obligations, less current maturities	369,164	—
Finance lease obligations, less current maturities	81,317	87,762
Financing obligations, less current maturities	37,939	38,482
Deferred income taxes, net	100,455	105,816
Deferred franchise revenue, long-term	57,997	64,557
Other non-current liabilities	11,946	90,063
Total liabilities	<u>2,237,290</u>	<u>1,976,953</u>
Commitments and contingencies		
Stockholders' deficit:		
Common stock, \$0.01 par value; shares: 40,000,000 authorized; September 30, 2019 - 24,934,363 issued, 16,786,860 outstanding; December 31, 2018 - 24,984,898 issued, 17,644,267 outstanding	249	250
Additional paid-in-capital	243,358	237,726
Retained earnings	45,939	10,414
Accumulated other comprehensive loss	(60)	(60)
Treasury stock, at cost; shares: September 30, 2019 - 8,147,503; December 31, 2018 - 7,340,631	(529,268)	(450,603)
Total stockholders' deficit	<u>(239,782)</u>	<u>(202,273)</u>
Total liabilities and stockholders' deficit	<u>\$ 1,997,508</u>	<u>\$ 1,774,680</u>

Dine Brands Global, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 76,950	\$ 53,373
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	31,515	23,730
Non-cash stock-based compensation expense	8,220	8,016
Non-cash interest expense	2,722	2,689
Loss on extinguishment of debt	8,276	—
Debt refinancing costs	—	875
Closure and impairment charges	640	61
Deferred income taxes	(2,890)	(4,706)
Deferred revenue	(6,590)	(4,017)
Gain (loss) on disposition of assets	1,187	(1,535)
Other	(4,584)	(2,088)
Changes in operating assets and liabilities:		
Accounts receivable, net	4,233	(7,222)
Current income tax receivables and payables	7,101	4,088
Gift card receivables and payables	(15,868)	(22,797)
Other current assets	(3,519)	9,254
Accounts payable	359	(5,764)
Accrued employee compensation and benefits	(6,069)	5,761
Other current liabilities	3,916	1,908
Cash flows provided by operating activities	<u>105,599</u>	<u>61,626</u>
Cash flows from investing activities:		
Principal receipts from notes, equipment contracts and other long-term receivables	16,156	20,029
Additions to property and equipment	(13,360)	(11,018)
Proceeds from sale of property and equipment	400	655
Additions to long-term receivables	(6,955)	(6,030)
Other	(258)	(236)
Cash flows (used in) provided by investing activities	<u>(4,017)</u>	<u>3,400</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	1,300,000	—
Repayment of long-term debt	(1,283,750)	(9,750)
Borrowing from revolving credit facility	—	50,000
Repayment of revolving credit facilities	(25,000)	(30,000)
Dividends paid on common stock	(35,273)	(39,973)
Repurchase of common stock	(90,073)	(27,880)
Principal payments on finance lease obligations	(10,329)	(10,374)
Payment of debt issuance costs	(12,707)	(3,118)
Proceeds from stock options exercised	10,672	3,887
Tax payments for restricted stock upon vesting	(2,589)	(1,731)
Cash flows used in financing activities	<u>(149,049)</u>	<u>(68,939)</u>
Net change in cash, cash equivalents and restricted cash	(47,467)	(3,913)
Cash, cash equivalents and restricted cash at beginning of period	<u>200,379</u>	<u>163,146</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 152,912</u>	<u>\$ 159,233</u>

Dine Brands Global, Inc. and Subsidiaries
Non-GAAP Financial Measures
(In thousands, except per share amounts)
(Unaudited)

Reconciliation of net income available to common stockholders to net income available to common stockholders, as adjusted for the following items: amortization of intangible assets; closure and impairment charges; non-cash interest expense; gain or loss on disposition of assets; loss on extinguishment of debt; debt refinancing costs; nonrecurring restaurant costs; the combined tax effect of the preceding adjustments; and discrete tax adjustments, as well as related per share data:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Net income available to common stockholders, as reported	\$ 23,122	\$ 22,788	\$ 74,329	\$ 51,580
Amortization of intangible assets	2,925	2,505	8,774	7,513
Closure and impairment charges	157	217	640	119
Non-cash interest expense	639	945	2,722	2,689
Loss (gain) on disposition of assets	746	(58)	1,187	(1,535)
Loss on extinguishment of debt	—	—	8,276	—
Debt refinancing costs	—	2,532	—	2,532
Nonrecurring restaurant costs	54	—	383	—
Income tax provision	(1,175)	(1,597)	(5,715)	(2,943)
Income tax adjustments (1)	—	—	—	5,744
Net income allocated to unvested participating restricted stock	(113)	(156)	(567)	(482)
Net income available to common stockholders, as adjusted	<u>\$ 26,355</u>	<u>\$ 27,176</u>	<u>\$ 90,029</u>	<u>\$ 65,217</u>
Diluted net income available to common stockholders per share:				
Net income available to common stockholders, as reported	\$ 1.36	\$ 1.29	\$ 4.27	\$ 2.90
Amortization of intangible assets	0.13	0.10	0.37	0.31
Closure and impairment charges	0.01	0.01	0.03	0.00
Non-cash interest expense	0.03	0.04	0.12	0.11
Loss (gain) on disposition of assets	0.03	(0.00)	0.05	(0.06)
Loss on extinguishment of debt	—	—	0.35	—
Debt refinancing costs	—	0.11	—	0.11
Nonrecurring restaurant costs	0.00	—	0.02	—
Income tax adjustments (1)	—	—	—	0.32
Net income allocated to unvested participating restricted stock	(0.01)	(0.01)	(0.03)	(0.02)
Rounding	—	(0.01)	(0.01)	(0.01)
Diluted net income available to common stockholders per share, as adjusted	<u>\$ 1.55</u>	<u>\$ 1.53</u>	<u>\$ 5.17</u>	<u>\$ 3.66</u>
Numerator for basic EPS-income available to common stockholders, as adjusted	\$ 26,355	\$ 27,176	\$ 90,029	\$ 65,217
Effect of unvested participating restricted stock using the two-class method	8	3	39	7
Numerator for diluted EPS-income available to common stockholders, as adjusted	<u>\$ 26,363</u>	<u>\$ 27,179</u>	<u>\$ 90,068</u>	<u>\$ 65,224</u>
Denominator for basic EPS-weighted-average shares	16,762	17,439	17,095	17,562
Dilutive effect of stock options	293	299	337	235
Denominator for diluted EPS-weighted-average shares	<u>17,055</u>	<u>17,738</u>	<u>17,432</u>	<u>17,797</u>

(1) Charges related to adjustments resulting from IRS audits for tax years 2011 through 2013

Dine Brands Global, Inc. and Subsidiaries
Non-GAAP Financial Measures
(Unaudited)

Reconciliation of the Company's cash provided by operating activities to "adjusted free cash flow" (cash provided by operating activities, plus receipts from notes and equipment contracts receivable, less additions to property and equipment). Management uses this liquidity measure in its periodic assessments of, among other things, the amount of cash dividends per share of common stock and repurchases of common stock. We believe it is important for investors to have the same measure used by management for that purpose. Adjusted free cash flow does not represent residual cash flow available for discretionary purposes.

	Nine Months Ended	
	September 30,	
	2019	2018
	(In millions)	
Cash flows provided by operating activities	\$ 105.6	\$ 61.6
Receipts from notes and equipment contracts receivable	8.6	12.0
Additions to property and equipment	(13.4)	(11.0)
Adjusted free cash flow	100.8	62.6
Dividends paid on common stock	(35.3)	(40.0)
Repurchase of Dine Brands Global common stock	(90.1)	(27.9)
	\$ (24.6)	\$ (5.3)

Dine Brands Global, Inc. and Subsidiaries
Non-GAAP Financial Measures
(in thousands)
(Unaudited)

Reconciliation of the Company's net income to "adjusted EBITDA." The Company defines adjusted EBITDA as net income, adjusted for the effect of any interest charges, any income tax provision or benefit, any depreciation and amortization, any non-cash stock-based compensation, any closure and impairment charges, debt refinancing costs, any gain or loss related to the extinguishment of debt and disposition of assets, other non-income based taxes and other items deemed not reflective of current operations. Management may use certain non-GAAP measures along with the corresponding U. S. GAAP measures to evaluate the performance of the company and to make certain business decisions.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Net income, as reported	\$ 23,917	\$ 23,587	\$ 76,950	\$ 53,373
Interest charges on finance leases	1,866	1,668	5,919	5,315
All other interest charges	15,794	16,161	47,880	48,312
Income tax provision	7,815	7,660	24,981	25,181
Depreciation and amortization	10,715	7,888	31,515	23,730
Non-cash stock-based compensation	2,326	2,375	8,220	8,016
Closure and impairment charges	157	217	640	119
Debt refinancing costs	—	2,532	—	2,532
Loss on extinguishment of debt	—	—	8,276	—
Loss (gain) on disposition of assets	746	(58)	1,187	(1,535)
Other taxes	58	124	497	538
Adjusted EBITDA	<u>\$ 63,394</u>	<u>\$ 62,154</u>	<u>\$ 206,065</u>	<u>\$ 165,581</u>

Dine Brands Global, Inc. and Subsidiaries
Restaurant Data
(Unaudited)

The following table sets forth, for the three and nine months ended September 30, 2019 and 2018, the number of “Effective Restaurants” in the Applebee’s and IHOP systems and information regarding the percentage change in sales at those restaurants compared to the same periods in the prior year and, as such, the percentage change in sales at Effective Restaurants is based on non-GAAP sales data. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties and advertising fees that are generally based on a percentage of their sales, and, where applicable, rental payments under leases that partially may be based on a percentage of their sales. Management also uses this information to make decisions about future plans for the development of additional restaurants as well as evaluation of current operations.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Applebee’s				
Effective Restaurants(a)				
Franchise	1,741	1,875	1,752	1,899
Company	69	—	69	—
Total	1,810	1,875	1,821	1,899
System-wide(b)				
Domestic sales percentage change(c)	(3.8)%	5.1%	(2.7)%	3.0%
Domestic same-restaurant sales percentage change(d)	(1.6)%	7.7%	(0.1)%	5.5%
Franchise(b)				
Domestic sales percentage change(c)	(6.8)%	5.1%	(5.9)%	3.0%
Domestic same-restaurant sales percentage change(d)	(1.7)%	7.7%	(0.2)%	5.5%
Average weekly domestic unit sales (in thousands)	\$ 45.0	\$ 44.8	\$ 47.7	\$ 46.7
IHOP				
Effective Restaurants(a)				
Franchise	1,667	1,640	1,660	1,628
Area license	158	162	156	163
Total	1,825	1,802	1,816	1,791
System-wide(b)				
Sales percentage change(c)	1.2%	3.9%	2.2%	3.6%
Domestic same-restaurant sales percentage change, including area license restaurants(d)	0.03%	1.4%	1.1%	1.1%
Domestic same-restaurant sales percentage change, excluding area license restaurants(d)	0.03%	1.2%	1.0%	1.0%
Franchise(b)				
Sales percentage change(c)	1.1%	3.9%	2.2%	4.2%
Domestic same-restaurant sales percentage change(d)	0.03%	1.2%	1.0%	1.0%
Average weekly unit sales (in thousands)	\$ 35.7	\$ 35.9	\$ 36.5	\$ 36.4
Area License (b)				
Sales percentage change(c)	2.4%	3.7%	2.4%	1.7%

Dine Brands Global, Inc. and Subsidiaries
Restaurant Data

- (a) “Effective Restaurants” are the weighted average number of restaurants open in a given fiscal period, adjusted to account for restaurants open for only a portion of the period. Information is presented for all Effective Restaurants in the Applebee’s and IHOP systems, which includes restaurants owned by franchisees and area licensees as well as those owned by the Company.
- (b) “System-wide” sales are retail sales at domestic Applebee’s restaurants operated by franchisees and IHOP restaurants operated by franchisees and area licensees, as reported to the Company, in addition to retail sales at company-operated restaurants. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. An increase or decrease in franchisees’ reported sales will result in a corresponding increase or decrease in our royalty revenue. Unaudited reported sales for Applebee’s domestic franchise restaurants, IHOP franchise restaurants and IHOP area license restaurants for the three and nine months ended September 30, 2019 and 2018 and sales by company-operated restaurants were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
	(In millions)			
Reported sales				
Applebee’s domestic franchise restaurant sales	\$ 936.5	\$ 1,005.0	\$ 2,997.2	\$ 3,183.5
Applebee’s company-operated restaurants	30.5	—	100.0	—
IHOP franchise restaurant sales	773.9	765.6	2,364.4	2,312.8
IHOP area license restaurant sales	71.1	69.4	217.2	212.2
Total	<u>\$ 1,812.0</u>	<u>\$ 1,840.0</u>	<u>\$ 5,678.8</u>	<u>\$ 5,708.5</u>

- (c) “Sales percentage change” reflects, for each category of restaurants, the percentage change in sales in any given fiscal period compared to the prior fiscal period for all restaurants in that category.
- (d) “Domestic same-restaurant sales percentage change” reflects the percentage change in sales, in any given fiscal period, compared to the same weeks in the prior year for domestic restaurants that have been operated throughout both fiscal periods that are being compared and have been open for at least 18 months. Because of new unit openings and restaurant closures, the domestic restaurants open throughout both fiscal periods being compared may be different from period to period.

Dine Brands Global, Inc. and Subsidiaries
Restaurant Data
(Unaudited)

The following table summarizes our restaurant development activity:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
Applebee's Restaurant Development Activity				
Summary - beginning of period:				
Franchise	1,746	1,883	1,768	1,936
Company restaurants	69	—	69	—
Beginning of period	1,815	1,912	1,837	1,936
Franchise restaurants opened:				
Domestic	—	1	—	2
International	—	—	1	3
Total franchise restaurants opened	—	1	1	5
Franchise restaurants closed:				
Domestic	(9)	(25)	(26)	(77)
International	(2)	(3)	(8)	(8)
Total franchise restaurants closed	(11)	(28)	(34)	(85)
Net franchise restaurant reduction	(11)	(27)	(33)	(80)
Summary - end of period:				
Franchise	1,735	1,856	1,735	1,856
Company	69	—	69	—
Total Applebee's restaurants, end of period	1,804	1,856	1,804	1,856
Domestic	1,667	1,707	1,667	1,707
International	137	149	137	149
IHOP Restaurant Development Activity				
Summary - beginning of period:				
Franchise	1,669	1,640	1,669	1,622
Area license	159	165	162	164
Total IHOP restaurants, beginning of period	1,828	1,805	1,831	1,786
Franchise/area license restaurants opened:				
Domestic franchise	8	10	23	32
Domestic area license	3	1	5	3
International franchise	7	6	9	14
Total franchise/area license restaurants opened	18	17	37	49
Franchise/area license restaurants closed:				
Domestic franchise	(7)	(4)	(19)	(10)
Domestic area license	(1)	(4)	(6)	(5)
International franchise	(2)	—	(7)	(6)
Total franchise/area license restaurants closed	(10)	(8)	(32)	(21)
Net franchise/area license restaurant development	8	9	5	28
Refranchised by the Company	—	—	—	1
Franchise restaurants reacquired by the Company	—	—	—	(1)
Net franchise/area license restaurant additions	8	9	5	28
Summary - end of period				
Franchise	1,675	1,652	1,675	1,652
Area license	161	162	161	162
Total IHOP restaurants, end of period	1,836	1,814	1,836	1,814
Domestic	1,708	1,691	1,708	1,691
International	128	123	128	123