UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number 001-15283

Dine Brands Global, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**95-3038279**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
450 North Brand Boulevard, Glendale, CA	**91203-1903**
(Address of principal executive offices)	(Zip Code)

(818) 240-6055

(Registrant's telephone number, including area code)

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, $0.01 par value	DIN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		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 ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of April 28, 2021, the Registrant had 17,157,339 shares of Common Stock outstanding.

Dine Brands Global, Inc. and Subsidiaries
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Cautionary Statement Regarding Forward-Looking Statements

Statements contained in this Quarterly Report on Form 10-Q 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. 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. 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. You should consider our forward-looking statements in light of the risks discussed under the heading “Risk Factors,” as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the United States Securities and Exchange Commission. The forward-looking statements contained in this report are made as of the date hereof and Dine Brands Global, Inc. does not intend to, nor does it assume any obligation to, update or supplement any forward-looking statements after the date of this report to reflect actual results or future events or circumstances.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, among other things: uncertainty regarding the duration and severity of the ongoing COVID-19 pandemic and its ultimate impact on our business; 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, including any insolvency or bankruptcy; credit risks from our IHOP franchisees operating under our previous IHOP business model in which we built and equipped IHOP restaurants and then franchised them to franchisees; insufficient insurance coverage to cover potential risks associated with the ownership and operation of restaurants; 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; risks of food-borne illness or food tampering; possible future impairment charges; 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; delivery initiatives and use of third-party delivery vendors; our allocation of human capital and 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 matters in the "Risk Factors" section of this report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and in our other filings with the Securities and Exchange Commission, many of which are beyond our control.

Fiscal Quarter End

The Company's fiscal quarters end on the Sunday closest to the last day of each calendar quarter. For convenience, the fiscal quarters of each year are referred to as ending on March 31, June 30, September 30 and December 31. The first fiscal quarter of 2021 began on January 4, 2021 and ended on April 4, 2021. The first fiscal quarter of 2020 began on December 30, 2019 and ended on March 29, 2020.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

Assets	March 31, 2021	December 31, 2020
	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 179,567	$ 383,369
Receivables, net of allowance of $11,854 (2021) and $15,057 (2020)	107,387	121,897
Restricted cash	60,063	39,884
Prepaid gift card costs	22,581	29,080
Prepaid income taxes	6,940	6,178
Other current assets	9,171	6,098
Total current assets	385,709	586,506
Other intangible assets, net	547,098	549,671
Operating lease right-of-use assets	338,572	346,086
Goodwill	251,628	251,628
Property and equipment, net	182,661	187,977
Long-term receivables, net of allowance of $6,455 (2021) and $7,999 (2020)	51,605	54,512
Deferred rent receivable	54,713	56,449
Non-current restricted cash	32,800	32,800
Other non-current assets, net	11,503	9,316
Total assets	$ 1,856,289	$ 2,074,945
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current maturities of long-term debt	$ 13,000	$ 13,000
Accounts payable	33,522	37,424
Gift card liability	121,814	144,159
Current maturities of operating lease obligations	70,270	69,672
Current maturities of finance lease and financing obligations	11,052	11,293
Accrued employee compensation and benefits	14,554	21,237
Deferred franchise revenue, short-term	8,990	7,682
Accrued advertising	44,477	21,641
Other accrued expenses	17,417	22,460
Total current liabilities	335,096	348,568
Long-term debt	1,271,438	1,491,996
Operating lease obligations, less current maturities	334,361	345,163
Finance lease obligations, less current maturities	66,234	69,012
Financing obligations, less current maturities	32,598	32,797
Deferred income taxes, net	70,006	78,293
Deferred franchise revenue, long-term	49,364	52,237
Other non-current liabilities	14,594	11,530
Total liabilities	2,173,691	2,429,596
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, $1 par value, 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, $0.01 par value; shares: 40,000,000 authorized; March 31, 2021 - 25,033,181 issued, 17,142,367 outstanding; December 31, 2020 - 24,882,122 issued, 16,452,174 outstanding	250	249
Additional paid-in-capital	247,498	257,625
Accumulated deficit	(29,950)	(55,553)
Accumulated other comprehensive loss	(56)	(55)
Treasury stock, at cost; shares: March 31, 2021 - 7,890,814; December 31, 2020 - 8,429,948	(535,144)	(556,917)
Total stockholders' deficit	(317,402)	(354,651)
Total liabilities and stockholders' deficit	$ 1,856,289	$ 2,074,945

See the accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31, 2021	
	2021	**2020**
Revenues:		
Franchise revenues:		
Royalties, franchise fees and other	$ 80,091	$ 83,314
Advertising revenues	60,885	61,723
Total franchise revenues	140,976	145,037
Company restaurant sales	35,949	31,300
Rental revenues	26,142	29,009
Financing revenues	1,132	1,538
Total revenues	204,199	206,884
Cost of revenues:		
Franchise expenses:		
Advertising expenses	60,885	61,723
Bad debt (credit) expense	(1,993)	518
Other franchise expenses	6,051	7,209
Total franchise expenses	64,943	69,450
Company restaurant expenses	32,884	30,332
Rental expenses:		
Interest expense from finance leases	962	1,210
Other rental expenses	19,996	21,323
Total rental expenses	20,958	22,533
Financing expenses	128	142
Total cost of revenues	118,913	122,457
Gross profit	85,286	84,427
General and administrative expenses	39,911	37,608
Interest expense, net	16,496	15,172
Closure and impairment charges (credit)	2,010	(12)
Amortization of intangible assets	2,688	2,826
Loss (gain) on disposition of assets	167	(233)
Income before income taxes	24,014	29,066
Income tax benefit (provision)	1,589	(6,738)
Net income	25,603	22,328
Other comprehensive income net of tax:		
Foreign currency translation adjustment	(1)	—
Total comprehensive income	$ 25,602	$ 22,328
Net income available to common stockholders:		
Net income	$ 25,603	$ 22,328
Less: Net income allocated to unvested participating restricted stock	(548)	(748)
Net income available to common stockholders	$ 25,055	$ 21,580
Net income available to common stockholders per share:		
Basic	$ 1.52	$ 1.33
Diluted	$ 1.51	$ 1.31
Weighted average shares outstanding:		
Basic	16,460	16,263
Diluted	16,630	16,470

See the accompanying Notes to Consolidated Financial Statements.

Dine Brands Global, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Deficit
(In thousands)
(Unaudited)

	Three Months ended March 31, 2020							
	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Shares	Cost	Total
Balance at December 31, 2019	16,522	$ 249	$ 246,192	$ 61,653	$ (58)	8,404	$ (549,810)	$ (241,774)
Adoption of credit loss accounting guidance	—	—	—	(497)	—	—	—	(497)
Net income	—	—	—	22,328	—	—	—	22,328
Purchase of Company common stock	(460)	—	—	—	—	460	(26,527)	(26,527)
Reissuance of treasury stock	367	—	3,967	—	—	(368)	16,557	20,524
Net issuance of shares for stock plans	18	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(26)	—	(2,000)	—	—	—	—	(2,000)
Stock-based compensation	—	—	4,038	—	—	—	—	4,038
Dividends on common stock	—	—	246	(12,715)	—	—	—	(12,469)
Balance at March 31, 2020	16,421	$ 249	$ 252,443	$ 70,769	$ (58)	8,496	$ (559,780)	$ (236,377)

	Three Months ended March 31, 2021							
	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Shares	Cost	Total
Balance at December 31, 2020	16,452	$ 249	$ 257,625	$ (55,553)	$ (55)	8,430	$ (556,917)	$ (354,651)
Net income	—	—	—	25,603	—	—	—	25,603
Other comprehensive loss	—	—	—	—	(1)	—	—	(1)
Reissuance of treasury stock	539	1	(2,290)	—	—	(539)	21,773	19,484
Net issuance of shares for stock plans	166	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(15)	—	(1,220)	—	—	—	—	(1,220)
Stock-based compensation	—	—	3,094	—	—	—	—	3,094
Tax withheld related to settlement of restricted stock units	—	—	(9,711)	—	—	—	—	(9,711)
Balance at March 31, 2021	17,142	$ 250	$ 247,498	$ (29,950)	$ (56)	7,891	$ (535,144)	$ (317,402)

See the accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2021	**2020**
Cash flows from operating activities:		
Net income	$ 25,603	$ 22,328
Adjustments to reconcile net income to cash flows provided by operating activities:		
Non-cash closure and impairment charges (credit)	1,959	(12)
Depreciation and amortization	9,995	10,641
Non-cash stock-based compensation expense	3,094	4,038
Non-cash interest expense	712	655
Deferred income taxes	(8,267)	(10,491)
Deferred revenue	(1,565)	(1,417)
Loss (gain) on disposition of assets	167	(227)
Other	(1,580)	(1,293)
Changes in operating assets and liabilities:		
Accounts receivable, net	(4,323)	12,077
Current income tax receivables and payables	(552)	6,443
Gift card receivables and payables	(3,246)	11,693
Other current assets	(3,072)	(2,347)
Accounts payable	809	(12,748)
Accrued employee compensation and benefits	(6,968)	(12,190)
Accrued advertising	22,836	(4,719)
Other current liabilities	(5,037)	7,214
Cash flows provided by operating activities	30,565	29,645
Cash flows from investing activities:		
Principal receipts from notes, equipment contracts and other long-term receivables	4,651	5,544
Net additions to property and equipment	(2,357)	(5,084)
Proceeds from sale of property and equipment	946	6
Additions to long-term receivables	—	(1,511)
Other	(110)	(195)
Cash flows provided by (used in) investing activities	3,130	(1,240)
Cash flows from financing activities:		
Repayment of long-term debt	(3,250)	—
Borrowing from revolving credit facility	—	220,000
Repayment of revolving credit facility	(220,000)	—
Dividends paid on common stock	—	(11,451)
Repurchase of common stock	—	(29,853)
Principal payments on finance lease obligations	(2,621)	(2,981)
Proceeds from stock options exercised	19,484	20,524
Tax payments for restricted stock upon vesting	(1,220)	(2,000)
Tax payments for share settlement of restricted stock units	(9,711)	—
Cash flows (used in) provided by financing activities	(217,318)	194,239
Net change in cash, cash equivalents and restricted cash	(183,623)	222,644
Cash, cash equivalents and restricted cash at beginning of period	456,053	172,475
Cash, cash equivalents and restricted cash at end of period	$ 272,430	$ 395,119
Supplemental disclosures:		
Interest paid in cash	$ 17,240	$ 16,446
Income taxes paid in cash	$ 7,441	$ 10,818
Non-cash conversion of accounts receivable to notes receivable	$ 1,269	$ —

See the accompanying Notes to Consolidated Financial Statements.

Dine Brands Global, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. General

The accompanying unaudited consolidated financial statements of Dine Brands Global, Inc. (the "Company" or "Dine Brands Global") have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The operating results for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2021.

The consolidated balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date but does not include all of information and footnotes required by U.S. GAAP for complete financial statements.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

2. Basis of Presentation

The Company's fiscal quarters end on the Sunday closest to the last day of each calendar quarter. For convenience, the fiscal quarters of each year are referred to as ending on March 31, June 30, September 30 and December 31. The first fiscal quarter of 2021 began on January 4, 2021 and ended on April 4, 2021. The first fiscal quarter of 2020 began on December 30, 2019 and ended on March 29, 2020.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that are consolidated in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated.

The preparation of financial statements in conformity with U.S. GAAP requires the Company's management to make assumptions and estimates that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates may include the calculation and assessment of the following: impairment of goodwill, other intangible assets and tangible assets; income taxes; allowance for credit losses on accounts and notes receivables; lease accounting estimates; contingencies; and stock-based compensation. On an ongoing basis, the Company evaluates its estimates based on historical experience, current conditions and various other assumptions that are believed to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Actual results could differ from those estimates.

Risks and Uncertainties

The Company was subject to risks and uncertainties as a result of the continuing outbreak of a novel strain of coronavirus, designated "COVID-19." The extent of the continued impact of the COVID-19 pandemic on the Company's business is highly uncertain and difficult to predict, as measures taken in response to and the effect of the pandemic has varied and continues to vary by state and municipalities within states. Assessments of the success of measures taken and the timing of any further restrictions, or lifting of such restrictions, is rapidly evolving. The Company first began to experience impacts from COVID-19 in March 2020, as federal, state, local and international governments began to react to the public health crisis by encouraging "social distancing" and requiring, in varying degrees, restaurant dine-in limitations and other restrictions that largely limited the restaurants of the Company's franchisees and its company-operated restaurants to take-out and delivery sales. Subsequently, government-imposed dine-in restrictions have been relaxed in many of the locations in which the Company operates as incidents of infection decline within the respective governmental jurisdictions, although dining room capacity continues to be limited to 50% or less at over two-thirds of the Company's restaurants as of March 31, 2021.

2. Basis of Presentation (Continued)

The Company took several actions to mitigate the effects of the COVID-19 pandemic on its operations and its franchisees, as follows: (i) drew down $220 million from its revolving credit facility in March 2020 and repaid the borrowing in March 2021;(ii) suspended repurchases of common stock; (iii) the Company's Board of Directors has not declared dividends after the first quarter of 2020; (iv) voluntarily increased the interest reserve for securitized debt from the required $16.4 million (approximately one quarter of estimated interest) to $32.8 million; (v) deferred franchisee payment of royalty, advertising and other fees, and lease obligations for up to two months on a case-by-case basis; (vi) deferred franchisee remodel and development obligations for up to 15 months; and (vii) negotiated deferrals and abatements for properties on which the Company was lessee.

The severity of the continued impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, how long the pandemic will last, whether/when recurrences of the virus and variants of the virus may arise, the availability and acceptance of vaccines, what restrictions on in-restaurant dining may be imposed or re-imposed, the timing and extent of customer re-engagement with the Company's brands and, in general, what the short- and long-term impact on consumer discretionary spending the COVID-19 pandemic might have on the Company and the restaurant industry as a whole, all of which are uncertain and cannot be predicted. The Company's future results of operations and liquidity could adversely be impacted by the length of time dine-in restrictions remain in place and the success of any initiatives or programs that the Company may undertake to address financial and operational challenges faced by itself and its franchisees. As such, the extent to which the COVID-19 pandemic may continue to materially impact the Company's financial condition, liquidity, or results of operations is highly uncertain.

3. Accounting Standards Adopted and Newly Issued Accounting Standards Not Yet Adopted

Accounting Standards Adopted in the Current Fiscal Year

In December 2019, the Financial Accounting Standards Board (“FASB”) issued new guidance intended to simplify the accounting for income taxes, change the accounting for certain income tax transactions, and make other minor changes. The Company adopted the new guidance at the beginning of the first fiscal quarter of 2021. Adoption did not have any material effect on the consolidated financial statements.

Additional new accounting guidance became effective for the Company as of the beginning of fiscal 2021 that the Company reviewed and concluded was either not applicable to its operations or had no material effect on its consolidated financial statements in the current or future fiscal years.

Newly Issued Accounting Standards Not Yet Adopted

In March 2020, with an update in January 2021, the FASB issued guidance which provides optional expedients and exceptions for applying current U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate (“LIBOR”) or by another reference rate expected to be discontinued. The guidance can be adopted immediately and is applicable to contracts entered into on or before December 31, 2022. We are currently evaluating our contracts that reference LIBOR and the potential effects of adopting this new guidance.

The Company reviewed all other newly issued accounting pronouncements and concluded that they either are not applicable to the Company's operations or that no material effect is expected on the Company's financial statements when adoption is required in the future.

4. Revenue Disclosures

Franchise revenue and revenue from company-operated restaurants are recognized in accordance with current guidance for revenue recognition as codified in Accounting Standards Topic 606 (“ASC 606”). Under ASC 606, revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration the Company expects to receive for those services or goods.

4. Revenue Disclosures (Continued)

Franchising Activities

The Company owns, franchises and operates the Applebee's Neighborhood Grill & Bar® ("Applebee's") concept in the casual dining category of the restaurant industry and the Company owns and franchises the International House of Pancakes® ("IHOP") concept in the family dining category of the restaurant industry. The franchise arrangement for both brands is documented in the form of a franchise agreement and, in most cases, a development agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires the Company to perform various activities to support the brands that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all the utility is derived from its association with the Company's past or ongoing activities. The nature of the Company's promise in granting the franchise license is to provide the franchisee with access to the respective brand's symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement for both brands primarily consists of (a) initial franchise/development fees; (b) continuing franchise fees (royalties); and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required. All domestic IHOP franchise agreements require franchisees to purchase proprietary pancake and waffle dry mix from the Company.

The Company recognizes the primary components of the transaction price as follows:

- Franchise and development fees are recognized as revenue ratably on a straight-line basis over the term of the franchise agreement commencing with the restaurant opening date. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time;
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenue are recognized when the franchisee's reported sales occur. Depending on timing within a fiscal period, the recognition of revenue results in either what is considered a contract asset (unbilled receivable) or, once billed, accounts receivable, and are included in "receivables, net" in the Consolidated Balance Sheets.
- Revenue from the sale of proprietary pancake and waffle dry mix is recognized in the period in which distributors ship the franchisee's order; recognition of revenue results in an accounts receivable included in "receivables, net" in the Consolidated Balance Sheets.

In determining the amount and timing of revenue from contracts with customers, the Company exercises significant judgment with respect to collectibility of the amount; however, the timing of recognition does not require significant judgments as it is based on either the term of the franchise agreement, the month of reported sales by the franchisee or the date of product shipment, none of which require estimation. The Company does not incur a significant amount of contract acquisition costs in conducting franchising activities. The Company's franchising arrangements do not contain a significant financing component.

Company Restaurant Revenue

Sales by company-operated restaurants are recognized when food and beverage items are sold. Company restaurant sales are reported net of sales taxes collected from guests that are remitted to the appropriate taxing authorities.

4. Revenue Disclosures (Continued)

The following table disaggregates franchise revenue by major type for the three months ended March 31, 2021 and 2020:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Franchise Revenue:		
Royalties	$ 65,767	$ 67,600
Advertising fees	60,885	61,723
Pancake and waffle dry mix sales and other	10,890	12,848
Franchise and development fees	3,434	2,866
Total franchise revenue	$ 140,976	$ 145,037

Accounts and other receivables from franchisees as of March 31, 2021 and December 31, 2020 were $79.5 million (net of allowance of $7.7 million) and $76.3 million (net of allowance of $11.4 million), respectively, and were included in receivables, net in the Consolidated Balance Sheets.

Changes in the Company's contract liability for deferred franchise and development fees during the three months ended March 31, 2021 are as follows:

	Deferred Franchise Revenue (short- and long-term)
	(In thousands)
Balance at December 31, 2020	$ 59,919
Recognized as revenue during the three months ended March 31, 2021	(3,354)
Fees deferred during the three months ended March 31, 2021	1,789
Balance at March 31, 2021	$ 58,354

The balance of deferred revenue as of March 31, 2021 is expected to be recognized as follows:

	(In thousands)
Remainder of 2021	$ 7,931
2022	7,130
2023	6,629
2024	6,044
2025	5,268
Thereafter	25,352
Total	$ 58,354

5. Current Expected Credit Losses

The CECL reserve methodology requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Under the CECL model, reserves may be established against financial asset balances even if the risk of loss is remote or has not yet manifested itself. The Company records specific reserves against account balances of franchisees deemed at-risk when a potential loss is likely or imminent as a result of prolonged payment delinquency (greater than 90 days past due) and where notable credit deterioration has become evident. For financial assets that are not currently deemed at-risk, an allowance is recorded based on expected loss rates derived pursuant to the Company's CECL methodology that assesses four components - historical losses, current conditions, reasonable and supportable forecasts, and a reversion to history, if applicable.

5. Current Expected Credit Losses (Continued)

The Company considers its portfolio segments to be the following:

Accounts Receivable (Franchise-Related)

Most of the Company’s short-term receivables due from franchisees are derived from royalty, advertising and other franchise-related fees.

Gift Card Receivables

Gift card receivables consist primarily of amounts due from third-party vendors. Receivables related to gift card sales are subject to seasonality and usually peak around year end as a result of the December holiday season.

Notes Receivable

Notes receivable balances primarily relate to the conversion of certain Applebee's franchisee accounts receivable to notes receivable, cash loans to franchisees for working capital purposes, a note receivable in connection with the sale of IHOP company restaurants and IHOP franchise fee and other notes. The notes are typically collateralized by the franchise. A significant portion of these notes have specific reserves recorded against them amounting to $9.4 million as of March 31, 2021.

Equipment Leases Receivable

Equipment leases receivable also relate to IHOP franchise development activity prior to 2003. Equipment lease contracts are collateralized by the equipment in the restaurant. The estimated fair value of the equipment collateralizing these lease contracts are not deemed to be significant given the very seasoned and mature nature of this portfolio. The weighted average remaining life of the Company’s equipment leases is 5.2 years as of March 31, 2021.

Direct Financing Leases Receivable

Direct financing lease receivables relate to IHOP franchise development activity prior to 2003 when IHOP typically leased or purchased the restaurant site, built and equipped the restaurant, then franchised the restaurant to a franchisee. IHOP provided the financing for leasing or subleasing the site. Direct financing leases at March 31, 2021, comprised 85 leases with a weighted average remaining life of 4.1 years, and relate to locations that IHOP is leasing from third parties and subleasing to franchisees.

Distributor Receivables

Receivables due from distributors are related to the sale of IHOP’s proprietary pancake and waffle dry mix to franchisees through the Company’s network of suppliers and distributors and are included as part of Other receivables.

	March 31, 2021	December 31, 2020
	(In millions)	
Accounts receivable	$ 84.8	$ 85.7
Gift card receivables	5.4	22.5
Notes receivable	20.4	18.6
Financing receivables:		
Equipment leases receivable	40.8	43.9
Direct financing leases receivable	20.1	22.7
Franchise fee notes receivable	0.1	0.1
Other	5.7	6.0
	177.3	199.5
Less: allowance for credit losses	(18.3)	(23.1)
	159.0	176.4
Less: current portion	(107.4)	(121.9)
Long-term receivables	$ 51.6	$ 54.5

5. Current Expected Credit Losses (Continued)

Changes in the allowance for credit losses during the three months ended March 31, 2021 were as follows:

	Accounts Receivable	Notes receivable, short-term	Notes receivable, long-term	Lease Receivables	Equipment Notes	Other [(1)]	Total
				(In millions)			
Balance, December 31, 2020	$ 11.2	$ 3.6	$ 5.3	$ 0.4	$ 2.3	$ 0.3	$ 23.1
Bad debt (credit) expense for the three months ended March 31, 2021	(2.0)	0.5	(0.0)	(0.3)	(0.1)	(0.1)	(2.0)
Advertising provision adjustment	(1.4)	(0.0)	—	—	—	—	(1.4)
Write-offs	(0.2)	—	—	0.0	(1.2)	—	(1.4)
Recoveries	—	—	—	0.0	—	—	0.0
Balance, March 31, 2021	$ 7.6	$ 4.1	$ 5.3	$ 0.1	$ 1.0	$ 0.2	$ 18.3

(1) Primarily distributor receivables, gift card receivables and credit card receivables

The Company's primary credit quality indicator for all portfolio segments is delinquency. The delinquency status of receivables (other than accounts receivable, gift card receivables and distributor receivables) at March 31, 2021 was as follows:

	Notes receivable, short-term	Notes receivable, long-term	Lease Receivables	Equipment Notes	Other [(1)]	Total
			(In millions)			
Current	$ 5.2	$ 12.7	$ 20.1	$ 40.8	$ 2.2	$ 81.0
30-59 days	0.1	—	—	—	—	0.1
60-89 days	0.1	—	—	—	—	0.1
90-119 days	0.1	—	—	—	—	0.1
120+ days	2.2	—	—	—	—	2.2
Total	$ 7.7	$ 12.7	$ 20.1	$ 40.8	$ 2.2	$ 83.5

(1) Primarily credit card receivables

The year of origination of the Company's financing receivables is as follows:

	Notes receivable, short and long-term	Lease Receivables	Equipment Notes	Total
		(In millions)		
2021	$ 2.2	$ —	$ —	$ 2.2
2020	1.2	1.5	—	2.7
2019	2.6	0.9	—	3.5
2018	8.0	—	—	8.0
2017	6.3	—	—	6.3
2016	0.1	17.7	40.8	58.6
Total	$ 20.4	$ 20.1	$ 40.8	$ 81.3

The Company does not place its financing receivables in non-accrual status.

6. Lease Disclosures

The Company engages in leasing activity as both a lessee and a lessor. The Company currently leases from third parties the real property on which approximately 550 IHOP franchisee-operated restaurants and one Applebee's franchisee-operated restaurant are located; the Company (as lessor) subleases the property to the franchisees that operate those restaurants. The Company also leases property it owns to the franchisees that operate approximately 55 IHOP restaurants and one Applebee's restaurant. The Company leases from third parties the real property on which 69 Applebee's company-operated restaurants are located. The Company also leases office space for its principal corporate office in Glendale, California and restaurant support centers in Kansas City, Missouri and Raleigh, North Carolina. The Company does not have a significant amount of non-real estate leases.

6. Lease Disclosures (Continued)

The Company's existing leases/subleases related to IHOP restaurants generally provide for an initial term of 20 to 25 years, with most having one or more five-year renewal options. Leases related to Applebee's restaurants generally have an initial term of 10 to 20 years, with renewal terms of five to 20 years. Option periods were not included in determining liabilities and right-of-use assets related to operating leases. Approximately 240 of the Company's leases met the sales levels that required variable rent payments to the Company (as lessor), based on a percentage of restaurant sales during the three months ended March 31, 2021. Approximately 30 of the leases met the sales levels that required variable rent payments by the Company (as lessee), based on a percentage of restaurant sales during the three months ended March 31, 2021.

The Company's lease cost for the three months ended March 31, 2021 and 2020 was as follows:

	Three months ended March 31,	
	2021	2020
	(In millions)	
Finance lease cost:		
Amortization of right-of-use assets	$ 1.2	$ 1.3
Interest on lease liabilities	1.4	1.7
Operating lease cost	25.1	26.5
Variable lease cost	0.3	0.4
Short-term lease cost	0.0	0.0
Sublease income	(24.2)	(26.6)
Lease cost	$ 3.8	$ 3.3

Future minimum lease payments under noncancelable leases as lessee as of March 31, 2021 were as follows:

	Finance Leases	Operating Leases
	(In millions)	
2021 (remaining nine months)	$ 11.7	$ 69.0
2022	14.4	86.2
2023	11.6	71.0
2024	9.7	65.8
2025	8.5	57.0
Thereafter	50.8	146.6
Total minimum lease payments	106.7	495.6
Less: interest/imputed interest	(30.2)	(90.9)
Total obligations	76.5	404.7
Less: current portion	(10.3)	(70.3)
Long-term lease obligations	$ 66.2	$ 334.4

The weighted average remaining lease term as of March 31, 2021 was 7.2 years for finance leases and 9.2 years for operating leases. The weighted average discount rate as of March 31, 2021 was 10.2% for finance leases and 5.6% for operating leases.

6. Lease Disclosures (Continued)

During the three months ended March 31, 2021 and 2020, the Company made the following cash payments for leases:

	Three months ended March 31,	
	2021	2020
	(In millions)	
Principal payments on finance lease obligations	$ 2.6	$ 3
Interest payments on finance lease obligations	$ 1.5	$ 1
Payments on operating leases	$ 23.0	$ 23
Variable lease payments	$ 0.3	$ 0

The Company's income from operating leases for the three months ended March 31, 2021 and 2020 was as follows:

	Three months ended March 31,	
	2021	2020
	(In millions)	
Minimum lease payments	$ 23.8	$ 25
Variable lease income	1.6	2
Total operating lease income	$ 25.4	$ 27

Minimum payments to be received as lessor under noncancelable operating leases as of March 31, 2021 were as follows:

	(In millions)
2021 (remaining nine months)	$ 75.6
2022	98.8
2023	95.0
2024	86.9
2025	75.0
Thereafter	164.3
Total minimum rents receivable	$ 595.6

The Company's income from direct financing leases for the three months ended March 31, 2021 and 2020 was as follows:

	Three months ended March 31,	
	2021	2020
	(In millions)	
Interest income	$ 0.6	$ 1
Variable lease income	0.1	0
Total operating lease income	$ 0.7	$ 1

Minimum payments to be received as lessor under noncancelable direct financing leases as of March 31, 2021 were as follows:

	(In millions)
2021 (remaining nine months)	$ 7.5
2022	7.5
2023	3.6
2024	1.5
2025	0.7
Thereafter	3.1
Total minimum rents receivable	23.9
Less: unearned income	(3.8)
Total net investment in direct financing leases	20.1
Less: current portion	(7.9)
Long-term investment in direct financing leases	$ 12.2

7. Long-Term Debt

At March 31, 2021 and December 31, 2020, long-term debt consisted of the following:

	March 31, 2021	December 31, 2020
	(In millions)	
Series 2019-1 4.194% Fixed Rate Senior Secured Notes, Class A-2-I	$ 696.5	$ 698
Series 2019-1 4.723% Fixed Rate Senior Secured Notes, Class A-2-II	597.0	598
Series 2019-1 Variable Funding Senior Notes Class A-1, variable interest rate of 2.42% at December 31, 2020	—	220
Debt issuance costs	(9.1)	(11
Long-term debt, net of debt issuance costs	1,284.4	1,505
Current portion of long-term debt	(13.0)	(13
Long-term debt	$ 1,271.4	$ 1,492

On June 5, 2019, Applebee’s Funding LLC and IHOP Funding LLC (the “Co-Issuers”), each a special purpose, wholly-owned indirect subsidiary of the Company, issued two tranches of fixed rate senior secured notes, the Series 2019-1 4.194% Fixed Rate Senior Secured Notes, Class A-2-I (“Class A-2-I Notes”) in an initial aggregate principal amount of $700 million and the Series 2019-1 4.723% Fixed Rate Senior Secured Notes, Class A-2-II (“Class A-2-II Notes”) in an initial aggregate
principal amount of $600 million (the “Class A-2-II Notes” and, together with the Class A-2-I Notes, the “2019 Class A-2 Notes”). The 2019 Class A-2 Notes were issued pursuant to an offering exempt from registration under the Securities Act of 1933, as amended.

The Co-Issuers also entered into a revolving financing facility, the 2019-1 Variable Funding Senior Notes, Class A-1 (the “Credit Facility”), that allows for drawings up to $225 million of variable funding notes and the issuance of letters of credit. The Credit Facility and the 2019 Class A-2 Notes are referred to collectively herein as the “New Notes.” The New Notes were issued in a securitization transaction pursuant to which substantially all the domestic revenue-generating assets and domestic intellectual property held by the Co-Issuers and certain other special-purpose, wholly-owned indirect subsidiaries of the Company (the “Guarantors”) were pledged as collateral to secure the New Notes.

The New Notes were issued under a Base Indenture, dated as of September 30, 2014, and amended and restated as of June 5, 2019 (the “Base Indenture”), and the related Series 2019-1 Supplement to the Base Indenture, dated June 5, 2019 (the “Series 2019-1 Supplement”), among the Co-Issuers and Citibank, N.A., as the trustee (in such capacity, the “Trustee”) and securities intermediary. The Base Indenture and the Series 2019-1 Supplement (collectively, the “Indenture”) will allow the Co-Issuers to issue additional series of notes in the future subject to certain conditions set forth therein.

2019 Class A-2 Notes

The legal final maturity of the 2019 Class A-2 Notes is in June 2049, but rapid amortization will apply if the Class A-2-I Notes are not repaid by June 2024 (the “Class A-2-I Anticipated Repayment Date”) and for the Class A-2-II Notes if not repaid by June 2026 (the “Class A-2-II Anticipated Repayment Date”). If the Co-Issuers have not repaid or refinanced the Class A-2-I Notes by the Class A-2-I Anticipated Repayment Date or the Class A-2-II Notes by the Class A-2-II Anticipated Repayment Date, then additional interest will accrue on the Class A-2-I Notes and the Class A-2-II Notes, as applicable, at the greater of: (A) 5.0% and (B) the amount, if any, by which the sum of the following exceeds the applicable Series 2019-1 Class A-2 Note interest rate: (x) the yield to maturity (adjusted to a quarterly bond-equivalent basis) on the applicable anticipated repayment date of the United States Treasury Security having a term closest to 10 years plus (y) 5.0%, plus (z) 2.15% for the Series 2019-1 Class A-2-I Notes and 2.64% for the Series 2019-1 Class A-2-II Notes.

While the 2019 Class A-2 Notes are outstanding, payment of principal and interest is required to be made on the 2019 Class A-2 Notes on a quarterly basis. The quarterly principal payment of $3.25 million on the 2019 Class A-2 Notes may be suspended when the leverage ratio for the Company and its subsidiaries is less than or equal to 5.25x. In general, the leverage ratio is the Company's indebtedness (as defined in the Indenture) divided by adjusted EBITDA (as defined in the Indenture) for the four preceding quarterly periods. The complete definitions of all calculation elements of the leverage ratio are contained in the Indenture.

7. Long-Term Debt (Continued)

As of March 31, 2021, the Company's leverage ratio was 7.02x. As a result, quarterly principal payments on the 2019 Class A-2 Notes of $3.25 million continue to be required. Exceeding the leverage ratio of 5.25x does not violate any covenant related to the New Notes.

The Company may voluntarily repay the 2019 Class A-2 Notes at any time; however, if the 2019 Class A-2 Notes are repaid prior to certain dates, the Company would be required to pay make-whole premiums. As of March 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-I Notes was approximately $29 million; this amount declines progressively each quarter to zero in June 2022. As of March 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-II Notes was approximately $59 million; this amount declines progressively each quarter to zero in June 2024. The Company would also be subject to a make-whole premium in the event of a mandatory prepayment required following a Rapid Amortization Event or certain asset dispositions. The mandatory make-whole premium requirements are considered derivatives embedded in the New Notes that must be bifurcated for separate valuation. The Company estimated the fair value of these derivatives to be immaterial as of March 31, 2021, based on the probability-weighted discounted cash flows associated with either event.

2019 Class A-1 Notes

The Co-Issuers entered into the Credit Facility that allows for drawings up to $225 million of variable funding notes and the issuance of letters of credit. The applicable interest rate under the Credit Facility depends on the type of borrowing by the Co-Issuers. The applicable interest rate for advances is generally calculated at a per annum rate equal to the commercial paper funding rate or one-, two-, three- or six-month Eurodollar Funding Rate, in either case, plus 2.15%. The applicable interest rate for swingline advances and unreimbursed draws on outstanding letters of credit is a per annum base rate equal to the sum of (a) 1.15% plus (b) the greatest of (i) the Prime Rate in effect from time to time, (ii) the Federal Funds Rate in effect from time to time plus 0.50% and (iii) the one-month Eurodollar Funding Rate plus 1.00%. There is no upfront fee for the Credit Facility. There is a fee of 50 basis points on any unused portion of the revolving financing facility. Undrawn face amounts of outstanding letters of credit that are not cash collateralized accrue a fee of 2.15% per annum.

In March 2020, the Company borrowed $220.0 million against the Credit Facility. The maximum amount of borrowings from the Credit Facility outstanding during the three months ended March 31, 2021 was $220.0 million. The $220.0 million was repaid on March 5, 2021 and as of March 31, 2021, there were no outstanding borrowings under the Credit Facility. The interest rate for borrowings under the Credit Facility is the three-month LIBOR rate plus 2.15% for 60% of the advances and the commercial paper funding rate of our conduit investor plus 2.15% for 40% of the advances. The weighted average interest rate on Credit Facility borrowings for the period outstanding during the three months ended March 31, 2021 was 2.4%.

At March 31, 2021, $3.3 million was pledged against the Credit Facility for outstanding letters of credit, leaving $221.7 million available for borrowing. The letters of credit are used primarily to satisfy insurance-related collateral requirements.

Covenants and Restrictions

The New Notes are subject to a series of covenants and restrictions customary for transactions of this type, including: (i) that the Co-Issuers maintain specified reserve accounts to be used to make required payments in respect of the New Notes, (ii) provisions relating to optional and mandatory prepayments, and the related payment of specified amounts, including specified call redemption premiums in the case of Class A-2 Notes under certain circumstances; (iii) certain indemnification payments in the event, among other things, the transfers of the assets pledged as collateral for the New Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The New Notes are subject to customary rapid amortization events provided for in the Indenture, including events tied to failure of the Securitization Entities (as defined in the Indenture) to maintain the stated debt service coverage ratio (“DSCR”), the sum of domestic retail sales for all restaurants being below certain levels on certain measurement dates, certain manager termination events, certain events of default and the failure to repay or refinance the Class A-2 Notes on the anticipated repayment dates. The New Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal or other amounts due on or with respect to the New Notes, failure of the Securitization Entities to maintain the stated DSCR, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties and certain judgments.

7. Long-Term Debt (Continued)

In general, the DSCR ratio is Net Cash Flow (as defined in the Indenture) for the four quarters preceding the calculation date divided by the total debt service payments (as defined in the Indenture) of the preceding four quarters. The complete definitions of the DSCR and all calculation elements are contained in the Indenture. Failure to maintain a prescribed DSCR can trigger a Cash Flow Sweeping Event, A Rapid Amortization Event, a Manager Termination Event or a Default Event as described below. In a Cash Flow Sweeping Event, the Trustee is required to retain 50% of excess Cash Flow (as defined in the Indenture) in a restricted account. In a Rapid Amortization Event, all excess Cash Flow is retained and used to retire principal amounts of debt. In a Manager Termination Event, the Company may be replaced as manager of the assets securitized under the Indenture. In a Default Event, the outstanding principal amount and any accrued but unpaid interest can be called to become immediately due and payable. Key DSCRs are as follows:

- DSCR less than 1.75x - Cash Flow Sweeping Event
- DSCR less than 1.20x - Rapid Amortization Event
- Interest-only DSCR less than 1.20x - Manager Termination Event
- Interest-only DSCR less than 1.10x - Default Event

The Company's DSCR for the reporting period ended March 31, 2021 was approximately 3.45x.

Debt Issuance Costs

Amortization of costs incurred in connection with the issuance of the 2019 Class A-2 Notes of $0.5 million and $0.5 million were included in interest expense for the three months ended March 31, 2021 and 2020, respectively. Amortization costs incurred in connection with the Company's Credit Facility and prior credit facility of $0.2 million and $0.2 million were included in interest expense for the three months ended March 31, 2021 and 2020, respectively.

At March 31, 2021, total unamortized debt issuance costs of $9.1 million are reported as a direct reduction of the 2019 Class A-2 Notes in the Consolidated Balance Sheets. At March 31, 2021, total unamortized debt issuance costs of $2.0 million related to the Credit Facility and prior credit facility are classified as other long-term assets because there are no borrowings outstanding against the Credit Facility.

Maturities of Long-term Debt

- The anticipated repayment date of the Class A-2-I Notes is June 2024.
- The anticipated repayment date of the Class A-2-II Notes is in June 2026.
- Quarterly principal payments on the Class A-2-I and Class A-2-II Notes totaling $3.25 million ($13.0 million per annum) are required if the Company's leverage ratio is greater than 5.25x.

8. Stockholders' Deficit

Dividends

Dividends declared and paid per share for the three months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31,	
	2021	2020
Dividends declared per common share	$ —	$ 0.7
Dividends paid per common share	$ —	$ 0.6

Stock Repurchase Program

In February 2019, the Company’s Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to $200 million of the Company’s common stock (the “2019 Repurchase Program”) on an opportunistic basis from time to time in the open market or in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The 2019 Repurchase Program, as approved by the Board of Directors, does not require the repurchase of a specific number of shares and can be terminated at any time.

8. Stockholders' Deficit (Continued)

The Company did not repurchase any shares during three months ended March 31, 2021, as compared to repurchasing 459,899 shares during the three months ended March 31, 2020. As of March 31, 2021, cumulative repurchases of stock total 1,697,597 shares at a cost of $129.8 million, with a dollar value of $70.2 million remaining for repurchase under the 2019 Repurchase Program.

Treasury Stock

Repurchases of the Company's common stock are included in treasury stock at the cost of shares repurchased plus any transaction costs. Treasury stock may be re-issued when stock options are exercised, when restricted stock awards are granted and when restricted stock units settle in stock upon vesting. The cost of treasury stock re-issued is determined using the first-in, first-out (“FIFO”) method. During the three months ended March 31, 2021, the Company re-issued 539,134 shares of treasury stock at a total FIFO cost of $21.8 million.

9. Income Taxes

The Company's effective tax rate was (6.6)% (a tax benefit of $1.6 million on the pretax book income of $24.0 million) for the three months ended March 31, 2021, as compared to 23.2% for the three months ended March 31, 2020. The effective tax rate for the three months ended March 31, 2021 was lower than the rate of the prior year period primarily due to the recognition of excess tax benefits on stock-based compensation.

The total gross unrecognized tax benefit as of March 31, 2021 and December 31, 2020 was $2.5 million and $2.2 million, respectively, excluding interest, penalties and related tax benefits. The Company estimates the unrecognized tax benefit as of March 31, 2021 may decrease over the upcoming 12 months by an amount up to $0.8 million related to settlements with taxing authorities and expiring statutes of limitations. For the remaining liability, due to the uncertainties related to these tax matters, the Company is unable to make a reasonable estimate as to when cash settlement with a taxing authority will occur.

As of March 31, 2021, accrued interest was $0.9 million and accrued penalties were less than $0.1 million, excluding any related income tax benefits. As of December 31, 2020, accrued interest was $0.9 million and accrued penalties were less than $0.1 million, excluding any related income tax benefits. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as a component of its income tax provision recognized in its Consolidated Statements of Comprehensive Income.

The Company files federal income tax returns and the Company or one of its subsidiaries file income tax returns in various state and international jurisdictions. With few exceptions, the Company is no longer subject to federal tax examinations by tax authorities for years before 2017 and state or non-United States tax examinations by tax authorities for years before 2011. The Company believes that adequate reserves have been provided related to all matters contained in the tax periods open to examination.

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARP Act”) was enacted in response to the COVID-19 pandemic. The Company is continuing to evaluate the impact of the ARP Act, but at present does not expect the ARP Act would result in a material impact to our income tax benefit or provision.

10. Stock-Based Compensation

The following table summarizes the components of stock-based compensation expense included in general and administrative expenses in the Consolidated Statements of Comprehensive Income:

	Three months ended March 31,	
	2021	2020
Total stock-based compensation expense:	(In millions)	
Equity classified awards expense	$ 3.1	$ 4.1
Liability classified awards expense (credit)	1.5	(0.6)
Total pre-tax stock-based compensation expense	4.6	3.5
Book income tax benefit	(1.1)	(0.9)
Total stock-based compensation expense, net of tax	$ 3.5	$ 2.6

As of March 31, 2021, total unrecognized compensation expense of $23.6 million related to restricted stock and restricted stock units and $4.6 million related to stock options are expected to be recognized over a weighted average period of 1.7 years for restricted stock and restricted stock units and 1.8 years for stock options.

Fair Value Assumptions

The Company granted 91,743 stock options during the three months ended March 31, 2021 for which the fair value was estimated using a Black-Scholes option pricing model. The following summarizes the weighted average assumptions used in the Black-Scholes model:

Risk-free interest rate	0.5 %
Historical volatility	67.7 %
Dividend yield	— %
Expected years until exercise	4.5
Fair value of options granted	$39.85

Equity Classified Awards - Stock Options

Stock option balances at March 31, 2021, and activity for the three months ended March 31, 2021 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in Millions)
Outstanding at December 31, 2020	1,014,670	$ 64.16		
Granted	91,743	74.57		
Exercised	(428,376)	45.48		
Expired	(20,169)	98.11		
Forfeited	(36,093)	88.46		
Outstanding at March 31, 2021	621,775	76.06	6.7	$ 10.5
Vested at March 31, 2021 and Expected to Vest	595,541	75.87	6.6	$ 10.2
Exercisable at March 31, 2021	423,603	$ 72.91	5.6	$ 8.7

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price of the Company’s common stock on the last trading day of the first quarter of 2021 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on March 31, 2021. The aggregate intrinsic value will change based on the fair market value of the Company’s common stock and the number of in-the-money options.

10. Stock-Based Compensation (Continued)

Equity Classified Awards - Restricted Stock and Restricted Stock Units

Outstanding balances as of March 31, 2021, and activity related to restricted stock and restricted stock units for the three months ended March 31, 2021 were as follows:

	Restricted Stock	Weighted Average Grant Date Fair Value	Stock-Settled Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2020	254,331	$ 76.50	355,570	$ 28.01
Granted	110,840	82.44	68,578	62.92
Released	(40,416)	66.16	(314,713)	22.84
Forfeited	(18,644)	84.15	—	—
Outstanding at March 31, 2021	306,111	$ 79.55	109,435	$ 64.76

Liability Classified Awards - Cash-settled Restricted Stock Units

The Company has granted cash-settled restricted stock units to certain employees. These instruments are recorded as liabilities at fair value as of the respective period end.

	Cash-Settled Restricted Stock Units
Outstanding at December 31, 2020	52,956
Released	(38,171)
Forfeited	(54)
Outstanding at March 31, 2021	14,731

For the three months ended March 31, 2021 and 2020, an expense of $1.4 million and a credit of $1.3 million, respectively, was included as stock-based compensation expense related to cash-settled restricted stock units. At March 31, 2021 and December 31, 2020, liabilities of $0.8 million and $2.1 million, respectively, related to cash-settled restricted stock units were included as part of accrued employee compensation and benefits in the Consolidated Balance Sheets.

Liability Classified Awards - Long-Term Incentive Awards

The Company has granted cash long-term incentive awards ("LTIP awards") to certain employees. Annual LTIP awards vest over a three-year period and are determined using multipliers from 0% to 200% of the target award based on the total stockholder return of Dine Brands Global common stock compared to the total stockholder returns of a peer group of companies. The awards are considered stock-based compensation and are classified as liabilities measured at fair value as of the respective period end. For the three months ended March 31, 2021 and 2020, an expense of $0.1 million and $0.8 million, respectively, were included in total stock-based compensation expense related to LTIP awards. At March 31, 2021 and December 31, 2020, liabilities of $0.8 million and $2.1 million, respectively, related to LTIP awards were included as part of accrued employee compensation and benefits in the Consolidated Balance Sheets.

11. Segments

The Company identifies its reporting segments based on the organizational units used by management to monitor performance and make operating decisions. The Company currently has five operating segments: Applebee's franchise operations, Applebee's company-operated restaurant operations, IHOP franchise operations, rental operations and financing operations. The Company has four reportable segments: franchise operations, (an aggregation of Applebee's and IHOP franchise operations), company-operated restaurant operations, rental operations and financing operations. The Company considers these to be its reportable segments, regardless of whether any segment exceeds 10% of consolidated revenues, income before income tax provision or total assets.

11. Segments (Continued)

As of March 31, 2021, the franchise operations segment consisted of (i) 1,636 restaurants operated by Applebee's franchisees in the United States, two U.S. territories and 11 countries outside the United States and (ii) 1,749 restaurants operated by IHOP franchisees and area licensees in the United States, two U.S. territories and seven countries outside the United States. Franchise operations revenue consists primarily of franchise royalty revenues, franchise advertising revenue, sales of proprietary products to franchisees (primarily pancake and waffle dry mixes for the IHOP restaurants), and franchise fees. Franchise operations expenses include advertising expenses, the cost of IHOP proprietary products, bad debt expense, franchisor contributions to marketing funds, pre-opening training expenses and other franchise-related costs.

Company restaurant sales are retail sales at 69 Applebee's company-operated restaurants. Company restaurant expenses are operating expenses at company-operated restaurants and include food, labor, utilities, rent and other restaurant operating costs.
Rental operations revenue includes revenue from operating leases and interest income from direct financing leases. Rental operations expenses are costs of operating leases and interest expense from finance leases on which the Company is the lessee.
Financing revenues primarily consist of interest income from the financing of IHOP equipment leases and franchise fees and interest income on Applebee's notes receivable from franchisees. Financing expenses are the cost of taxes related to IHOP equipment leases.

Information on segments is as follows:

	Three months ended March 31,	
	2021	2020
	(In millions)	
Revenues from external customers:		
Franchise operations	$ 141.0	$ 145.1
Rental operations	26.1	29.0
Company restaurants	36.0	31.3
Financing operations	1.1	1.5
Total	$ 204.2	$ 206.9
Interest expense:		
Rental operations	$ 1.3	$ 1.6
Company restaurants	0.9	0.5
Corporate	16.5	15.2
Total	$ 18.7	$ 17.3
Depreciation and amortization:		
Franchise operations	$ 2.5	$ 2.6
Rental operations	2.8	3.1
Company restaurants	1.8	1.6
Corporate	2.9	3.3
Total	$ 10.0	$ 10.6
Gross profit, by segment:		
Franchise operations	$ 76.0	$ 75.6
Rental operations	5.2	6.5
Company restaurants	3.1	1.0
Financing operations	1.0	1.3
Total gross profit	85.3	84.4
Corporate and unallocated expenses, net	(61.3)	(55.3)
Income before income taxes	$ 24.0	$ 29.1

12. Net Income per Share

The computation of the Company's basic and diluted net income per share is as follows:

	Three months ended March 31,	
	2021	2020
	(In thousands, except per share data)	
Numerator for basic and diluted income per common share:		
Net income	$ 25,603	$ 22,328
Less: Net income allocated to unvested participating restricted stock	(548)	(748)
Net income available to common stockholders - basic	25,055	21,580
Effect of unvested participating restricted stock in two-class calculation	6	4
Net income available to common stockholders - diluted	$ 25,061	$ 21,584
Denominator:		
Weighted average outstanding shares of common stock - basic	16,460	16,263
Dilutive effect of stock options	170	207
Weighted average outstanding shares of common stock - diluted	16,630	16,470
Net income per common share:		
Basic	$ 1.52	$ 1.33
Diluted	$ 1.51	$ 1.31

13. Closure and Impairment Charges

Closure and Long-lived Asset Impairment Charges

Closure and long-lived tangible asset impairment charges for the three months ended March 31, 2021 were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In millions)	
Closure charges	$ 1.9	$ (0
Long-lived tangible asset impairment	0.1	0
Total closure and long-lived asset impairment charges	$ 2.0	$ (0

Closure Charges

The closure charges of $1.9 million for the three months ended March 31, 2021 related to the establishment of or revision to closure reserves for approximately 35 IHOP restaurants.

Long-lived Tangible Asset Impairment

The long-lived asset impairment of $0.1 million for the three months ended March 31, 2021 related one IHOP franchisee-operated restaurant for which the carrying amount exceeded the undiscounted cash flows. The impairment recorded represented the difference between the carrying value and the estimated fair value. The impairment related to operating lease right-of-use assets that had been recorded in 2019 upon adoption of new lease accounting guidance codified in Accounting Standards Codification Topic 842.

14. Fair Value Measurements

The Company does not have a material amount of financial assets or liabilities that are required under U.S. GAAP to be measured on a recurring basis at fair value. The Company is not a party to any material derivative financial instruments. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required under U.S. GAAP to be measured at fair value on a recurring basis. The Company has not elected to use the fair value measurement option, as permitted under U.S. GAAP, for any assets or liabilities for which fair value measurement is not presently required.

The Company believes the fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying amounts due to their short duration.

The fair values of the Company's 2019 Class A-2 Notes at March 31, 2021 and December 31, 2020 were as follows:

	March 31, 2021	December 31, 2020
	(In millions)	
Face Value of Class A-2 Notes	$ 1,293.5	$ 1,296.8
Fair Value of Class A-2 Notes	$ 1,338.5	$ 1,259.5

The fair values were determined based on Level 2 inputs, including information gathered from brokers who trade in the Company’s 2019 Class A-2 Notes, as well as information on notes that are similar to those of the Company.

15. Commitments and Contingencies

Litigation, Claims and Disputes

The Company is subject to various lawsuits, administrative proceedings, audits and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. The Company is required under U.S. GAAP to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of the Company's litigation are expensed as such fees and expenses are incurred. Management regularly assesses the Company's insurance coverage, analyzes litigation information with the Company's attorneys and evaluates the Company's loss experience in connection with pending legal proceedings. While the Company does not presently believe that any of the legal proceedings to which it is currently a party will ultimately have a material adverse impact on the Company, there can be no assurance that the Company will prevail in all the proceedings the Company is party to, or that the Company will not incur material losses from them.

Lease Guarantees

In connection with the sale of Applebee’s restaurants to franchisees, the Company has, in certain cases, guaranteed or has potential continuing liability for lease payments totaling $235.9 million as of March 31, 2021. This amount represents the maximum potential liability for future payments under these leases. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from 2021 through 2048. Excluding unexercised option periods, the Company's potential liability for future payments under these leases is $34.2 million. In the event of default, the indemnity and default clauses in the sale or assignment agreements govern the Company's ability to pursue and recover damages incurred.

16. Cash, Cash Equivalents and Restricted Cash

Cash and Cash Equivalents

The Company considers all highly liquid investment securities with remaining maturities at the date of purchase of three months or less to be cash equivalents. These cash equivalents are stated at cost which approximates market value. Cash held related to IHOP advertising funds and the Company's gift card programs is not considered to be restricted cash as there are no restrictions on the use of these funds.

16. Restricted Cash (Continued)

The components of cash and cash equivalents were as follows:

	March 31, 2021	December 31, 2020
	(In millions)	
Money market funds	$ 30.0	$ 175.0
IHOP advertising funds and gift card programs	72.0	71.6
Other depository accounts	77.6	136.8
Total cash and cash equivalents	$ 179.6	$ 383.4

The decrease in total cash and cash equivalents between December 31, 2020 and March 31, 2021 was due to the repayment of $220.0 million previously drawn on the Company's Credit Facility.

Current Restricted Cash

Current restricted cash primarily consisted of funds required to be held in trust in connection with the Company's securitized debt and funds from Applebee's franchisees pursuant to franchise agreements, usage of which was restricted to advertising activities. The components of current restricted cash were as follows:

	March 31, 2021	December 31, 2020
	(In millions)	
Securitized debt reserves	$ 33.9	$ 27.0
Applebee's advertising funds	26.1	12.8
Other	0.1	0.1
Total current restricted cash	$ 60.1	$ 39.9

Non-current Restricted Cash

Non-current restricted cash was $32.8 million at both March 31, 2021 and December 31, 2020 and represents interest reserves required to be set aside for the duration of the Company's securitized debt. The required reserve is approximately one quarter's interest payment on the Company's securitized debt, currently approximately $16 million. The Company voluntarily increased the amount held in non-current cash to twice the required amount during the year ended December 31, 2020.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in conjunction with the consolidated financial statements and the related notes that appear elsewhere in this report. Statements contained in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Please refer to the section of this report under the heading "Cautionary Statement Regarding Forward-Looking Statements" for more information.

Overview

The following discussion and analysis provides information which we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and the MD&A contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Except where the context indicates otherwise, the words "we," "us," "our," "Dine Brands Global" and the "Company" refer to Dine Brands Global, Inc., together with its subsidiaries that are consolidated in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The financial tables appearing in MD&A present amounts in millions of dollars that are rounded from our consolidated financial statements presented in thousands of dollars. As a result, the tables may not foot or crossfoot due to rounding.

Through various subsidiaries, we own, franchise and operate the Applebee's Neighborhood Grill & Bar® ("Applebee's") concept in the bar and grill segment within the casual dining category of the restaurant industry and we own and franchise the International House of Pancakes® ("IHOP") concept in the family dining category of the restaurant industry. References herein to Applebee's® and IHOP® restaurants are to these two restaurant concepts, whether operated by franchisees, area licensees and their sub-licensees (collectively, "area licensees") or by us. With 3,458 restaurants combined, the substantial majority of which are franchised, we believe we are one of the largest full-service restaurant companies in the world.

We identify our business segments based on the organizational units used by management to monitor performance and make operating decisions. We currently have five operating segments: Applebee's franchise operations, Applebee's company-operated restaurant operations, IHOP franchise operations, rental operations and financing operations. We have four reportable segments: franchise operations (an aggregation of Applebee's and IHOP franchise operations), company-operated restaurant operations, rental operations and financing operations. We consider these to be our reportable segments, regardless of whether any segment exceeds 10% of consolidated revenues, income before income tax provision or total assets.

Ongoing Impact of COVID-19 Pandemic

The global pandemic declared in March 2020 by the World Health Organization related to the outbreak of a novel strain of coronavirus, designated "COVID-19," continued to have an adverse impact on our operations during the three months ended March 31, 2021. The operating status of our restaurants was fluid throughout the first quarter of 2021 and subject to change as governmental authorities increased or reduced restrictions on restaurant operations in response to changes in the number of COVID-19 infections and in the availability and acceptance of vaccines within their respective jurisdictions. While the significant majority of our restaurants were open for in-restaurant dining during the three months ended March 31, 2021, many federal, state, local and international governments maintained protocols that limited restaurant dine-in occupancy levels to less than 100% of capacity. As of March 31, 2021, the operating status of our restaurants was as follows:

	Status as of March 31, 2021		
	Domestic		
Dining room capacity %/other status	**Applebee's**	**IHOP**	**International**
100% capacity	374	183	—
> 50% capacity	142	135	31
26%-50% capacity	959	1,086	112
Up to 25% capacity	106	209	28
Off-premise/outdoors only and other	9	21	22
Restaurants temporarily closed	6	26	9
Total	1,596	1,660	202

Federal, state, local and international governments, began to implement restrictions on in-restaurant dining around the second week of March, 2020. Accordingly, during the three months ended March 31, 2020, our restaurants essentially operated without restriction for the first 10 weeks of the quarter, followed by an increasing level of restriction over the final three weeks of the quarter. As of March 31, 2020, the operating status of our restaurants was as follows :

	Status as of March 31, 2020		
	Domestic		
Restaurant status	**Applebee's**	**IHOP**	**International**
Dining rooms open*	4	204	63
Off-premise/outdoors only and other	1,402	1,158	55
Restaurants temporarily closed	251	347	131
Total	1,657	1,709	249

* In most instances limited to 50% capacity or less, and/or reduced operating hours.

Note that at the onset of the pandemic, information as to restaurant capacity was not available in the same detail as current data and therefore the dining room capacity details are unavailable as of March 31, 2020. Temporary closures can occur for a variety of reasons, and all temporary closures shown in the tables above were not necessarily related to COVID-19 restrictions.

Updates to several actions taken over the past 12 months to mitigate the effects of the COVID-19 pandemic on the Company, its operations and its franchisees, are discussed below:

- In March 2021, we repaid $220 million of borrowings outstanding under our revolving credit facility that initially had been drawn in March 2020. At the time of the initial draw, we had no immediate need for additional liquidity, but in light of then-current market conditions and significant uncertainty related to the COVID-19 pandemic, we drew on the revolving facility to maximize our financial flexibility. As of March 31, 2021, our borrowing capacity under the credit facility was $221.7 million. See *Liquidity and Capital Resources of the Company.*
- We offered Applebee's franchisees the opportunity to defer payment of their royalty, advertising and other fees, primarily amounts due for the months of March and April 2020. A total of 30 franchisees representing 94% of Applebee’s restaurants deferred payments totaling $33.4 million. Repayment of deferred amounts, scheduled over up to nine months, began in the third quarter of 2020. As of March 31, 2021, the outstanding balance of these deferrals was $3.9 million, with approximately $9.4 million collected during the three months ended March 31, 2021. Five franchisees have repaid their deferred balances in full.
- We offered IHOP franchisees the opportunity to defer their royalty, advertising, equipment rent and sublease rent payments, primarily amounts due for the months of March and April 2020. Initially, 193 franchisees representing 58% of IHOP restaurants deferred payments totaling $24.1 million. Including subsequent deferrals made on a case-by case basis, the deferral program totaled $28.5 million. Repayment of deferred amounts, scheduled over up to 36 weeks, began in the third quarter of 2020. In certain instances, repayments were temporarily paused for up to 60 days. As of March 31, 2021, the outstanding balance of these deferrals was $9.6 million, with approximately $6.8 million collected during the three months ended March 31, 2021. A total of 73 franchisees have repaid their deferred balances in full.
- We received rent deferrals and abatements on properties we lease of approximately $11 million during fiscal 2020, primarily related to rent deferrals for properties on which IHOP restaurants are located. As of March 31, 2021, the deferred rent balance of those deferrals was $2.4 million, with approximately $2.5 million paid during the three months ended March 31, 2021.
- We suspended our repurchasing of common stock after the first quarter of 2020. Our Board of Directors did not declare a dividend for the second, third and fourth quarters of 2020 and has decided not to declare a dividend for the first quarter of 2021. We evaluate dividend payments on common stock and repurchases of common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors. We will continue to evaluate our capital allocation strategy as industry conditions improve.

We have experienced a number of temporary and permanent closures of our restaurants during the COVID-19 pandemic. These closures occurred for a variety of reasons, and all closures were not necessarily related to the impact of the COVID-19 pandemic or related restrictions. We cannot predict how long the COVID-19 pandemic and its impact on our operations will last, whether or when recurrences of the virus and variants of the virus may arise, the availability and acceptance of vaccines, what restrictions on in-restaurant dining may be imposed or re-imposed, the timing and extent of customer re-engagement with our brands and, in general, what the short- and long-term impact on consumer discretionary spending the COVID-19 pandemic might have on our operations and the restaurant industry as a whole.

Key Financial Results

	Three months ended March 31, 2021	Three months ended March 31, 2020	Favorable (Unfavorable) Variance
	(In millions, except per share data)		
Income before income taxes	$ 24.0	$ 29.1	$ (5.1)
Income tax benefit (provision)	1.6	(6.7)	8.3
Net income	$ 25.6	$ 22.3	$ 3.3
Effective tax rate	(6.6)%	23.2 %	29.8 %
Net income per diluted share	$ 1.51	$ 1.31	$ 0.20
			% increase
Weighted average diluted shares	16.6	16.5	1.0 %

The tax benefit recognized for the three months ended March 31, 2021 primarily was due to the one-time recognition of excess tax benefits on stock-based compensation related to the departure of our previous chief executive officer.

The following table highlights the primary components of the decrease in our income before income taxes for the three months ended March 31, 2021, compared to our income before income taxes from the same period of 2020:

	Favorable (Unfavorable) Variance
	(In millions)
Increase (decrease) in gross profit:	
Applebee's franchise operations	$ 1.0
IHOP franchise operations	(0.6)
Company restaurant operations	2.1
Rental and financing operations	(1.6)
Total increase in gross profit	0.9
Closure and impairment charges	(2.0)
Increase in G&A expenses	(2.3)
Other income and expense items	(1.6)
Decrease in income before income taxes	$ (5.1)

We recognized closure and impairment charges of $2.0 million during the three months ended March 31, 2021, primarily $1.9 million related to establishment of or revision to closure reserves for approximately 35 IHOP properties, as well as a $0.1 million impairment to one IHOP property. There were no similar charges during the three months ended March 31, 2020.

See *"Consolidated Results of Operations - Comparison of* the *Three Months ended March 31, 2021 and March 31, 2020"* for additional discussion of the changes shown above.

Key Performance Indicators

In evaluating the performance of each restaurant concept, we consider the key performance indicators to be the system-wide sales percentage change, the percentage change in domestic system-wide same-restaurant sales ("domestic same-restaurant sales"), net franchise restaurant development and the change in effective restaurants. Changes in both domestic same-restaurant sales and in the number of Applebee's and IHOP restaurants will impact our system-wide retail sales that drive franchise royalty revenues. Restaurant development also impacts franchise revenues in the form of initial franchise fees and, in the case of IHOP restaurants, sales of proprietary pancake and waffle dry mix.

Our key performance indicators for the three months ended March 31, 2021 were as follows:

Average Weekly Unit Sales	**Three months ended March 31, 2021**	
	Applebee's	**IHOP**
Sales percentage increase (decrease) in reported retail sales	1.2 %	(12.1)%
% increase (decrease) in domestic system-wide same-restaurant sales	11.9 %	(0.9)%
Net franchise restaurant reduction [(1)]	(4)	(19)
Net decrease in total effective restaurants [(2)]	(69)	(101)

[(1)] Franchise and area license restaurant closings, net of openings, during the three months ended March 31, 2021.
[(2)] Change in the weighted average number of franchise, area license and company-operated restaurants open during the three months ended March 31, 2021, compared to the weighted average number of those open during the same period of 2020.

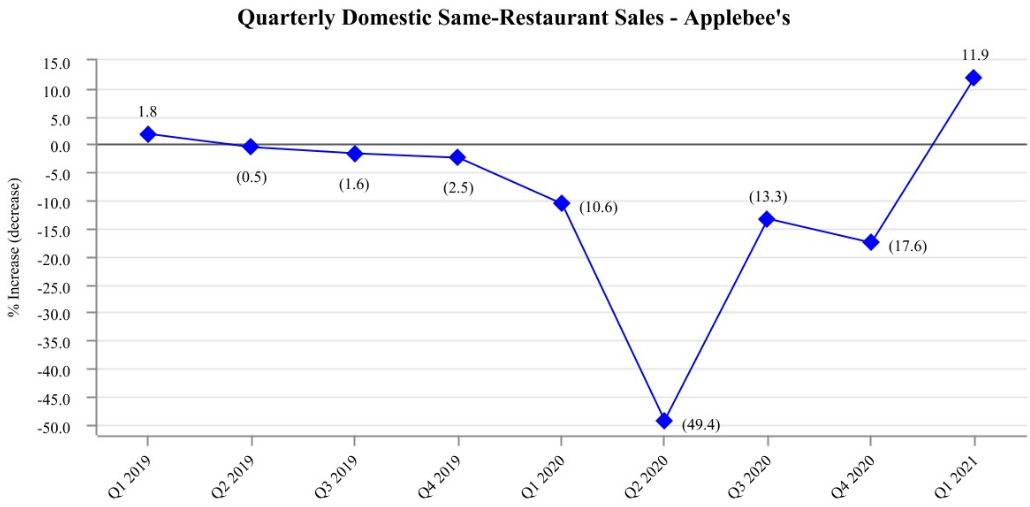
The changes in sales percentage and domestic same-restaurant sales of both brands were impacted by the varying degrees of restrictions on in-restaurant dining in effect during each period. Restrictions were first initiated in early March of 2020 by federal, state, local and international governments in response to the declaration of the COVID-19 pandemic. As a result, for the first 10 weeks of the 2020 first quarter, our restaurants operated without restriction, but during the last three weeks of that quarter, in-restaurant dining was essentially eliminated as most of our restaurants were either limited only to off-premise sales or were temporarily closed. For all 13 weeks of the 2021 first quarter, most of our restaurants were open for in-restaurant dining, however, the majority of restaurants that were open were operating with some degree of capacity limitation. Additionally, the calculation of the percentage change in domestic same-restaurant sales was also impacted by a shift in the weeks of comparison because of a 53rd week in fiscal 2020.

In light of the distortive effects of both the pandemic and a 53rd week in fiscal 2020 on the key performance indicators as noted above, we believe a comparison of average weekly unit sales, a function of reported retail sales and the number of effective restaurants, for the months of January, February and March of 2021 and 2020, provides additional insight into each brand's performance during the three months ended March 31, 2021 as compared to the same period of the prior year:

	Applebee's			**IHOP**		
	2021	**2020**	**Increase (decrease)**	**2021**	**2020**	**Increase (decrease)**
	(in thousands)					
January	$ 39.5	$ 49.8	$ (10.3)	$ 24.8	$ 36.1	$ (11.3)
February	$ 43.5	$ 49.7	$ (6.2)	$ 27.4	$ 35.0	$ (7.6)
March	$ 54.3	$ 35.1	$ 19.2	$ 35.1	$ 25.4	$ 9.7

The decrease in total effective restaurants for each brand reflects both permanent closures, net of openings, over the past 12 months as well as the weighted effect of restaurants temporarily closed during the three months ended March 31, 2021.

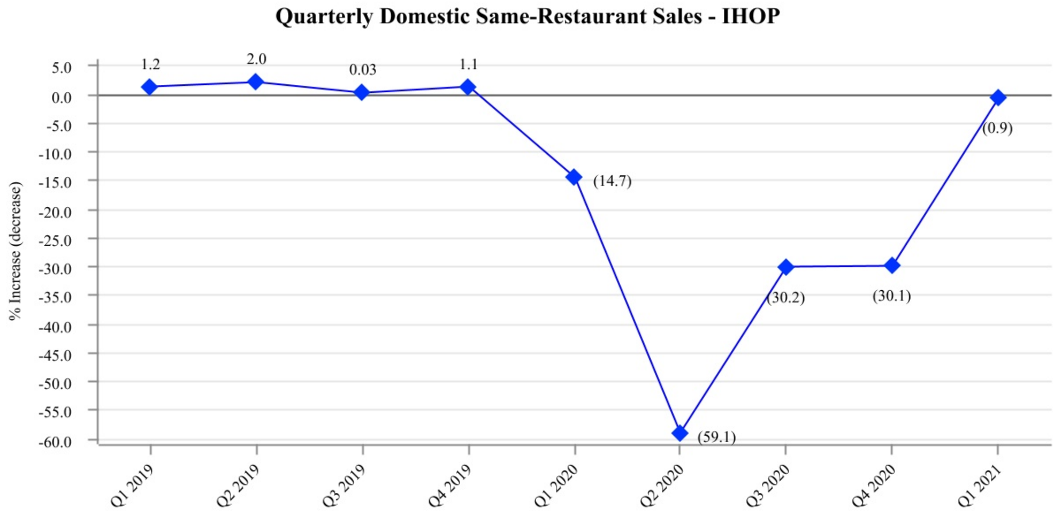
Domestic Same-Restaurant Sales



Applebee’s system-wide domestic same-restaurant sales increased 11.9% for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase primarily was due to a substantial increase in average check partially offset by a decline in customer traffic. The increase in average check was primarily due to favorable mix shifts related to a reduction in core menu items, successful promotional offerings and a larger number of items purchased with off-premise orders. We believe the distribution of the latest round of government stimulus checks that began in March 2021 favorably impacted consumer spending behavior as well.

Based on data from Black Box Intelligence, a restaurant sales reporting firm (“Black Box”), Applebee's increase in same-restaurant sales for the three months ended March 31, 2021 outperformed the casual dining segment of the restaurant industry (excluding Applebee's) during that same period. During the three months ended March 31, 2021, the casual dining segment also experienced an increase in same-restaurant sales that was due to an increase in average check and an increase in customer traffic. Applebee's increase in average check for the three months ended March 31, 2021 was significantly larger than that of the casual dining segment.

Off-premise sales totaled approximately $344 million and comprised 36.7% of sales mix for the three months ended March 31, 2021, as compared to approximately $153 million of sales comprising 16.3% of sales mix for the three months ended March 31, 2020.



IHOP's system-wide domestic same-restaurant sales decreased 0.9% for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The decrease was due to a decline in customer traffic that was nearly offset by an increase in average check. The increase in average check was primarily due to consumer spending generally as well as increases in both menu prices and delivery prices. We believe the distribution of the latest round of government stimulus checks that began in March 2021 favorably impacted consumer spending behavior.

Based on data from Black Box, IHOP's decrease in same-restaurant sales for the three months ended March 31, 2021 outperformed the family dining segment of the restaurant industry (excluding IHOP) during that same period. During the three months ended March 31, 2021, the family dining segment experienced a decrease in same-restaurant sales that was due to a decrease in traffic that was partially offset by an increase in average check. IHOP's decrease in traffic for the three months ended March 31, 2021 was smaller than that of the family dining segment.

Off-premise sales totaled approximately $183 million and comprised 33.3% of sales mix for the three months ended March 31, 2021, as compared to approximately $80 million of sales comprising 12.8% of sales mix for the three months ended March 31, 2020.

Restaurant Data

The following table sets forth 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 of the prior year. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company and, as such, the percentage change in sales at Effective Restaurants is based on non-GAAP sales data. 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 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 plans for future development of additional restaurants as well as evaluation of current operations.

	Three months ended March 31,	
	2021	2020
Applebee's Restaurant Data	(Unaudited)	
Effective Restaurants[(a)]		
Franchise	1,628	1,697
Company	69	69
Total	**1,697**	**1,766**
System-wide[(b)]		
Domestic sales percentage change[(c)]	1.2 %	(12.1)%
Domestic same-restaurant sales percentage change[(d)]	11.9 %	(10.6)%
Franchise[(b)]		
Domestic sales percentage change[(c)]	0.7 %	(12.1)%
Domestic same-restaurant sales percentage change[(d)]	11.5 %	(10.6)%
Average weekly domestic unit sales (in thousands)	$ 46.8	$ 44.6
IHOP Restaurant Data		
Effective Restaurants[(a)]		
Franchise	1,563	1,660
Area license	157	161
Total	**1,720**	**1,821**
System-wide[(b)]		
Sales percentage change[(c)]	(12.1)%	(14.2)%
Domestic same-restaurant sales percentage change, including area license restaurants[(d)]	(0.9)%	(14.7)%
Franchise[(b)]		
Sales percentage change[(c)]	(12.9)%	(14.3)%
Domestic same-restaurant sales percentage change[(d)]	(1.9)%	(14.7)%
Average weekly unit sales (in thousands)	$ 29.4	$ 31.7
Area License[(b)]		
Sales percentage change[(c)]	(3.7)%	(13.8)%

(a) "Effective Restaurants" are the weighted average number of restaurants open in each 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 consist of restaurants owned by franchisees and area licensees as well as those owned by the Company. Effective Restaurants do not include units operated as ghost kitchens (small kitchens with no store-front presence, used to fill off-premise orders).

(b) "System-wide sales" are retail sales at 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 Applebee's restaurants. System-wide sales do not include retail sales of ghost kitchens. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. An increase in franchisees' reported sales will result in a corresponding increase in our royalty revenue, while a decrease in franchisees' reported sales will result in a corresponding decrease in our royalty revenue. Unaudited reported sales for Applebee's domestic franchise restaurants, Applebee's company-operated restaurants, IHOP franchise restaurants and IHOP area license restaurants were as follows:

	Three months ended March 31,	
	2021	2020
ported sales (in millions)	(Unaudited)	
pplebee's domestic franchise restaurant sales	$ 924.7	$ 918.2
pplebee's company-operated restaurants	35.9	31.3
IOP franchise restaurant sales	596.7	684.8
IOP area license restaurant sales	61.7	64.0
Total	$ 1,619.0	$ 1,698.3

(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 fiscal period, for domestic restaurants that have been operated during both fiscal periods that are being compared and have been open for at least 18 months. Because of new restaurant openings and restaurant closures, the domestic restaurants open throughout both fiscal periods being compared may be different from period to period.

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estaurant Development Activity

	Three months ended March 31,	
	2021	**2020**
ıplebee's	(Unaudited)	
mmary - beginning of period:		
Franchise	1,640	1,718
Company restaurants	69	69
ginning of period	1,709	**1,787**
ınchise restaurants opened:		
Domestic	2	—
Total franchise restaurants opened	2	—
ınchise restaurants permanently closed:		
Domestic	(4)	(8)
International	(2)	(4)
Total franchise restaurants permanently closed	(6)	(12)
:t franchise restaurant reduction	**(4)**	**(12)**
mmary - end of period:		
Franchise	1,636	1,706
Company restaurants	69	69
tal Applebee's restaurants, end of period	**1,705**	**1,775**
Domestic	1,596	1,657
International	109	118
'OP		
mmary - beginning of period:		
Franchise	1,611	1,680
Area license	158	161
Company	3	—
tal IHOP restaurants, beginning of period	**1,772**	**1,841**
ınchise/area license restaurants opened:		
Domestic franchise	8	6
Domestic area license	—	1
International franchise	—	2
Total franchise/area license restaurants opened	8	9
ınchise/area license restaurants permanently closed:		
Domestic franchise	(16)	(6)
Domestic area license	(2)	(2)
International franchise	(9)	(2)
Total franchise/area license restaurants permanently closed	(27)	(10)
:t franchise/area license restaurant closures	**(19)**	**(1)**
ınchise restaurants reacquired by the Company	(1)	—
:t reduction in franchise/area license restaurants	**(20)**	**(1)**
mmary - end of period:		
Franchise	1,593	1,680
Area license	156	160
Company	4	—
tal IHOP restaurants, end of period	**1,753**	**1,840**
Domestic	1,660	1,709
International	93	131

The restaurant counts and activity presented above do not include three domestic Applebee's ghost kitchens (small kitchens with no store-front presence, used to fill off-premise orders) and two international IHOP ghost kitchens. The Applebee's franchise restaurant count at the beginning of the period ended March 31, 2021 was adjusted downward by two restaurants, representing ghost kitchens that had been included in the total reported as of December 31, 2020.

The closures presented in the tables above represent permanent closures of restaurants. Temporary closures, which can occur for a variety of reasons, are not reflected as reductions in this table and temporarily closed restaurants are included in the summary counts at the beginning and end of each period shown. Temporary closures are reflected in the weighted calculation of Effective Restaurants presented in the preceding Restaurant Data table.

Closures of Applebee's and IHOP restaurants adversely impact our system-wide retail sales that drive our franchise royalty revenues as well as, in the case of IHOP restaurants, sales of proprietary pancake and waffle dry mix. Further, with certain restaurants, we own or lease the underlying property and sublease it to the applicable franchisee. Thus, our rental income also could be adversely affected due to our obligation to make rental or other payments for such properties.

CONSOLIDATED RESULTS OF OPERATIONS
Comparison of the Three Months ended March 31, 2021 and 2020

Financial Results

Revenue	Three months ended March 31, 2021	Three months ended March 31, 2020	Favorable (Unfavorable) Variance
	(In millions)		
Franchise operations	$ 141.0	$ 145.1	$ (4.1)
Rental operations	26.1	29.0	(2.9)
Company restaurant operations	36.0	31.3	4.7
Financing operations	1.1	1.5	(0.4)
Total revenue	$ 204.2	$ 206.9	$ (2.7)
Change vs. prior period	(1.3)%		

Total revenue for franchise and rental operations for the three months ended March 31, 2021 decreased compared with the same periods of the prior year, primarily due to restaurant closures and lease-buy-outs over the past 12 months, while financing revenues declined due to the progressive decline in interest revenue as note balances are repaid. Rental operations revenue was also impacted a decline in rent paid based on a percentage of franchisees' retail sales. These declines were partially offset by an increase in revenue from Applebee's company-operated restaurants due to a higher average check and increased traffic during the three months ended March 31, 2021 as compared to the same period of the prior year.

Gross Profit	Three months ended March 31, 2021	Three months ended March 31, 2020	Favorable (Unfavorable) Variance
	(In millions)		
Franchise operations	$ 76.0	$ 75.6	$ 0.4
Rental operations	5.2	6.5	(1.3)
Company restaurant operations	3.1	1.0	2.1
Financing operations	1.0	1.3	(0.3)
Total gross profit	$ 85.3	$ 84.4	$ 0.9
Change vs. prior period	1.0 %		

Total gross profit for the three months ended March 31, 2021 increased compared with the same period of the prior year, primarily due to the increased revenue from Applebee's company-operated restaurants, partially offset by a decline in revenue from rental operations.

Franchise Operations	Three months ended March 31, 2021		Three months ended March 31, 2020		Favorable (Unfavorable) Variance
	(In millions, except number of restaurants)				
Effective Franchise Restaurants:[1]					
Applebee’s	1,628		1,697		(6
IHOP	1,720		1,821		(10
Franchise Revenues:					
Applebee’s franchise fees	$ 38.7		$ 37.8		$ 0
IHOP franchise fees	41.4		45.5		(4
Advertising fees	60.9		61.8		(0
Total franchise revenues	141.0		145.1		(4
Franchise Expenses:					
Applebee’s	1.1		1.2		0
IHOP	3.0		6.5		3
Advertising expenses	60.9		61.8		0
Total franchise expenses	65.0		69.5		4
Franchise Gross Profit:					
Applebee’s	37.6		36.6		1
IHOP	38.4		39.0		(0
Total franchise gross profit	$ 76.0		$ 75.6		$ 0
Gross profit as % of revenue [2]	53.9	%	52.1	%	
Gross profit as % of franchise fees [2][3]	94.9	%	90.7	%	

[1] Effective Franchise Restaurants are the weighted average number of franchise and area license restaurants open in each fiscal period, adjusted to account for restaurants open for only a portion of the period.
[2] Percentages calculated on actual amounts, not rounded amounts presented above.
[3] From time to time, advertising fee revenue may be different from advertising expenses in a given accounting period. Over the long term, advertising activity should not generate gross profit or loss.

Applebee’s franchise fee revenue for the three months ended March 31, 2021 increased 2.2% compared to the same period of the prior year. Approximately $1.3 million of the increase was due to the improvement in domestic franchise same-restaurant sales, approximately $1.0 million was due to improved collectibility and a slightly higher effective royalty rate, and $0.6 million was due to an increase in other franchise fees. These favorable items were partially offset by a $1.0 million decrease in royalty revenue due to restaurant closures, a $0.5 million increase in delivery credits that reduce royalty revenue and an $0.8 million decrease in international revenues.

The decrease in Applebee's franchise expenses for the three months ended March 31, 2021 compared with the same period of the prior year primarily was due to a decrease in bad debt expense. Bad debt expense for the three months ended March 31, 2021 was less than $0.1 million as compared to bad debt expense of $0.3 million during the three months ended March 31, 2020.

IHOP franchise fee revenue for the three months ended March 31, 2021 decreased 8.9% compared to the same period of the prior year, primarily due to lower royalty and pancake and waffle dry mix revenues resulting from a decrease in domestic franchise same-restaurant sales, a decline of $0.9 million in international revenues and a decrease of $0.6 million due to restaurant closures. These unfavorable changes were partially offset by a $1.6 million increase in termination and other franchise fees.

IHOP franchise expenses for the three months ended March 31, 2021 declined from the same period of the prior year primarily due to a $2.3 million decrease in bad debt expense and a decline in purchases of pancake and waffle dry mix. IHOP reduced its allowance for bad debts by $2.1 million during the three months ended March 31, 2021 compared to a bad debt expense of $0.2 million in the prior year period. Favorable changes to the aging status of certain franchisee receivables resulted in a downward revision of estimated reserve requirements.

Advertising revenue and expense by brand for the three months ended March 31, 2021 and 2020 were as follows:

	Three months ended March 31,		Increase (decrease)
	2021	2020	
	(In millions)		
Advertising Revenues and Expenses:			
Applebee’s	$ 38.6	$ 36.6	$ 2
IHOP	22.3	25.2	(2
Total advertising revenues and expenses	$ 60.9	$ 61.8	$ (0

Applebee's advertising revenue and expense for the three months ended March 31, 2021 increased 5.7% compared to the same period of the prior year. Approximately $2.1 million of the increase was due to improved collectibilty from franchisees, and $1.4 million was due to the increase in domestic franchise same-restaurant sales. Partially offsetting the increases was a decrease of $1.1 million due to permanent domestic restaurant closures and a $0.5 million increase in delivery credits that reduce advertising revenue. IHOP's advertising revenue and expense for the three months ended March 31, 2021 decreased 11.6% compared to the same period of the prior year, primarily due to the decrease in domestic franchise same-restaurant sales, as well as a $0.5 million decrease due to permanent restaurant closures.

It is our accounting policy to recognize any deficiency in advertising fee revenue compared to advertising expenditure or any recovery of a previously recognized deficiency in advertising fee revenue compared to advertising expenditure in the fourth quarter of our fiscal year.

Rental Operations	Three months ended March 31,		Favorable (Unfavorable) Varia
	2021	2020	
	(In millions)		
Rental revenues	$ 26.1	$ 29.0	$ (2
Rental expenses	20.9	22.5	1
Rental operations gross profit	$ 5.2	$ 6.5	$ (1
Gross profit as % of revenue [(1)]	19.8 %	22.3 %	

[(1)] Percentages calculated on actual amounts, not rounded amounts presented above.

Rental operations relate primarily to IHOP franchise restaurants. Rental income includes sublease revenue from operating leases and interest income from direct financing leases. Rental expenses are costs of prime operating leases and interest expense on prime finance leases.

Rental segment revenue for the three months ended March 31, 2021 decreased as compared to the same period of the prior year, primarily due to a $0.9 million decrease in rental income based on a percentage of franchisees' retail sales, a $0.9 million decrease due to restaurant closures and lease buy-outs, a $0.7 million progressive decline in level rent adjustments and a progressive decline of $0.4 million in interest income as direct financing leases are repaid. Rental segment expenses for the three months ended March 31, 2021 decreased compared to the same period of the prior year due to an $0.8 million decrease in rental expenses, primarily due to restaurant closures and lease buy-outs, a $0.4 million decrease in depreciation expense, a $0.2 million decrease in rent paid based on a percentage of franchisees' retail sales and a $0.2 million decrease in interest expense as finance lease obligations are repaid.

Company Restaurant Operations

	Three months ended March 31,					Favorable (Unfavorable) Varia
	2021			2020		
Effective Restaurants		69		69		-
			(In millions)			
Applebee's Company restaurant sales [1]	$	36.0	$	31.3	$	4
Applebee's Company restaurant expenses [1]		32.7		30.3		(2
IHOP restaurant expenses [2]		0.2		—		(0
Company restaurant gross profit	$	3.1	$	1.0	$	2
Average weekly sales (in thousands)	$	39.9	$	34.8		
Gross profit as % of revenue [3]		9.0 %		3.1 %		

[1] Related to 69 Applebee's company-operated restaurants.
[2] Costs associated with IHOP restaurants in the process of being refranchised.
[3] Calculated for Applebee's company-operated restaurants only. Percentages calculated on actual amounts, not rounded amounts presented above.

Applebee's company restaurant sales for the three months ended March 31, 2021 increased compared to the same period of 2020, due to an increase in average check as well as an increase in traffic. The increase in average check was due to favorable product mix and daypart shifts. We believe the distribution of the latest round of government stimulus checks in March 2021 favorably impacted both traffic and average check. All 69 of the Applebee's company-operated restaurants are located in South Carolina or North Carolina. Since the second week of January 2021, the 27 restaurants in South Carolina have operated without capacity limitations, while the 42 restaurants in North Carolina have operated at 50% capacity. In comparison, all 69 restaurants operated without restriction for the first 10 weeks of the 2020 first quarter but essentially were limited to off-premise sales for the last three weeks of the first quarter of 2020.

Gross profit and gross profit as a percentage of revenue for the three months ended March 31, 2021 improved compared to gross profit for the three months ended March 31, 2020, which was adversely impacted by the COVID-19-related operating constraints described above.

In addition, Company segment restaurant expenses for the three months ended March 31, 2021 include approximately $0.2 million of costs associated with reacquired IHOP restaurants in the process of being refranchised. None of the reacquired IHOP restaurants were operated during the three months ended March 31, 2021.

Financing Operations

Financing revenues primarily consist of interest income from the financing of IHOP equipment leases and franchise fees as well as interest income on Applebee's notes receivable from franchisees. Financing expenses are the cost of taxes related to IHOP equipment leases.

Financing revenue and gross profit for the three months ended March 31, 2021 declined primarily because of progressive decline in interest income as note balances are repaid.

G&A Expenses

	Three months ended March 31,				Favorable (Unfavorable) Variance	
	2021		2020			
			(In millions)			
Total G&A expenses	$	39.9	$	37.6	$	(2.3)

G&A expenses for the three months ended March 31, 2021 increased 6.1% compared to the same period of the prior year, primarily due to an increase in personnel-related costs, partially offset by a decrease in travel costs. The increase in personnel-related costs primarily was due to higher costs of equity-based and other incentive compensation. Included in total G&A expenses for the three months ended March 31, 2021 were $1.2 million of expenses related to company-operated restaurants, an amount similar to same period of the prior year.

Closure and Impairment Charges

	Three months ended March 31,		Favorable (Unfavorable) Varian
	2021	2020	
		(In millions)	
Closure charges	$ 1.9	$ (0.0)	$ (1
Long-lived tangible asset impairment	0.1	—	$ (0
Total closure and impairment charges	$ 2.0	$ (0.0)	$ (2

Closure charges for the three months ended March 31, 2021 related the establishment of or revision to closure reserves for approximately 35 IHOP restaurants. The $0.1 million of impairment related to the operating lease right-of-use asset of one IHOP restaurant.

Other Income and Expense Items

	Three months ended March 31,		Favorable (Unfavorable) Variar
	2021	2020	
		(In millions)	
Interest expense, net	$ 16.5	$ 15.2	$ (1
Amortization of intangible assets	2.7	2.8	0
Loss (gain) on disposition of assets	0.2	(0.2)	(0
Total	$ 19.4	$ 17.8	$ (1

Interest expense, net

Interest expense, net for the three months ended March 31, 2021 was higher than the same period of the prior year, primarily due to an increase in interest expense on $220.0 million borrowed under our Credit Facility in March 2020. The $220.0 million was outstanding for approximately nine weeks during the three months ended March 31, 2021, compared to $220.0 million outstanding for less than two weeks during the three months ended March 31, 2020. See *"Liquidity and Capital Resources"* for additional discussion related to the borrowing.

Loss on disposition of assets

There were no individually significant losses or gains on disposition of assets during the three months ended March 31, 2021 and 2020.

Income Taxes

	Three months ended March 31,		Favorable (Unfavorable) Variance
	2021	2020	
		(In millions)	
Income before income taxes	$ 24.0	$ 29.1	$ (5.1)
Income tax (benefit) provision	$ (1.6)	$ 6.7	$ 8.3
Effective tax rate	(6.6)%	23.2 %	29.8 %

Our income tax provision or benefit will vary from period to period in our normal course of business for two reasons: a change in income before income taxes and a change in the effective tax rate. Changes in our income before income taxes were addressed in the preceding sections of *"Consolidated Results of Operations - Comparison of the Three Months Ended March 31, 2021 and 2020."*

Our effective tax rate for the three months ended March 31, 2021 was significantly different than the rate of the prior comparable period and the statutory federal tax rate of 21%, primarily due to the one-time recognition of excess tax benefits on stock-based compensation related to the departure of our previous chief executive officer.

Liquidity and Capital Resources

On June 5, 2019, Applebee's Funding LLC and IHOP Funding LLC (the "Co-Issuers"), each a special purpose, wholly-owned indirect subsidiary of the Company, issued two tranches of fixed rate senior secured notes, the Series 2019-1 4.194% Fixed Rate Senior Secured Notes, Class A-2-I ("Class A-2-I Notes") in an initial aggregate principal amount of $700 million and the Series 2019-1 4.723% Fixed Rate Senior Secured Notes, Class A-2-II ("Class A-2-II Notes") in an initial aggregate principal amount of $600 million (the "Class A-2-II Notes" and, together with the Class A-2-I Notes, the "2019 Class A-2 Notes"). The 2019 Class A-2 Notes were issued pursuant to an offering exempt from registration under the Securities Act of 1933, as amended.

The Co-Issuers also established a new revolving financing facility, the 2019-1 Variable Funding Senior Notes, Class A-1 (the "Credit Facility") that allows for drawings up to $225 million of variable funding notes and the issuance of letters of credit. The 2019 Class A-2 Notes and the Credit Facility are referred to collectively herein as the "New Notes." The New Notes were issued in a securitization transaction pursuant to which substantially all the domestic revenue-generating assets and domestic intellectual property held by the Co-Issuers and certain other special-purpose, wholly-owned indirect subsidiaries of the Company (the "Guarantors") were pledged as collateral to secure the New Notes.

While the 2019 Class A-2 Notes are outstanding, payment of principal and interest is required to be made on the 2019 Class A-2 Notes on a quarterly basis. The quarterly principal payment totaling $3.25 million on the 2019 Class A-2 Notes may be suspended when the leverage ratio for the Company and its subsidiaries is less than or equal to 5.25x. The complete definitions of all calculation elements of the leverage ratio are contained in the Base Indenture, dated as of September 30, 2014, amended and restated as of June 5, 2019 (the "Base Indenture"), as supplemented by the related Series 2019-1 Supplement to the Base Indenture, dated June 5, 2019 (the "Series 2019-1 Supplement"), among the Co-Issuers and Citibank, N.A., as the trustee (in such capacity, the "Trustee") and securities intermediary (the Base Indenture and the Series 2019-1 Supplement, collectively, the "Indenture"). In general, the leverage ratio is our indebtedness (as defined in the Indenture) divided by adjusted EBITDA (as defined in the Indenture) for the four preceding quarterly periods.

As of March 31, 2021, our leverage ratio was 7.02x. As a result, quarterly principal payments on the 2019 Class A-2 Notes of $3.25 million continue to be required. The leverage ratio is not a maintenance covenant and exceeding the leverage ratio of 5.25x does not violate any covenant related to the New Notes.

The Company may voluntarily repay the 2019 Class A-2 Notes at any time; however, if we repay the 2019 Class A-2 Notes prior to certain dates we would be required to pay make-whole premiums. As of March 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-I Notes was approximately $29 million; this amount declines each quarter to zero in June 2022. As of March 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-II Notes was approximately $59 million; this amount declines each quarter to zero in June 2024. We would also be subject to a make-whole premium in the event of a mandatory prepayment required following a Rapid Amortization Event or certain asset dispositions. The mandatory make-whole premium requirements are considered derivatives embedded in the New Notes that must be bifurcated for separate valuation. We estimated the fair value of these derivatives to be immaterial as of March 31, 2021, based on the probability-weighted discounted cash flows associated with either event.

Covenants and Restrictions

The New Notes are subject to a series of covenants and restrictions customary for transactions of this type, including: (i) that the Co-Issuers maintain specified reserve accounts to be used to make required payments in respect of the New Notes, (ii) provisions relating to optional and mandatory prepayments, and the related payment of specified amounts, including specified call redemption premiums in the case of Class A-2 Notes under certain circumstances; (iii) certain indemnification payments in the event, among other things, the transfers of the assets pledged as collateral for the New Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The New Notes are subject to customary rapid amortization events provided for in the Indenture, including events tied to failure of the Securitization Entities to maintain the stated debt service coverage ratio ("DSCR"), the sum of domestic retail sales for all restaurants being below certain levels on certain measurement dates, certain manager termination events, certain events of default and the failure to repay or refinance the Class A-2 Notes on the anticipated repayment dates. The New Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal or other amounts due on or with respect to the New Notes, failure of the Securitization Entities to maintain the stated DSCR, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties and certain judgments.

In general, the DSCR ratio is Net Cash Flow (as defined in the Indenture) for the four quarters preceding the calculation date divided by the total debt service payments (as defined in the Indenture) of the preceding four quarters. The complete definitions of the DSCR and all calculation elements are contained in the Indenture. Failure to maintain a prescribed DSCR can trigger a Cash Flow Sweeping Event, A Rapid Amortization Event, a Manager Termination Event or a Default Event as described below. In a Cash Flow Sweeping Event, the Trustee is required to retain 50% of excess Cash Flow (as defined in the Indenture) in a restricted account. In a Rapid Amortization Event, all excess Cash Flow is retained and used to retire principal amounts of debt. In a Manager Termination Event, the Company may be replaced as manager of the assets securitized under the Indenture. In a Default Event, the outstanding principal amount and any accrued but unpaid interest can be called to become immediately due and payable. Key DSCRs are as follows:

- DSCR less than 1.75x - Cash Flow Sweeping Event
- DSCR less than 1.20x - Rapid Amortization Event
- Interest-only DSCR less than 1.20x - Manager Termination Event
- Interest-only DSCR less than 1.10x - Default Event

Our DSCR for the reporting period ended March 31, 2021 was approximately 3.45x.

During the second quarter of 2020, we voluntarily increased the interest reserve set aside for our securitized debt from the required $16.4 million to $32.8 million, which represented an estimated six months of interest and fees related to the 2019 Class A-2 Notes and the Credit Facility. In April 2021, we reduced the balance of the interest reserve to $16.4 million, the required three months of interest and fees related to the 2019 Class A-2 Notes and the Credit Facility. Also, during the second quarter of 2020, we voluntarily began accelerating the funding of interest on the 2019 Class A-2 Notes and the Credit Facility with the redirection of cash receipts within our securitization structure. As of April 27, 2021, the interest payments on the 2019 Class A-2 Notes and the Credit Facility that are due June 7, 2021 and September 7, 2021 have been fully funded within the securitization structure, in addition to the $16.4 million of interest reserve noted above.

Use of Credit Facilities

In March 2020, the Co-Issuers drew down a total of $220.0 million from the Credit Facility. The $220.0 million borrowing was repaid on March 5, 2021. The current interest rate for borrowings under the Credit Facility is the three-month LIBOR rate plus 2.15% for 60% of the advances and the commercial paper funding rate of our conduit investor plus 2.15% for 40% of the advances. The weighted average interest rate on Credit Facility borrowings for the period outstanding during the three months ended March 31, 2021 was 2.4%.

At March 31, 2021, there were no outstanding borrowings under the Credit Facility. At March 31, 2021, $3.3 million was pledged against the Credit Facility for outstanding letters of credit, leaving $221.7 million available for borrowing. The letters of credit are used primarily to satisfy insurance-related collateral requirements.

Capital Allocation

We evaluate dividend payments on common stock and repurchases of common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors. To maintain financial flexibility in light of the COVID-19 pandemic, we have not declared any dividends after the first quarter of 2020 and have suspended repurchasing our common stock. We will continue to evaluate our capital allocation strategy as industry conditions evolve and normal restaurant operations resume.

Dividends

We did not declare or pay dividends during the three months ended March 31, 2021.

Stock Repurchases

In February 2019, the Company’s Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to $200 million of the Company’s common stock (the “2019 Repurchase Program”) on an opportunistic basis from time to time in the open market or in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The 2019 Repurchase Program, as approved by the Board of Directors, does not require the repurchase of a specific number of shares and can be terminated at any time.

We did not repurchase any shares under the 2019 Repurchase Program during the three months ended March 31, 2021. As of March 31, 2021, cumulative repurchases of stock total 1,697,597 shares at a cost of $129.8 million, with a dollar value of $70.2 million remaining for repurchase under the 2019 Repurchase Program.

From time to time, we also repurchase shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted stock awards. Shares are deemed purchased at the closing price of our common stock on the vesting date. See Part II, Item 2 for detail on this stock repurchase activity during the first quarter of 2021.

Cash Flows

In summary, our cash flows for the three months ended March 31, 2021 and March 31, 2020 were as follows:

	Three months ended March 31,		
	2021	**2020**	**Variance**
		(In millions)	
Net cash provided by operating activities	$ 30.6	$ 29.6	$ 1.0
Net cash provided by (used in) investing activities	3.1	(1.2)	4.3
Net cash (used in) provided by financing activities	(217.3)	194.2	(411.5)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (183.6)	$ 222.6	$ (406.2)

Operating Activities

Cash provided by operating activities increased $1.0 million during the three months ended March 31, 2021 compared to the same period of the prior year. Our net income plus the non-cash reconciling items shown in our statements of cash flows (primarily closure and impairment charges, depreciation, deferred taxes and stock-based compensation) increased $5.9 million from 2020. This was primarily due to the recognition of excess tax benefits on stock-based compensation and an increase in gross profit, partially offset by an increase in G&A expenses, each of which was discussed in preceding sections of the MD&A. Net changes in working capital provided cash of $0.4 million during the three months ended March 31, 2021 compared to providing cash of $5.4 million during the same period of the prior year, an unfavorable change of $5.0 million. The unfavorable change in working capital was primarily due to a decrease in cash from trade and gift card receivables. Typically we see an increase in cash collections in the first fiscal quarter of the year due to gift card sales during the preceding holiday season. Due to the pandemic, gift card sales in the fourth quarter of 2020 were lower than the fourth quarter of 2019, resulting in lower cash collections in the first quarter of 2021 compared to the first quarter of 2020. This was partially offset by the timing of marketing disbursements.

Investing Activities

Investing activities provided net cash of $3.1 million for the three months ended March 31, 2021. Principal receipts from notes, equipment contracts and other long-term receivables of $4.7 million and proceeds from asset sales of $1.0 million were partially offset by capital expenditures of $2.4 million. Investing activities used net cash of $1.2 million for the three months ended March 31, 2020. The variance between the two periods primarily was due to a decrease in capital expenditures during the three months ended March 31, 2021 compared to the same period of the prior year.

Financing Activities

Financing activities used net cash of $217.3 million for the three months ended March 31, 2021. As discussed above under *Use of Credit Facilities*, we repaid $220.0 million borrowed from our Credit Facility. We also paid $9.7 million for taxes withheld for vesting of restricted stock units and made payments totaling $5.9 million on long-term debt and capital lease obligations. We had a net cash inflow of approximately $18.3 million related to equity compensation awards.

Financing activities provided net cash of $194.2 million for the three months ended March 31, 2020, primarily due to a $220 million drawdown from our Credit Facility and $20.5 million in proceeds from stock option exercises, offset by stock repurchases and dividend payments totaling $41.3 million. The variance of $411.5 million between periods primarily was due to the $440 million swing in use of the Credit Facility, partially offset by our not having repurchased stock or paid dividends during the three months ended March 31, 2021.

Cash and Cash Equivalents

Our total cash balances as of March 31, 2021 and December 31, 2020 were are follows:

	March 31, 2021	December 31, 2020
	(In millions)	
Cash and cash equivalents	$ 179.6	$ 383.4
Restricted cash, current	60.1	39.9
Restricted cash, non-current	32.8	32.8
Total	$ 272.5	$ 456.1

Cash and cash equivalents include $72.0 million and $71.6 million of cash held for gift card programs and advertising funds as of March 31, 2021 and December 31, 2020, respectively. The decrease in cash and cash equivalents between December 31, 2020 and March 31, 2021 was due to the repayment of $220.0 million discussed above under *Use of Credit Facilities.*

We believe that our unrestricted cash on hand, cash flow from operations, and the $221.7 million of borrowing capacity available under our Credit Facility will provide us with adequate liquidity for the next twelve months.

Adjusted Free Cash Flow

We define "adjusted free cash flow" for a given period as cash provided by operating activities, plus receipts from notes and equipment contract receivables, less additions to property and equipment. Management uses this liquidity measure in its periodic assessment of, among other things, 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.

Adjusted free cash flow is a non-U.S. GAAP measure. This non-U.S. GAAP measure is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the U.S. GAAP information contained within our financial statements. Reconciliation of the cash provided by operating activities to adjusted free cash flow is as follows:

	Three months ended March 31,		
	2021	2020	Variance
	(In millions)		
Cash flows provided by operating activities	$ 30.6	$ 29.6	$ 1.0
Receipts from notes and equipment contracts receivable	2.5	3.0	(0.5)
Additions to property and equipment	(2.4)	(5.1)	2.7
Adjusted free cash flow	$ 30.7	$ 27.5	$ 3.2

Off-Balance Sheet Arrangements

We have obligations for guarantees on certain franchisee lease agreements, as disclosed in Note 15 - Commitments and Contingencies, of Notes to Consolidated Financial Statements of Part I, Item 1 of this Form 10-Q. Other than such guarantees, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4) of SEC Regulation S-K as of March 31, 2021.

Contractual Obligations and Commitments

As discussed above, in March 2021, we repaid $220 million of borrowings outstanding under our Credit Facility. Other than this repayment, there were no material changes to the contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. We continually review the estimates and underlying assumptions to ensure they are appropriate for the circumstances. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates.

A summary of our critical accounting estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2020. During the three months ended March 31, 2021, there were no significant changes in our critical accounting policies or in our critical accounting estimates.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The following change from the information contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 took place during the three months ended March 31, 2021:

Interest Rate Risk

We are only exposed to interest rate risk on borrowings we make under our Credit Facility, borrowings from which are subject to variable interest rates. As of March 2021, we have no borrowings outstanding under the Credit Facility and currently are not exposed to interest rate risk.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures.

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting.

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various lawsuits, administrative proceedings, audits and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. We are required to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of our litigation are expensed as such fees and expenses are incurred. Management regularly assesses our insurance deductibles, analyzes litigation information with our attorneys and evaluates our loss experience in connection with pending legal proceedings. While we do not presently believe that any of the legal proceedings to which we are currently a party will ultimately have a material adverse impact on us, there can be no assurance that we will prevail in all the proceedings we are party to, or that we will not incur material losses from them.

Item 1A. Risk Factors.

There are no material changes from the risk factors set forth under Item 1A of Part I of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Purchases of Equity Securities by the Company

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Approximate dollar value of shares that may yet be purchased under the plans or programs (b)
January 4, 2021 - January 31, 2021[(a)]	902	$ 70.48	—	$ 70,200,000
February 1, 2021 - February 28, 2021[(a)]	11,733	80.74	—	$ 70,200,000
March 1, 2021 - April 4, 2021[(a)]	2,366	88.55	—	$ 70,200,000
	15,001	$ 81.35	—	$ 70,200,000

(a) These amounts represent shares owned and tendered by employees to satisfy tax withholding obligations arising upon vesting of restricted stock awards. Shares so surrendered by the participants are repurchased by us pursuant to the terms of the plan and the applicable individual award agreements under which the shares were issued and not pursuant to publicly announced repurchase authorizations.

(b) In February 2019, the Company’s Board of Directors approved the 2019 Repurchase Program authorizing the Company to repurchase up to $200 million of the Company's common stock. The 2019 Repurchase Program, as approved by the Board of Directors, does not require the repurchase of a specific number of shares and can be terminated at any time.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

*†10.1	Nonqualified Stock Option Agreement, dated January 4, 2021, by and between the Registrant and John W. Peyton.
*†10.2	Restricted Stock Unit Agreement, dated January 4, 2021, by and between the Registrant and John W. Peyton.
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Schema Document.***
101.CAL	Inline XBRL Calculation Linkbase Document.***
101.DEF	Inline XBRL Definition Linkbase Document.***
101.LAB	Inline XBRL Label Linkbase Document.***
101.PRE	Inline XBRL Presentation Linkbase Document.***
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 accompany this Quarterly Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

*** Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 and 104 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

† A contract, compensatory plan or arrangement in which directors or executive officers are eligible to participate.

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.

Dine Brands Global, Inc.
(Registrant)

Dated: 5th day of May, 2021	By: /s/ John W. Peyton John W. Peyton *Chief Executive Officer* *(Principal Executive Officer)*
Dated: 5th day of May, 2021	By: /s/ Allison Hall Allison Hall *Interim Chief Financial Officer* *(Principal Financial Officer and Principal Accounting Officer)*

DINE BRANDS GLOBAL, INC.
2019 STOCK INCENTIVE PLAN
NONQUALIFIED STOCK OPTION AGREEMENT

THIS NONQUALIFIED STOCK OPTION AGREEMENT (the "Agreement") is entered into as of January 4, 2021 (the "Date of Grant"), by and between **DINE BRANDS GLOBAL, INC.**, a Delaware corporation (the "Company"), and John W. Peyton (the "Optionee").

RECITALS:

Pursuant to the Dine Brands Global, Inc. 2019 Stock Incentive Plan (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee"), as the administrator of the Plan, has determined that the Optionee is to be granted an option (the "Option") to purchase shares of the Company's common stock, par value $0.01 per share (the "Common Stock"), on the terms and conditions set forth herein, and hereby grants such Option. The Option is not intended to constitute an "incentive stock option" within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

Any capitalized terms not defined herein shall have their respective meanings set forth in the Plan.

AGREEMENT:

In consideration of the foregoing and of the mutual covenants set forth herein and other good and valuable consideration, the parties hereto agree as follows:

1. NUMBER OF OPTION SHARES AND OPTION PRICE. The Option entitles the Optionee to purchase 29,016[1] shares of the Company's Common Stock (the "Option Shares") at a price of $57.55[2] per share (the "Option Exercise Price"), which is the Fair Market Value of a share of Common Stock as of the Date of Grant.

2. PERIOD OF OPTION AND CONDITIONS OF EXERCISE.

(a) Period of Option. Unless the Option is previously terminated pursuant to this Agreement, the term of the Option and this Agreement shall commence on the Date of Grant and shall terminate upon the tenth anniversary of the Date of Grant. Upon termination of the Option, all rights of the Optionee (including, without limitation, his or her guardian or legal representative) hereunder shall cease.

(b) Conditions of Exercise. Subject to the Optionee's continued employment with or service to the Company, this Option shall vest and become exercisable as to one-third (1/3) of the shares subject to the Option on each of the first, second and third anniversaries of the

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[11] NTD: To be a number of shares determined as follows: $1,000,000 divided by the Black-Scholes factor divided by the average stock price for the 20-day period immediately prior to January 4, 2021

[22] NTD: To be the closing price on the date of grant

Date of Grant. Notwithstanding anything in this Agreement to the contrary, the Option may be exercised only to purchase whole shares of Common Stock, and in no case may a fraction of a share of Common Stock be purchased. The right of the Optionee to purchase Option Shares with respect to which this Option has become exercisable as herein provided may only be exercised prior to the termination of the Option.

(c) Acceleration. Subject to the terms of the Plan, the Committee may in its discretion accelerate the exercisability of all of the Option Shares or any part thereof, upon such circumstances and subject to such terms and conditions as the Committee deems appropriate, including pursuant to the terms and conditions of any employment agreement between the Company and the Optionee.

3. RIGHTS UPON TERMINATION OF EMPLOYMENT.

(a) General. Except as otherwise provided in this Section 3, the Option may not be exercised after the Optionee has ceased to be employed or engaged by the Company.

(b) Death. If the Optionee's employment with or service to the Company terminates by reason of his or her death, the Options shall become fully vested and exercisable and thereafter may be exercised by the legal representative of the estate or by the legatee of the Optionee under the will of the Optionee, for a period of twelve (12) months from the date of such death or until the expiration of the term of the Option, whichever period is shorter.

(c) Disability. If the Optionee's employment with or service to the Company terminates by reason of Disability, the Option shall become fully vested and exercisable and thereafter may be exercised for a period of twelve (12) months from the date of such termination of employment or service or until the expiration of the term of the Option, whichever period is shorter, provided, however, that, if the Optionee dies within such twelve-month period and prior to the expiration of the term of the Option, the Option shall thereafter be exercisable for a period of twelve (12) months from the time of death or until the expiration of the term of the Option, whichever period is shorter.

(d) Retirement. If the Optionee's employment with or service to the Company terminates by reason of Retirement, the Option shall become fully vested and exercisable and may thereafter be exercised for a period of five (5) years from the date of Retirement or until the expiration of the term of the Option, whichever period is shorter.

(e) Other Terminations. If an Optionee's employment with or service to the Company terminates for any reason other than death, Disability or Retirement, the Option may be exercised, to the extent it was exercisable at the time of such termination, until the earlier to occur of (i) three (3) months from the date of such termination or (ii) the expiration of the term of the Option, whichever period is shorter.

(f) Change in Control. Upon the termination of the Optionee's employment with or service to the Company within a period of twenty-four (24) months following a Change in Control (i) by the Company other than for Cause, (ii) as a result of his or her Disability or

(iii) by the Optionee for Good Reason (as such terms are defined herein below or in the Plan), in lieu of shares of Common Stock issuable upon exercise of an outstanding Option, whether or not then exercisable, the Company shall pay the Optionee a lump sum amount (less any applicable taxes), in cash, equal to the product of (i) the excess of the Fair Market Value of the Option Shares on such date of termination, over the Option Exercise Price, and (ii) the number of the then unexercised Option Shares. The Option shall be canceled upon the making of such payment.

(g) Termination of Option. Notwithstanding anything in this Section 3 to the contrary, the Option may not be exercised after the termination of the Option.

4. EXERCISE OF OPTION SHARES.

(a) Payment for Option Shares. This Option may be exercised by (i) giving written notice of exercise to the Company, specifying the number of whole Option Shares to be purchased and accompanied by payment therefor in full (or arrangement made for such payment to the Company's satisfaction) either (A) in cash, (B) by delivery (either actual delivery or by attestation procedures established by the Company) of shares of Common Stock having a Fair Market Value, determined as of the date of exercise, equal to the aggregate purchase price payable by reason of such exercise, (C) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation, (D) in cash by a broker-dealer acceptable to the Company to whom the Optionee has submitted an irrevocable notice of exercise or (E) a combination of (A), (B) and (C), and (ii) by executing such documents as the Company may reasonably request.

(b) Delivery of Option Shares. Upon exercise of the Option and payment of the Option Price pursuant to paragraph (a) of this Section 4, and subject to the requirements set forth in Section 5 and Section 12, the Company shall issue or cause to be issued, and delivered as promptly as possible to the Optionee, certificates representing the appropriate number of Option Shares, which certificates shall be registered in the name of the Optionee.

5. REQUIREMENTS OF LAW AND OF STOCK EXCHANGES. By accepting this Option, Optionee represents and agrees for himself or herself and his or her transferees by will or the laws of descent and distribution or pursuant to a qualified domestic relations order that, unless a registration statement under the Securities Act of 1933, as amended, is in effect as to the Option Shares purchased upon any exercise of this Option, (i) any and all Option Shares so purchased shall be acquired for his or her personal account and not with a view to or for sale in connection with any distribution, and (ii) each notice of the exercise of any portion of this Option shall be accompanied by a representation and warranty in writing, signed by the person entitled to exercise the same, that the Option Shares are being so acquired in good faith for his or her personal account and not with a view to or for sale in connection with any distribution.

If at any time the Company determines that the listing, registration or qualification of the shares of Common Stock subject to the Option upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares thereunder, such shares shall not be delivered unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company may require that certificates evidencing shares of Common Stock delivered pursuant to any award made hereunder bear a legend indicating that the sale, transfer or other disposition thereof by the Optionee is prohibited except in compliance with the Securities Act of 1933, as amended, and the rules and regulations thereunder.

6. ADJUSTMENT IN COMMON STOCK. In accordance with the terms of the Plan, in the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, a substitution or adjustment shall be made in the number and class of unexercised Option Shares and the Option Exercise Price as may be determined by the Committee, in its sole discretion. Subject to the terms of the Plan, such other substitutions or adjustments shall be made as the Committee in its sole discretion may deem appropriate.

7. NON-TRANSFERABILITY OF OPTION. The Option and this Agreement shall not be transferable other than by will, the laws of descent and distribution, or pursuant to beneficiary designation procedures approved by the Company. Notwithstanding the foregoing, the Option and this Agreement may be transferable to the Optionee’s family members, to a trust or entity established by the Optionee for estate planning purposes, to a charitable organization designated by the Optionee or pursuant to a qualified domestic relations order. Except to the extent permitted by this Section 7, the Option may be exercised or settled during the Optionee’s lifetime only by the Optionee or the Optionee’s legal representative or similar person. Except as permitted by this Section 7, the Option may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Option, the Option and all rights thereunder shall immediately become null and void.

8. DISPUTE RESOLUTION. The parties hereto will use their reasonable best efforts to resolve any dispute hereunder through good faith negotiations. Except as otherwise provided in an employment agreement between the Company and the Optionee, any dispute relating to the Option shall be resolved pursuant to this Section 8. A party hereto must submit a written notice to any other party to whom such dispute pertains, and any such dispute that cannot be resolved within thirty (30) calendar days of receipt of such notice (or such other period to which the parties may agree) will be submitted to an arbitrator selected by mutual agreement of the parties. In the event that, within fifty (50) days of the written notice referred to in the preceding sentence, a single arbitrator has not been selected by mutual agreement of the parties, a panel of arbitrators (with each party to the dispute being entitled to select one arbitrator and, if necessary to prevent the possibility of deadlock, one additional arbitrator being selected by such arbitrators selected by the parties to the dispute) shall be selected by the parties. Except as otherwise provided herein or as the parties to the dispute may otherwise agree, such arbitration will be conducted in accordance with the then existing rules of the American Arbitration

Association. The decision of the arbitrator or arbitrators, or of a majority thereof, as the case may be, made in writing will be final and binding upon the parties hereto as to the questions submitted, and the parties will abide by and comply with such decision; provided, however, the arbitrator or arbitrators, as the case may be, shall not be empowered to award punitive damages. Unless the decision of the arbitrator or arbitrators, as the case may be, provides for a different allocation of costs and expenses determined by the arbitrators to be equitable under the circumstances, the prevailing party or parties in any arbitration will be entitled to recover all reasonable fees (including but not limited to attorneys' fees) and expenses incurred by it or them in connection with such arbitration from the non-prevailing party or parties.

9. RIGHTS OF OPTIONEE IN COMMON STOCK The Optionee shall not be entitled to any rights as a stockholder of the Company with respect to any shares of Common Stock unless and until the Optionee becomes a stockholder of record with respect to such shares of Common Stock.

10. NOTICES. Any notice required or permitted under this Agreement shall be deemed given when delivered either personally, by overnight courier, or when deposited in a United States Post Office, postage prepaid, addressed as appropriate, to the Optionee either at his/her address set forth below or such other address as he or she may designate in writing to the Company, or to the Company: Attention: Vice President - Legal (or said designee), at the Company's address or such other address as the Company may designate in writing to the Optionee.

11. FAILURE TO ENFORCE NOT A WAIVER. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

12. WITHHOLDING. The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock pursuant to the Option, payment by the Optionee of any federal, state, local or other taxes which may be required to be withheld or paid in connection with the Option. The Company shall withhold whole shares of Common Stock which would otherwise be delivered to the Optionee, having an aggregate Fair Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with an award (the "Tax Date"), or withhold an amount of cash which would otherwise be payable to the Optionee, in the amount necessary to satisfy any such obligation, or the Optionee may satisfy any such obligation by any of the following means: (i) a cash payment to the Company, (ii) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole shares of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (iii) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to the Optionee, in either case equal to the amount necessary to satisfy any such obligation, (iv) a cash payment by a broker-dealer acceptable to the Company to whom the Optionee has submitted an irrevocable notice of exercise or (v) any combination of (i), (ii) and (iii). Shares of Common Stock to be delivered or

withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the maximum individual statutory tax rate in the Participant's applicable jurisdiction; provided that the Company shall be permitted to limit the number of shares so withheld to a lesser number if necessary, in the judgment of the Committee, to avoid adverse accounting consequences or for administrative convenience. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Optionee.

13. INCORPORATION OF PLAN. The Plan is hereby incorporated by reference and made a part hereof, and the Option and this Agreement are subject to all terms and conditions of the Plan.

14. EMPLOYMENT. Neither the Plan, the granting of the Option, this Agreement nor any other action taken pursuant to the Plan shall confer upon any person any right to continued employment by or service with the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment or service of any person at any time without liability hereunder. For purposes of this Agreement, references to employment with the Company shall include employment or service with any Subsidiary of the Company.

15. AMENDMENT AND TERMINATION. The Board may amend the Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including any rule of the New York Stock Exchange, or any other stock exchange on which shares of Common Stock are traded; provided, however, that no amendment may impair the rights of the Optionee without the consent of the Optionee.

16. GOVERNING LAW. To the extent not otherwise governed by the Code or the laws of the United States, this Agreement shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

17. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

18. OPTION SUBJECT TO CLAWBACK. The Option and any cash payment or shares of Common Stock delivered pursuant to the Option are subject to forfeiture, recovery by the Company or other action pursuant to this Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

19. DEFINED TERMS. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) "Cause" shall have the meaning, if any, set forth in any employment agreement between the Company and the Optionee, provided that if no such agreement is in effect that contains such definition, then "Cause" shall mean, as determined by the Company, (i) the willful failure by the Optionee to substantially perform his or her duties with the Company (other than any such failure resulting from the Optionee's incapacity due to physical or mental illness); (ii) the Optionee's willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; (iii) the Optionee's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of the Optionee's duties; or (iv) the Optionee's conviction or plea of no contest to a felony or a crime of moral turpitude.

(b) "Disability" shall have the meaning, if any, set forth in any employment agreement between the Company and the Optionee, provided that if no such agreement is in effect that contains such definition, then "Disability" shall mean that the Optionee, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three months under a long-term disability plan maintained by the Company or one of its Subsidiaries.

(c) "Good Reason" shall have the meaning, if any, set forth in any employment agreement between the Company and the Optionee, provided that if no such agreement is in effect that contains such definition, then the Optionee shall have "Good Reason" in the event that the Company (i) breaches its obligations to pay any salary, benefit or bonus due to him or her, including its obligations under this Agreement, (ii) requires the Optionee to relocate more than 50 miles from the Optionee's current, principal place of employment, (iii) assigns to the Optionee any duties inconsistent with the Optionee's position with the Company or significantly and adversely alters the nature or status of the Optionee's responsibilities or the conditions of the Optionee's employment, or (iv) reduces the Optionee's base salary and/or bonus opportunity, except for across-the-board reductions similarly affecting all similarly situated employees of the Company and all similarly situated employees of any corporation or other entity which is in control of the Company; and in the event of any of (i), (ii), (iii) or (iv), the Optionee has given written notice to the Committee or the Board of Directors as to the details of the basis for such Good Reason within thirty (30) days following the date on which the Optionee alleges the event giving rise to such Good Reason occurred, the Company has failed to provide a reasonable cure within thirty (30) days after its receipt of such notice and the effective date of the termination for Good Reason occurs within 90 days after the initial existence of the facts or circumstances constituting Good Reason.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

DINE BRANDS GLOBAL, INC.

By: /s/ John W. Peyton, CEO

The undersigned has had the opportunity to read the terms and provisions of the foregoing Agreement and the terms and provisions of the Plan, herein incorporated by reference. The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing Agreement and to all the terms and provisions of the Plan, herein incorporated by reference.

/s/ John W. Peyton
Optionee Signature

______
Address

______
City/State/Zip

DINE BRANDS GLOBAL, INC.

2019 STOCK INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT ("Agreement") is entered into as of January 4, 2021 by and between DINE BRANDS GLOBAL, INC., a Delaware corporation (the "Company"), and John W. Peyton, an employee of the Company (the "Participant").

RECITALS:

Pursuant to the Dine Brands Global, Inc. 2019 Stock Incentive Plan (the "Plan"), the Compensation Committee of the Board of Directors of the Company (the "Committee"), as the administrator of the Plan, has determined that the Participant is to be granted a Restricted Stock Unit Award (the "Award") pursuant to which the Participant shall receive shares of the Company's common stock, on the terms and conditions set forth herein.

AGREEMENT:

In consideration of the foregoing and of the mutual covenants set forth herein and other good and valuable consideration, the parties hereto agree as follows:

1. GRANT OF RESTRICTED STOCK UNITS. The Company hereby grants to the Participant an award of 53,805[1] restricted stock units (the "Restricted Stock Units"). Each Restricted Stock Unit represents the right to receive one share of common stock, $.01 par value, of the Company (the "Common Stock"), subject to the terms and conditions set forth herein.

2. VESTING AND SETTLEMENT.

(a) Service Vesting. Subject to the Participant's continuous employment with the Company, the Restricted Stock Units shall vest in accordance with the specific vesting schedule set forth on Exhibit A hereto. Restricted Stock Units that have vested in accordance with the vesting schedule set forth on Exhibit A are referred to herein as "Vested Units." Restricted Stock Units that are not vested are referred to herein as "Unvested Units."

(b) Disability or Death. If the Participant's employment with the Company terminates due to Disability or death, the Restricted Stock Units shall become immediately and fully vested and thereafter be considered Vested Units.

(c) Change in Control. If the Participant's employment with the Company is terminated within a period of twenty-four (24) months following a Change in Control (i) by the Company other than for Cause or (ii) by the Participant for Good Reason (as such terms are defined herein below or in the Plan), the Restricted Stock Units shall become immediately and fully vested and thereafter be considered Vested Units.

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[11] To be a number of shares equal to $3,500,000 divided by the average stock price for the 20-day period immediately prior to January 4, 2021

(d) Termination of Unvested Units. Except as set forth in Sections 2(b) and 2(c) or the terms and conditions of any employment agreement between the Company and the Participant, upon the termination of the Participant's employment, any then Unvested Units held by the Participant shall be forfeited and canceled as of the date of such termination.

(e) Settlement of Vested Units. The Vested Units shall be settled by the delivery to the Participant or a designated brokerage firm of one share of Common Stock per Vested Unit within thirty (30) days after the vesting of such Restricted Stock Units as set forth on Exhibit A, or upon accelerated vesting as set forth in this Section 2. No fractional shares will be issued under this Agreement.

3. ADJUSTMENT IN COMMON STOCK. In accordance with the terms of the Plan, in the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a regular cash dividend, a substitution or adjustment shall be made to the terms of the Award, including the number and class of securities subject thereto, as may be determined by the Committee, in its sole discretion. Subject to the terms of the Plan, such other substitutions or adjustments shall be made as the Committee in its sole discretion may deem appropriate.

4. NON-TRANSFERABILITY OF AWARD. The Award and this Agreement shall not be transferable other than by will, the laws of descent and distribution, or pursuant to beneficiary designation procedures approved by the Company. Notwithstanding the foregoing, the Award and this Agreement may be transferable to the Participant's family members, to a trust or entity established by the Participant for estate planning purposes, to a charitable organization designated by the Participant or pursuant to a qualified domestic relations order. Except to the extent permitted by this Section 4, the Award may be exercised or settled during the Participant's lifetime only by the Participant or the Participant's legal representative or similar person. Except as permitted by this Section 4, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights thereunder shall immediately become null and void.

5. DISPUTE RESOLUTION. The parties hereto will use their reasonable best efforts to resolve any dispute hereunder through good faith negotiations. Except as otherwise provided in an employment agreement between the Company and the Participant, any dispute relating to the Award shall be resolved pursuant to this Section 5. A party hereto must submit a written notice to any other party to whom such dispute pertains, and any such dispute that cannot be resolved within thirty (30) calendar days of receipt of such notice (or such other period to which the parties may agree) will be submitted to an arbitrator selected by mutual agreement of the parties. In the event that, within fifty (50) days of the written notice referred to in the preceding sentence, a single arbitrator has not been selected by mutual agreement of the parties, a panel of arbitrators (with each party to the dispute being entitled to select one arbitrator and, if necessary to prevent the possibility of deadlock, one additional arbitrator being selected by such arbitrators selected by the parties to the dispute) shall be selected by the parties. Except as otherwise provided herein or as the parties to the dispute may otherwise agree, such arbitration will be conducted in accordance with the then existing rules of the American Arbitration Association. The decision of the arbitrator or arbitrators, or of a majority thereof, as the case may be, made in writing will be final and binding upon the parties hereto as to the questions submitted, and the parties will abide by and comply with such decision; provided, however, the arbitrator or arbitrators, as the case may be, shall

not be empowered to award punitive damages. Unless the decision of the arbitrator or arbitrators, as the case may be, provides for a different allocation of costs and expenses determined by the arbitrators to be equitable under the circumstances, the prevailing party or parties in any arbitration will be entitled to recover all reasonable fees (including but not limited to attorneys' fees) and expenses incurred by it or them in connection with such arbitration from the non-prevailing party or parties.

6. NOTICES. Any notice required or permitted under this Agreement shall be deemed given when delivered either personally, by overnight courier, or when deposited in a United States Post Office, postage prepaid, addressed as appropriate, to the Participant either at his/her address set forth below or such other address as he or she may designate in writing to the Company, or to the Company: Attention: Vice President - Legal (or said designee), at the Company's address or such other address as the Company may designate in writing to the Participant.

7. RIGHTS AS A STOCKHOLDER. Prior to any issuance of shares of Common Stock in settlement of the Award, no Common Stock will be reserved or earmarked for the Participant or the Participant's account. Except as set forth in this Section 7, the Participant will not be entitled to any privileges of ownership of the shares of Common Stock subject to the Award (including, without limitation, any voting rights) underlying Vested Units and/or Unvested Units unless and until such shares of Common Stock are actually delivered to the Participant hereunder. From and after the date hereof and unless and until the Award is forfeited or otherwise transferred back to the Company, the Participant will be credited with additional Restricted Stock Units having a value equal to dividends declared by the Company (other than stock dividends), if any, with record dates that occur prior to the settlement of the Award as if the shares of Common Stock underlying the Award (whether payable in shares of Common Stock or in cash) had been issued and outstanding, based on the fair market value of a share of Common Stock on the applicable dividend payment date. Any such additional Restricted Stock Units shall be considered part of the Award and shall also be credited with additional Restricted Stock Units as dividends (other than stock dividends), if any, are declared, and shall be subject to the same terms and conditions as the Restricted Stock Units subject to the Award with respect to which they were credited (including, but not limited to, the forfeiture provisions set forth in Section 2 of this Agreement). Notwithstanding the foregoing, no such additional Restricted Stock Units will be credited with respect to any dividend declared by the Company in connection with which the Award is adjusted pursuant to Section 3.

8. FAILURE TO ENFORCE NOT A WAIVER. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

9. WITHHOLDING. The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock pursuant to the Award, payment by the Participant of any federal, state, local or other taxes which may be required to be withheld or paid in connection with the Award or the Common Stock. The Company shall withhold whole shares of Common Stock which would otherwise be delivered to the Participant, having an aggregate Fair Market Value determined as of the date the obligation to withhold or pay taxes arises in connection with an award (the “Tax Date”), or withhold an amount of cash which would otherwise be payable to the Participant, in the amount necessary to satisfy any such obligation, or the Participant may satisfy any such obligation by any of the following means, subject to the Committee’s discretion: (i) a cash payment to the Company, (ii) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole shares of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (iii) authorizing the Company to

withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to the Participant, in either case equal to the amount necessary to satisfy any such obligation or (iv) any combination of (i), (ii) and (iii). Shares of Common Stock to be delivered or withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the maximum individual statutory tax rate in the Participant's applicable jurisdiction; provided that the Company shall be permitted to limit the number of shares so withheld to a lesser number if necessary, in the judgment of the Committee, to avoid adverse accounting consequences or for administrative convenience. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Participant. Regardless of any action the Company or any Subsidiary or affiliate takes with respect to any or all applicable Tax-Related Items, the Participant acknowledges and agrees that the ultimate liability for all Tax-Related Items is and remains the Participant's responsibility and may exceed any amount actually withheld by the Company or any Subsidiary or affiliate. The Participant further acknowledges and agrees that the Participant is solely responsible for filing all relevant documentation that may be required of Participant in relation to this Award or any Tax-Related Items other than filings or documentation, such as but not limited to personal income tax returns or reporting statements in relation to the grant or vesting of the Award, the issuance or ownership of Common Stock or any bank or brokerage account, the subsequent sale of Common Stock, and the receipt of any dividends. The Participant further acknowledges that the Company makes no representations or undertakings regarding the treatment of any Tax-Related Items and does not commit to and is under no obligation to structure the terms or any aspect of the Award to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if the Participant has become subject to tax in more than one jurisdiction, the Participant acknowledges that the Company or any Subsidiary or affiliate may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

10. INCORPORATION OF PLAN. The Plan is hereby incorporated by reference and made a part hereof, and the Award and this Agreement are subject to all terms and conditions of the Plan.

11. EMPLOYMENT. Neither the Plan, the granting of the Award, this Agreement nor any other action taken pursuant to the Plan shall confer upon any person any right to continued employment by or service with the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment or service of any person at any time without liability hereunder. For purposes of this Agreement, references to employment shall include employment or service with any Subsidiary of the Company.

12. AMENDMENT AND TERMINATION. The Board may amend the Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including any rule of the New York Stock Exchange, or any other stock exchange on which shares of Common Stock are traded; provided, however, that no amendment may impair the rights of the Participant without the consent of the Participant, subject to Section 19 below.

13. GOVERNING LAW AND SEVERABILITY. This Agreement shall be governed by and construed according to the laws of the State of Delaware without regard to its principles of conflict of laws. For purposes of litigating any dispute that cannot be resolved pursuant to Section 5 above, the parties hereby submit and consent to the exclusive jurisdiction of the State of Delaware and agree that any such litigation shall be conducted only in the courts of Delaware or the federal courts of the United States located in Delaware and no other courts.

If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of this Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of this Agreement shall be enforceable in accordance with its terms.

14. SECTION 409A. This Agreement is intended to be exempt from the requirements of Section 409A of the Code, and shall be interpreted and construed consistently with such intent. The payments to the Participant pursuant to this Agreement are also intended to be exempt from Section 409A of the Code to the maximum extent possible as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4). In the event the terms of this Agreement would subject the Participant to taxes or penalties under Section 409A of the Code ("409A Penalties"), the Company and the Participant shall cooperate diligently to amend the terms of this Agreement to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Company be responsible for any 409A Penalties that arise in connection with any amounts payable under this Agreement. To the extent any amounts under this Agreement are payable by reference to the Participant's termination of employment, such term shall be deemed to refer to the Participant's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Agreement, if the Participant is a "specified employee," as defined in Section 409A of the Code, as of the date of Participant's separation from service, then to the extent any amount payable to the Participant (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon the Participant's separation from service and (iii) under the terms of this Agreement would be payable prior to the six-month anniversary of the Participant's separation from service, such payment shall be delayed until the earlier to occur of (a) the first business day following the six-month anniversary of the separation from service and (b) the date of the Participant's death.

15. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

16. AWARDS SUBJECT TO CLAWBACK. The Award and any cash payment or shares of Common Stock delivered pursuant to the Award are subject to forfeiture, recovery by the Company or other action pursuant to this Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

17. DEFINED TERMS. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) "Cause" shall have the meaning, if any, set forth in any employment agreement between the Company and the Participant, provided that if no such agreement is in effect that contains such definition, then "Cause" shall mean, as determined by the Company, (i) the willful failure by the Participant to substantially perform his or her duties with the Company (other than any such failure resulting from the Participant's incapacity due to physical or mental illness); (ii) the Participant's willful misconduct that is demonstrably and materially injurious to the Company, monetarily or otherwise; (iii) the Participant's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of the Participant's duties; or (iv) the Participant's conviction or plea of no contest to a felony or a crime of moral turpitude.

(b) "Disability" shall have the meaning, if any, set forth in any employment agreement between the Company and the Participant, provided that if no such agreement is in effect that contains such definition, then "Disability" shall mean that the Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three months under a long-term disability plan maintained by the Company or one of its Subsidiaries.

(c) "Good Reason" shall have the meaning, if any, set forth in any employment agreement between the Company and the Participant, provided that if no such agreement is in effect that contains such definition, then the Participant shall have "Good Reason" in the event that the Company (i) breaches its obligations to pay any salary, benefit or bonus due to him or her, including its obligations under this Agreement, (ii) requires the Participant to relocate more than 50 miles from the Participant's current, principal place of employment, (iii) assigns to the Participant any duties inconsistent with the Participant's position with the Company or significantly and adversely alters the nature or status of the Participant's responsibilities or the conditions of the Participant's employment, or (iv) reduces the Participant's base salary and/or bonus opportunity, except for across-the-board reductions similarly affecting all similarly situated employees of the Company and all similarly situated employees of any corporation or other entity which is in control of the Company; and in the event of any of (i), (ii), (iii) or (iv), the Participant has given written notice to the Committee or the Board of Directors as to the details of the basis for such Good Reason within thirty (30) days following the date on which the Participant alleges the event giving rise to such Good Reason occurred, the Company has failed to provide a reasonable cure within thirty (30) days after its receipt of such notice and the effective date of the termination for Good Reason occurs within 90 days after the initial existence of the facts or circumstances constituting Good Reason.

IN WITNESS WHEREOF, the parties have executed this Restricted Stock Unit Award Agreement on the day and year first above written.

COMPANY:

DINE BRANDS GLOBAL, INC.

By: /s/ John W. Peyton, CEO

PARTICIPANT:

John W. Peyton_____/s/ John W. Peyton_____

Address ____

City/State/Zip ____

EXHIBIT A

RESTRICTED STOCK UNIT AWARD AGREEMENT

VESTING SCHEDULE

The Restricted Stock Units (RSUs) shall vest as set forth in the table below:

Grant Date	Shares Granted	Vesting Dates
01/04/2021	53,805	The RSUs shall vest in equal and ratable installments upon each of January 4, 2022 and January 4, 2023

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Exhibit 31.1

Certification Pursuant to
Rule 13a-14(a) of the
Securities Exchange Act of 1934, As Amended

I, John W. Peyton, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dine Brands Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Dated: 5th day of May, 2021

/s/ John W. Peyton
John W. Peyton
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

Certification Pursuant to
Rule 13a-14(a) of the
Securities Exchange Act of 1934, As Amended

I, Allison Hall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Dine Brands Global, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: 5th day of May, 2021

/s/ Allison Hall
Allison Hall
Interim Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Dine Brands Global, Inc. (the “Company”) for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the 5th day of May, 2021 (the “Report”), John W. Peyton, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 5th day of May, 2021

/s/ John W. Peyton
John W. Peyton
Chief Executive Officer
(Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent the Company expressly and specifically incorporates it by reference in such filing.

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Dine Brands Global, Inc. (the “Company”) for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the 5th day of May, 2021 (the “Report”), Allison Hall, as Interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of her knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 5th day of May, 2021

/s/ Allison Hall
Allison Hall
Interim Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent the Company expressly and specifically incorporates it by reference in such filing.