



# Dine Brands Global, Inc.

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## SFIG Conference Presentation February 2020

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

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# ■ Agenda

Company Overview

IHOP and Applebee's Update

Financial Performance

Appendix



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# Company Overview

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# Business Overview



Founded  
1958



Founded  
1980

**3,628**

Total Restaurants

**\$7.5  
BILLION**

in system-wide sales  
as of 2019

**#1**

in U.S. Family and  
Casual dining<sup>(1)</sup>

**98%**

Franchised  
Model<sup>(2)</sup>

Expanding  
**international**  
presence

Key Markets:  
Canada, Latin America, Mexico  
and the Middle East

**\$910** **\$281**  
MILLION MILLION

2019 2019  
Revenue Adj. EBITDA<sup>(3)</sup>

Industry-leading  
margins and  
significant cash  
generation

Diversified sources of  
cash flow, including  
stable rental and  
financing operating  
segments

Note: Units and system-wide sales represent global figures.

1. June 17, 2019 issue of *Nation's Restaurant News*; IHOP #1 ranking is by 2018 system-wide sales in family dining. Applebee's #1 ranking is by 2018 unit count for casual dining.

2. Dine completed the purchase of 69 Applebee's restaurants on December 12, 2018. The Company intends to own and operate these restaurants for the foreseeable future; however, Dine will assess and monitor opportunities to rebrand these restaurants under favorable circumstances.

3. See Appendix for EBITDA reconciliation.



# Dine Brands Highlights

#1 U.S. Family & Casual Dining Brands<sup>(1)</sup> with Significant Scale

Favorable Guest Dynamics with Nearly 50% of Guests Age 34 and Younger

Strong Franchisee Base

Stable EBITDA Growth Drives Delevering

Consistent IHOP Unit Growth Driving System-Wide Sales Growth

Predictable, Recurring Franchise Royalty Stream

Asset-Light, Highly-Franchised Business Model Drives Robust Margins and Cash Flow

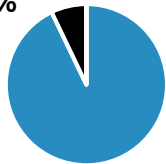
Stable and Resilient Adjusted EBITDA Growth

# Our Two Iconic Brands at a Glance



- Founded in 1958
  - #1 among Family Dining restaurants in the U.S.<sup>(1)</sup>
  - IHOP system has 1,841 locations globally
- 
- 2019 system-wide sales: \$3.5 billion
  - 2019 franchise revenue: \$205 million<sup>(3)</sup>
  - 2019 average unit volume: \$1.9 million<sup>(4)</sup>
  - Two-year stacked U.S. same-restaurant sales: 2.6%<sup>(5)</sup>

International 7%  
13 Countries

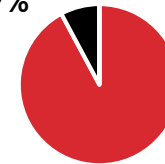


United States 93%  
All 50 states



- Founded in 1980
  - #1 among Casual Dining restaurants in the U.S.<sup>(1)</sup>
  - Applebee's system has 1,787 locations globally
- 
- 2019 system-wide sales: \$4.1 billion<sup>(2)</sup>
  - 2019 franchise revenue: \$164 million<sup>(3)</sup>
  - 2019 average unit volume: \$2.5 million<sup>(4)</sup>
  - Two-year stacked U.S. same-restaurant sales: 4.3%<sup>(5)</sup>

International 7%  
12 Countries



United States 93%  
All 50 states

# Dine Brands Highlights since 2019-1 WBS

IHOP posted its 8<sup>th</sup> consecutive quarter of positive same-restaurant sales growth, lapping over its strongest quarterly same-restaurant sales increase in 3 years

IHOP marked at least 14 years of positive net unit development with an average of 42 net new units annually

Applebee's franchisees completed three transactions in 2019, bringing new and deeply experienced operators into the domestic system

Virtually all Applebee's domestic franchisees agreed to extend the increase in the ad fund contribution rate from 3.5% to 4.25% through 2020

Applebee's 69 company-owned restaurants are ranked 6<sup>th</sup> in performance in 2019 based on same-restaurant sales

Some of the newest Applebee's franchisees ranked among the top in 2019 based on same-restaurant sales

Delevered by approximately 0.3x in 2019 to 4.6x<sup>(1)</sup>, with Covenant Adjusted EBITDA<sup>(2)</sup> up 3% compared to 2018





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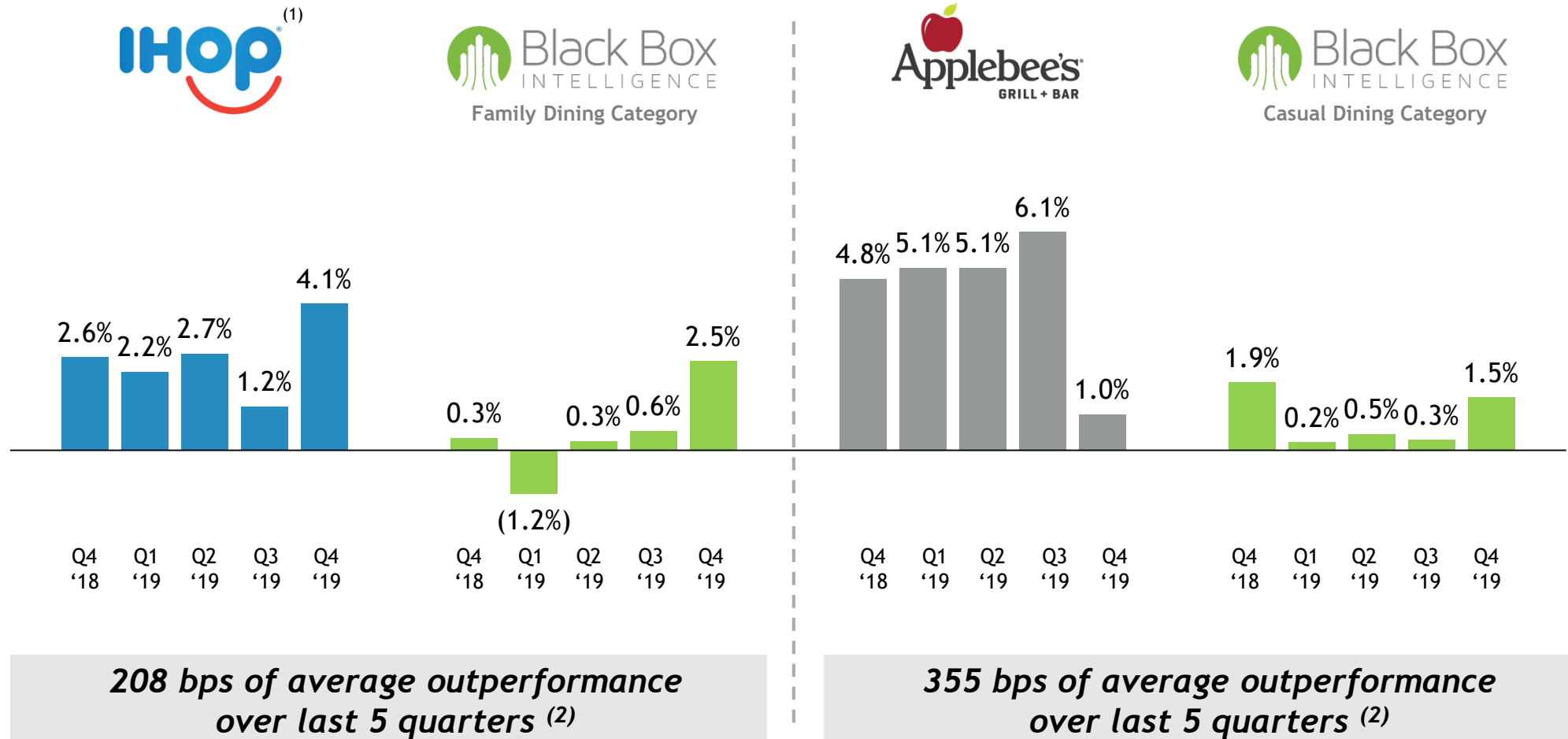
# IHOP and Applebee's Update

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# Same-Restaurant Sales Momentum

## Quarterly Two-Year Stacked Same-Restaurant Sales



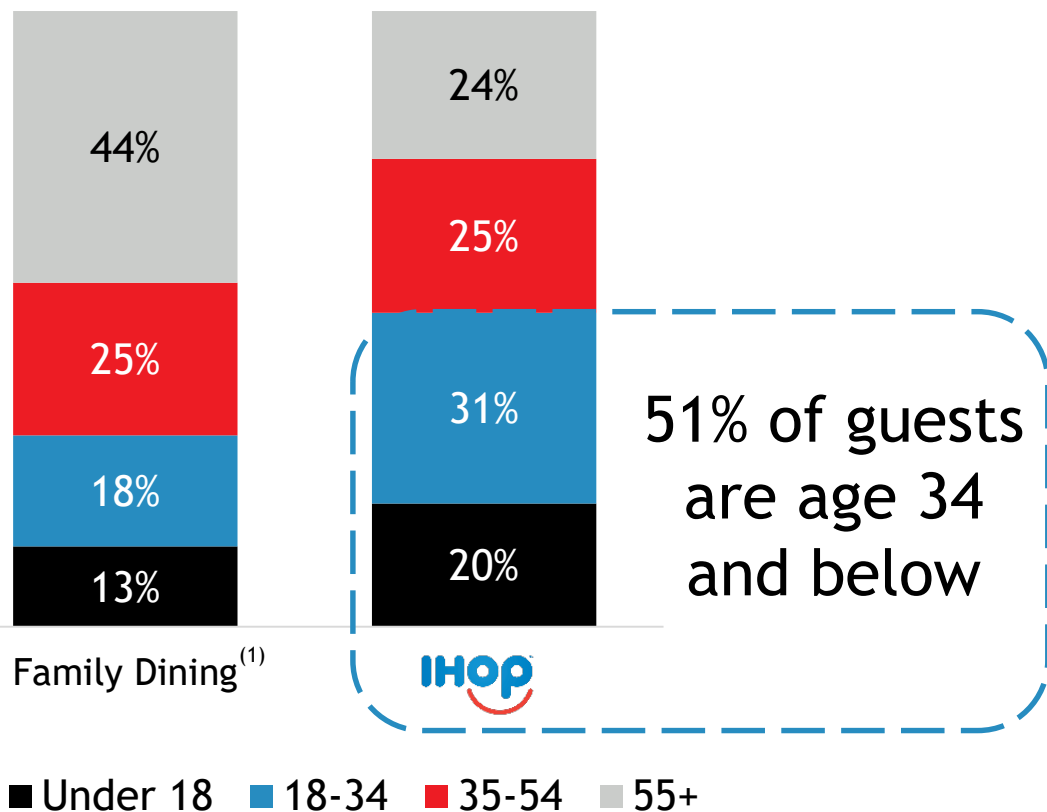
Note: Black Box indices reflect Casual Dining for Applebee's and Family Dining for IHOP.

1. IHOP same-restaurant sales data includes area license restaurants beginning in Q1 2019.

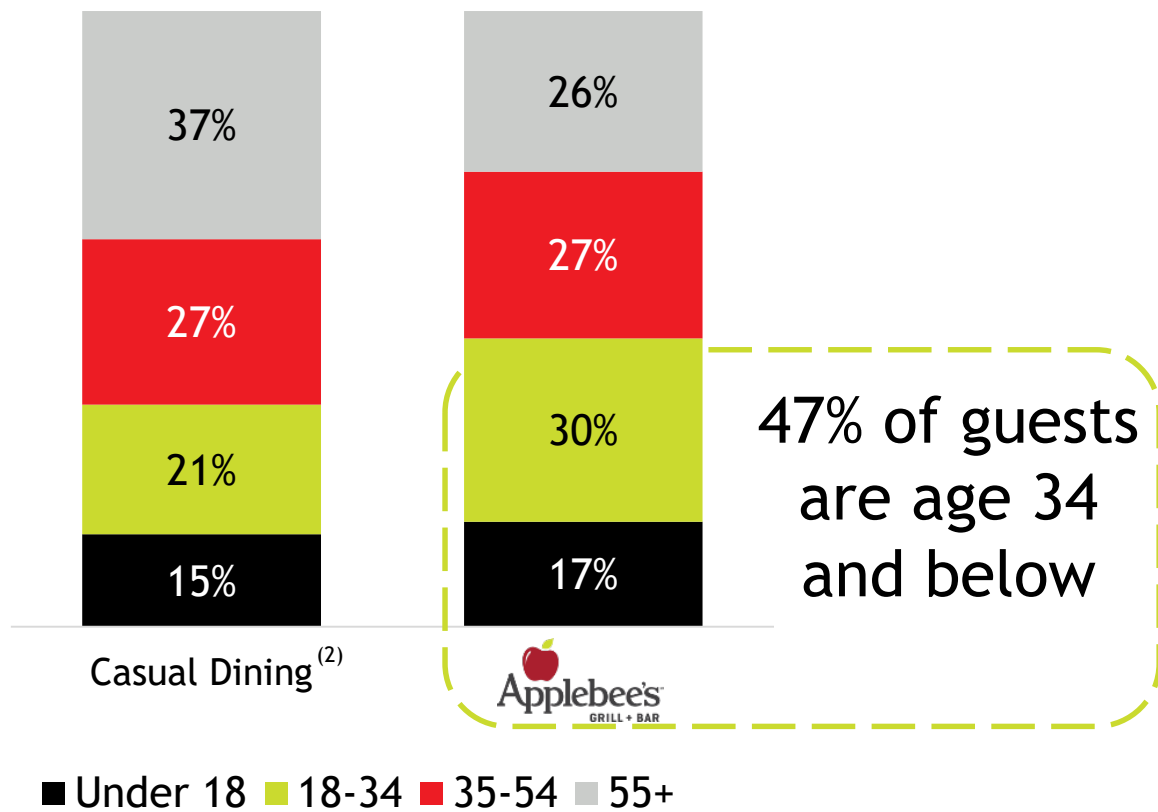
2. Outperformance based on two-year stacked same-restaurant sales for each of the past 5 quarters.

# Favorable Guest Dynamics

IHOP Guest Age Demographics

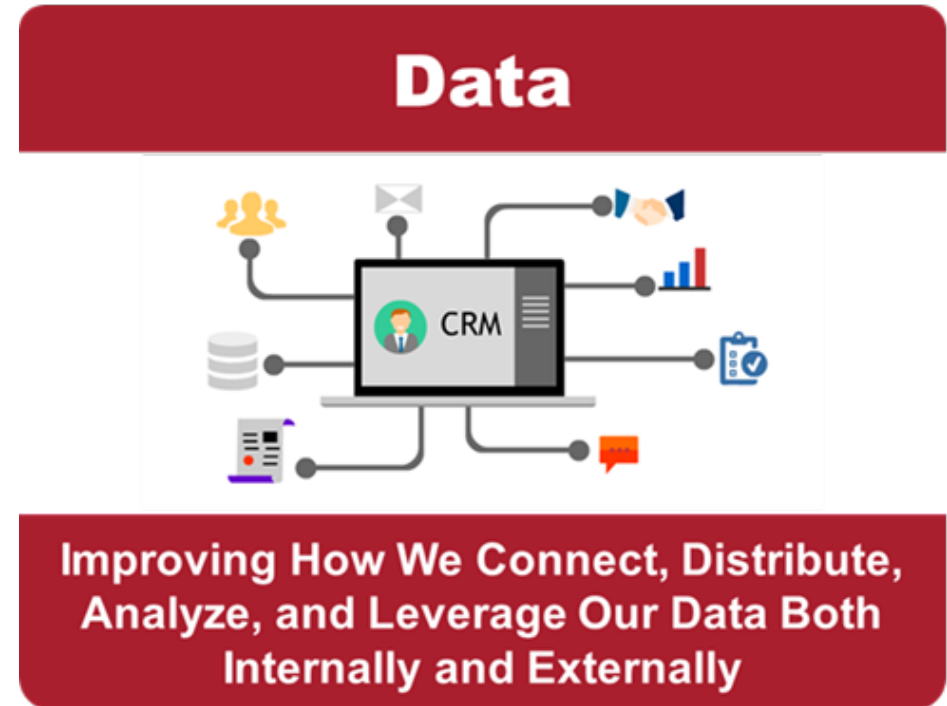


Applebee's Guest Age Demographics



# ■ Leveraging Technology for Our Brands

- Invested significantly to enable brand initiatives
  - Server tablets to allow table-side ordering
  - Enhanced website and mobile app functionality
  - Carside arrival notification
  - Enabling guests to pay in-restaurant on their own device
  - Modernizing our restaurant POS system



# IHOP Overview



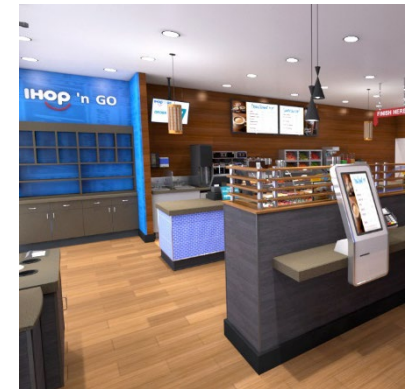
# IHOP's Consistent Restaurant Development

- Continued domestic development with plans to grow units ~2% to ~4% annually
  - Over the last decade through 2019, IHOP's franchisees developed an average of ~61 gross restaurants and ~40 net new restaurants annually
- Plans to implement new development analytics software and tools to identify additional whitespace opportunities
- Revisit franchisee MSDAs to accelerate development
- Significant growth opportunities in urban and rural areas
  - New small prototype being explored (under 3,000 sq. ft.)
- Strong focus on non-traditional unit development
  - Entered into franchise development agreement with TravelCenters of America to open 94 IHOP restaurants over the next five years, with ~15 planned to open in 2020
- Launched Flip'd by IHOP as a new fast casual concept with validation currently underway

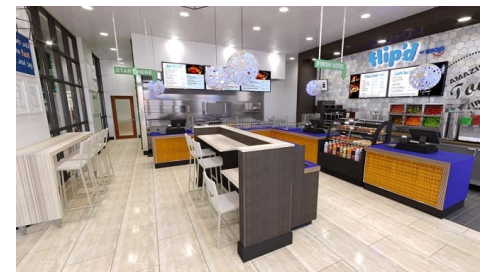
Traditional



Urban



Flip'd by IHOP

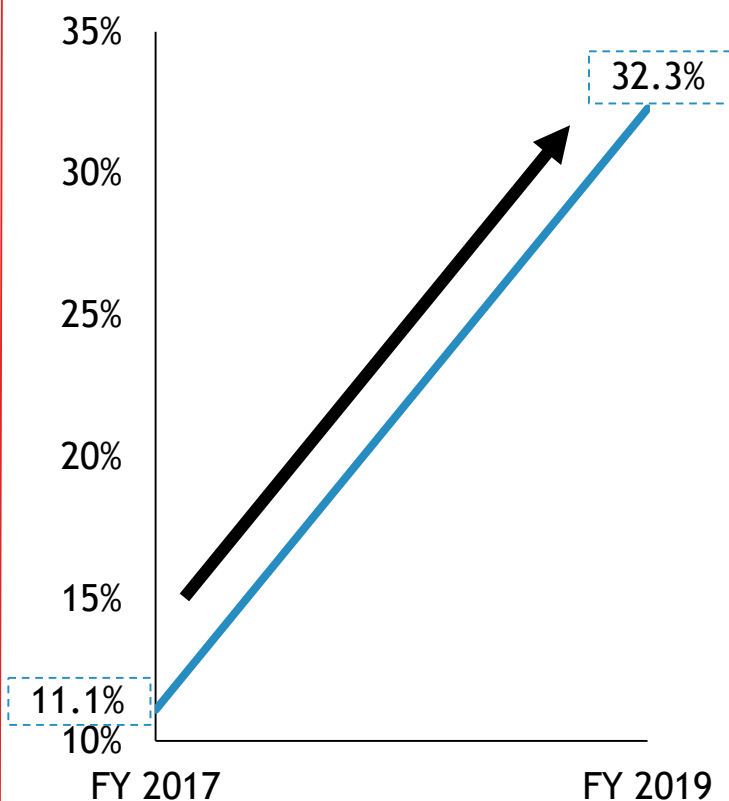


TravelCenters



# Growing IHOP's Off-Premise Business

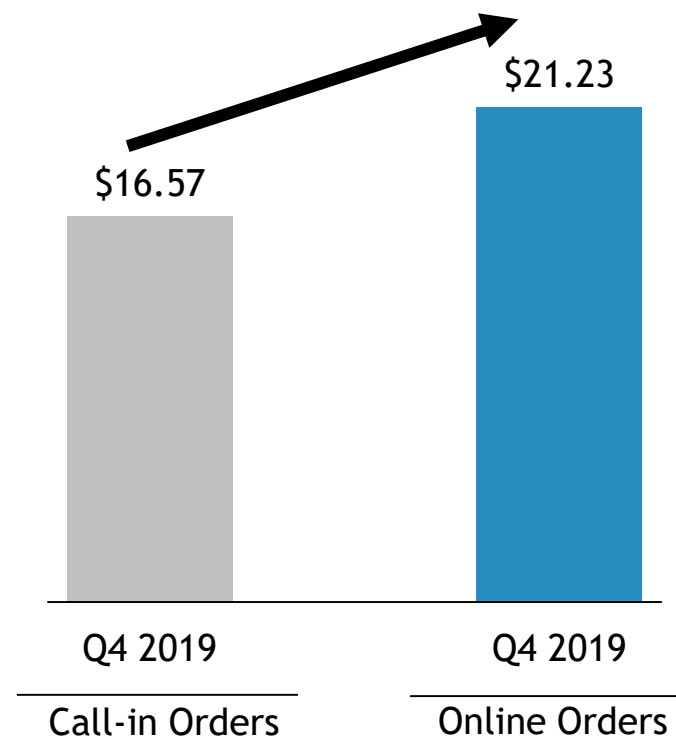
Off-Premise Comp Sales Since 2017



Delivery Coverage

OFF-PREMISE AVERAGE CHECK

Online Average Check  
28% Higher



# ■ Building on IHOP's Positive Performance

We began this journey on a foundation of 4 strategic initiatives;  
as we transition to a growth story, we continue to invest in all 4 initiatives

## Running great restaurants

- **Achieved all-time high OSAT scores in 2019**
- **Tech and Ops investments to alleviate labor pressure**

## Driving traffic

- **Cultural relevance**
- **Long-term menu strategy and evolving dining habits**
- **Develop the PM day part**
- **Loyalty / CRM**

## Being where the Guest is

- **Off-premise growth – in ALL channels**
- **Expand our portfolio of smaller footprint restaurants**

## Reinventing the Guest experience

- **1:1 Relationship across the Guest journey, life cycle and all channels**
- **Thoughtfully evolve – and remodel – the in-restaurant experience**



# Applebee's Overview

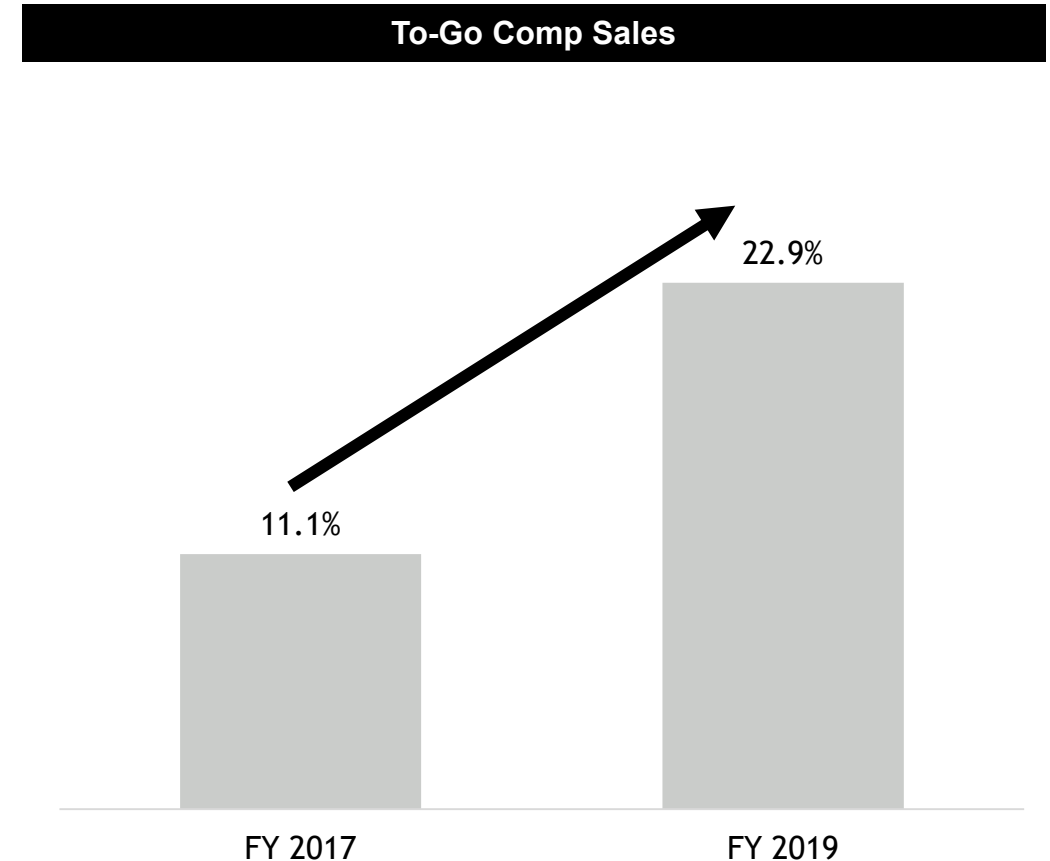


# ■ Applebee's Performance Update

- Marked improvement in the health of our Applebee's franchisees, with virtually no bad debt by the end of 2019
- 4-wall EBITDA margins in the low double-digits after royalties and advertising fees are paid
- Franchisee leverage ratios have returned to the levels of 2015 / 2016
- 2019 marked the completion of strategic closures, which began in 2017
- Applebee's franchisees completed 9 transactions over the last two years, representing approximately 170 restaurants
- PWC restaurant profitability achieved approximately 200 basis points of cost reduction in restaurant P&Ls since 2018

# ■ Off-Premise Relevance

- Sustainable off-premise growth driven by traffic
- Growth engine, highly incremental
- Ongoing optimization (technology, packaging, service)
- Best-positioned brand in CDR
- Actively implementing delivery



# ■ Applebee's Sustained Growth Strategy

1. Restaurant Excellence
2. Technology Investment
3. World-Class Marketing
4. Off-Premise Relevance
5. Culinary Innovation
6. Expect to Return to Net Unit Growth Over the Next Year



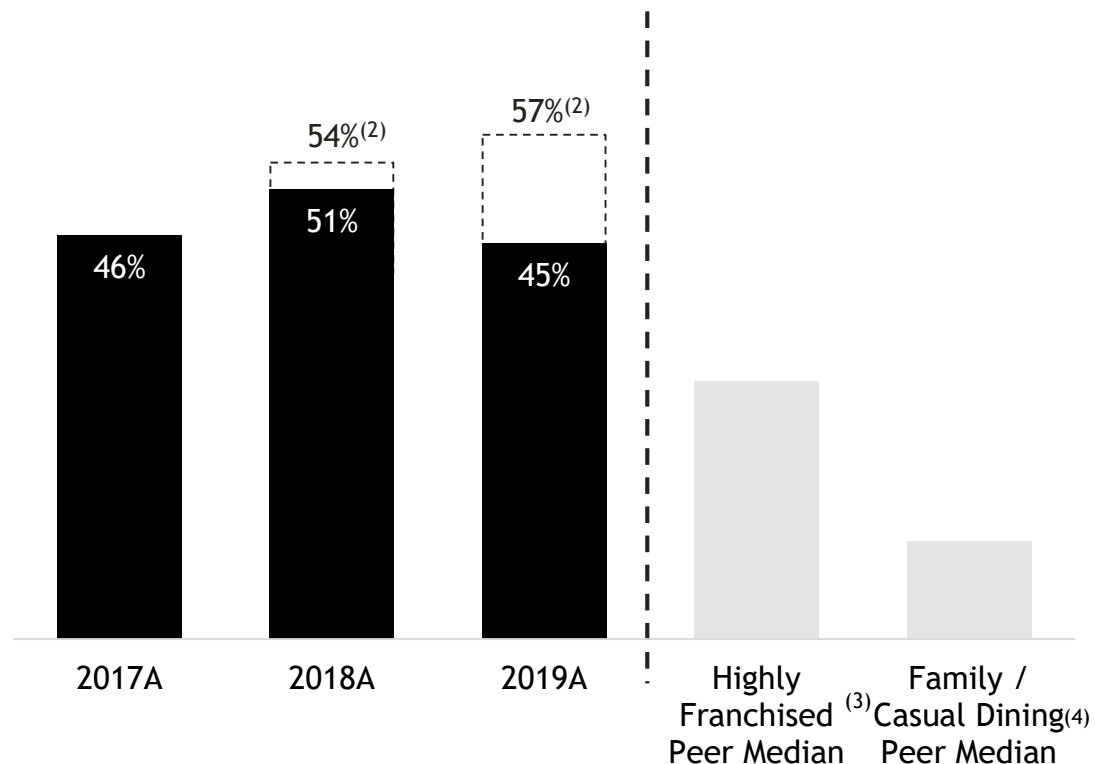
# Historical Financial Performance



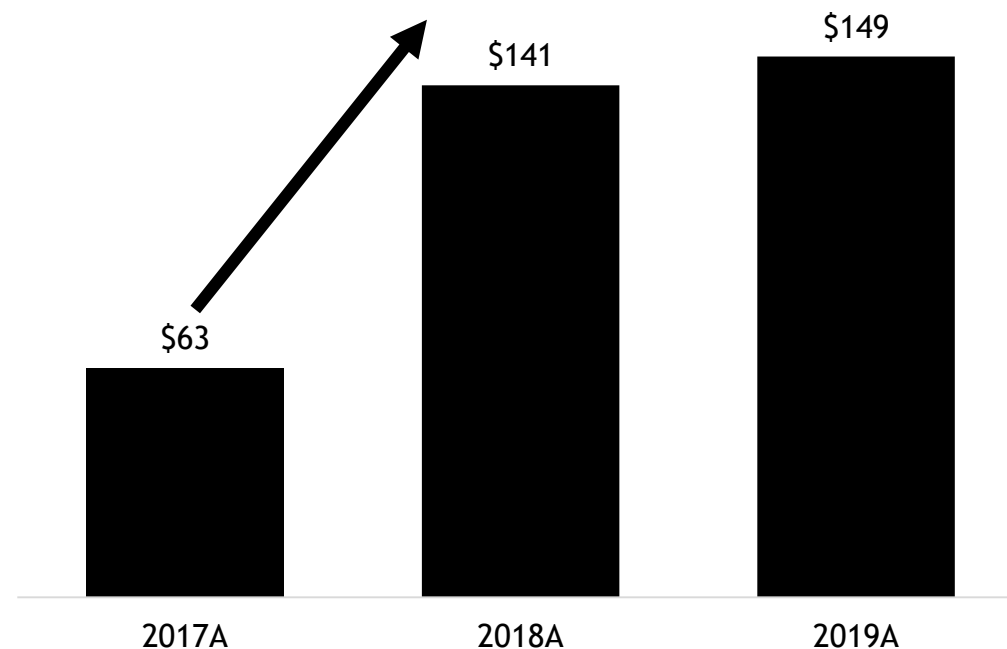
# Improved Margin Performance and Cash Flow Generation

98% franchised, asset-lite business model generates significant profit on new revenue, industry-leading margins and substantial adjusted free cash flow

Adjusted EBITDA Margin<sup>(1)</sup>



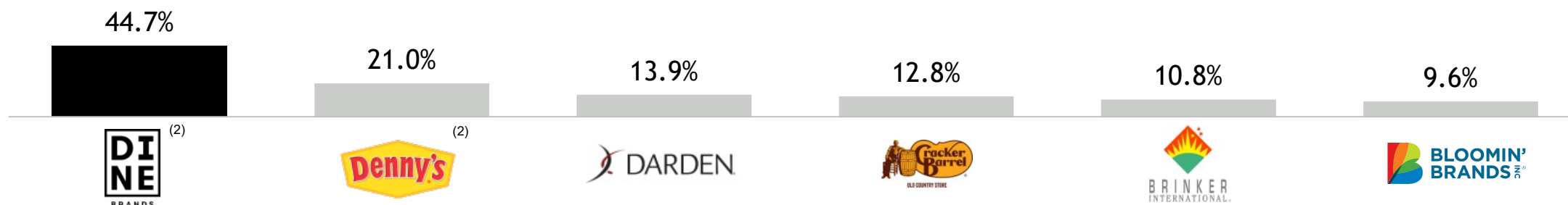
Adjusted Free Cash Flow<sup>(5)</sup>



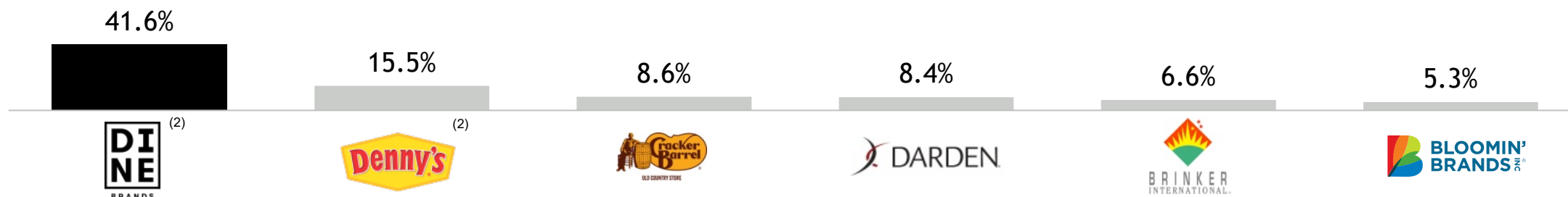
# Asset-Light Business Model Generates Robust Margin Profile

- Highly franchised business model generates impressive Adj. EBITDA margins with minimal direct exposure to fluctuations in commodity and labor costs
- 93% Adj. EBITDA to free cash flow conversion<sup>(1)</sup> due to minimal capital expenditure requirements

## LTM EBITDA Margin Benchmarking



## LTM (EBITDA - Capex) Margin Benchmarking



Source: Company filings.

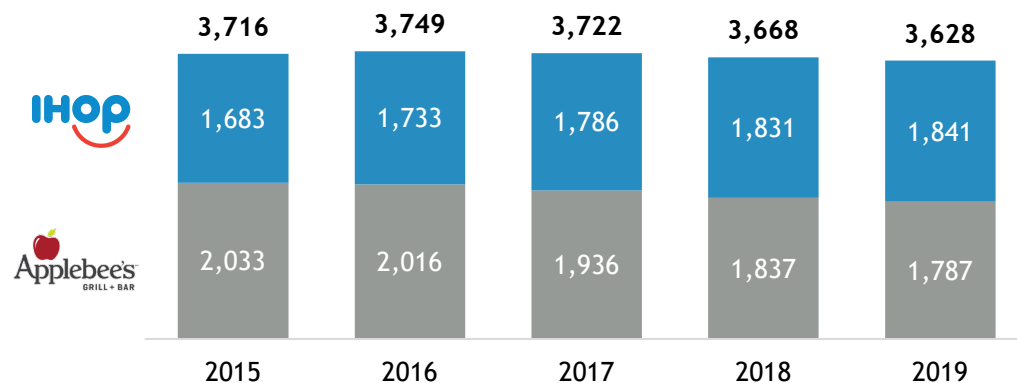
Note: LTM reflects latest reported four trailing quarters for each peer and LTM Q4 2019 figures for Dine.

1. Conversion defined as (Adj. EBITDA - Capex) / Adj. EBITDA. See Appendix for EBITDA reconciliation.

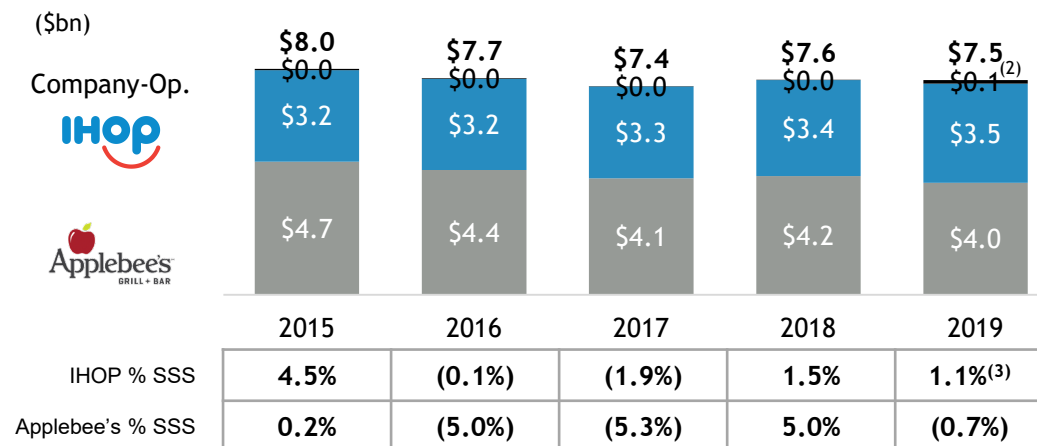
2. EBITDA margin calculated excluding advertising revenues from total revenue. See Appendix for Dine EBITDA reconciliation.

# Historical Financial Performance

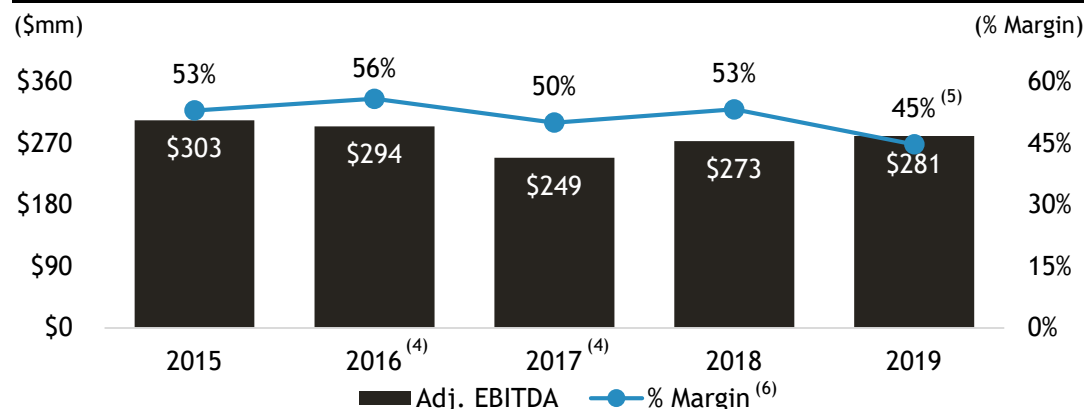
## System-Wide Units



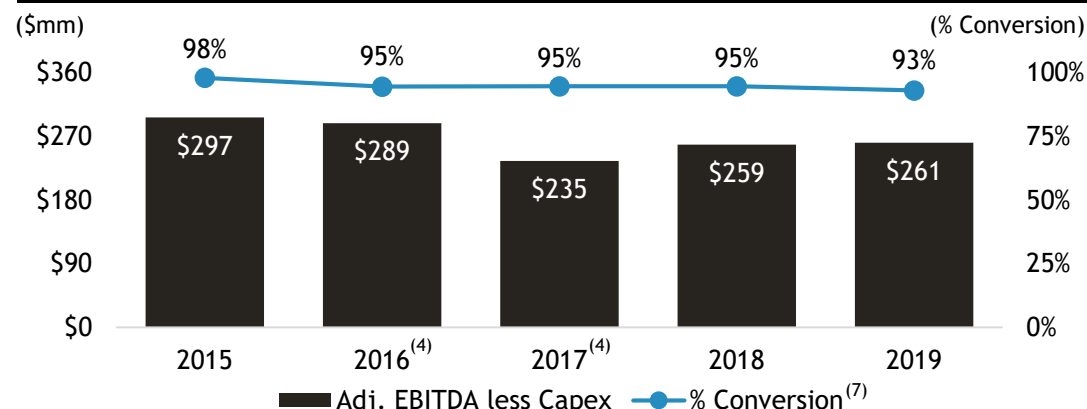
## System-Wide Sales<sup>(1)</sup>



## Adj. EBITDA<sup>(4)</sup>



## Adj. EBITDA - Capex<sup>(4)</sup>



- Figures may not sum due to rounding.
- Includes Applebee's company-operated sales of \$131.2 million.
- IHOP same-restaurant sales includes area license restaurants beginning in Q1 2019.
- As adjusted to give effect to ASC 606 using the full retrospective transition method. See Appendix for EBITDA reconciliation.

- Dine EBITDA margin excluding advertising revenue and company-operated revenue is 57% in 2019, compared to 54% in 2018.
- Dine EBITDA margin excludes advertising revenues. Dine figures represent Covenant Adjusted EBITDA. See Appendix for EBITDA reconciliation.
- Conversion defined as (Adj. EBITDA - Capex) / Adj. EBITDA.





# Appendix

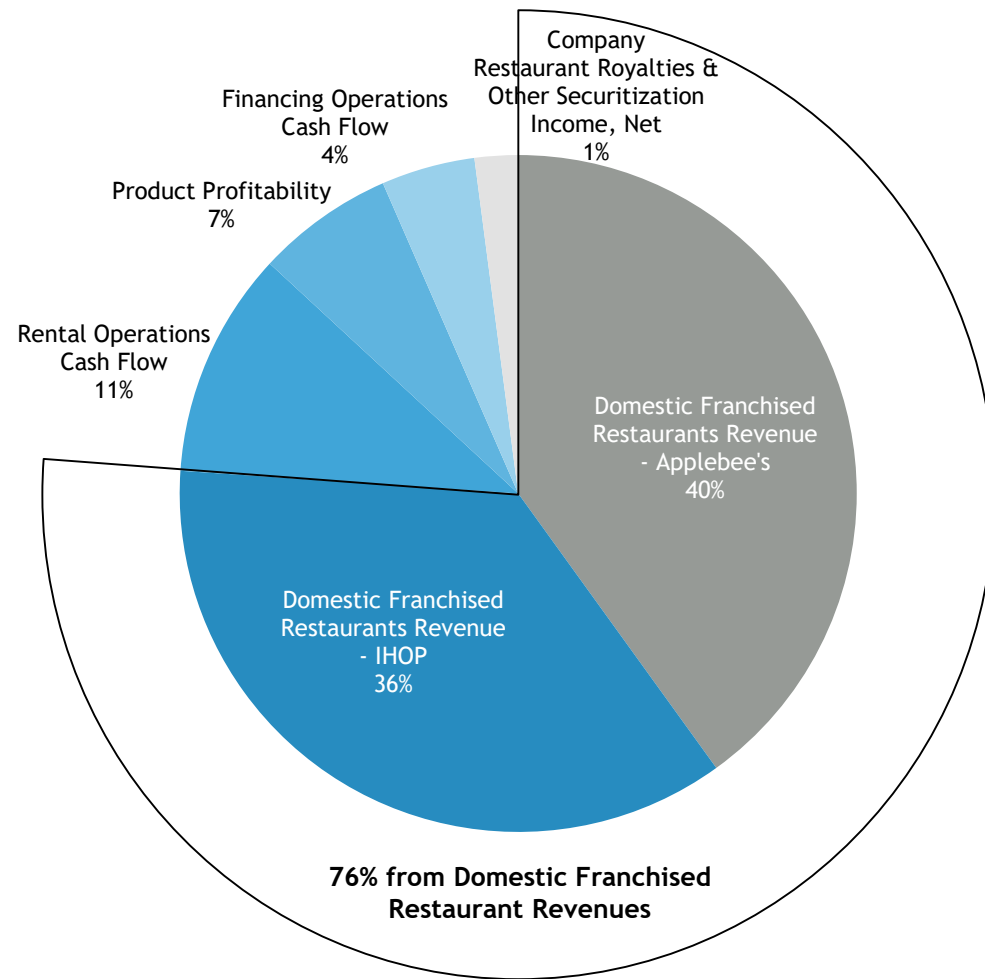
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# Sources of Securitization Collections

Securitization Net Collections	2019			
	IHOP	Applebee's	Total	%
Domestic Franchised Restaurants Revenue	\$139.2	\$154.8	\$294.0	76%
Company Restaurant Royalties	-	5.0	5.0	1%
Rental Operations Cash Flow	-	-	41.8	11%
Product Profitability	-	-	25.4	7%
Financing Operations Cash Flow	-	-	17.3	4%
Other Securitization Income, Net <sup>(1)</sup>	-	-	3.0	1%
<b>Total Securitization Revenues</b>	-	-	<b>\$386.5</b>	<b>100%</b>

- 76% of Total Securitization Revenues are from recurring Domestic Franchised Restaurants Revenues
  - 40% and 36% of Total Securitization Revenues come from Applebee's and IHOP Domestic Franchised Restaurant Revenues, respectively
- IHOP accounts almost exclusively for the remaining 24% of Total Securitization Collections, including Rental Operations Cash Flow, Product Profitability, Financing Operations Cash Flow and Other Securitization Income, Net
- 69 Company Restaurants generated ~1% of Total Securitization Revenues



# ■ Adjusted Free Cash Flow Reconciliation

*(\$ in millions)*

Cash Flows Provided by Operating Activities  
 Receipts from Notes and Equipments Contracts Receivable  
 Additions to Property and Equipment  
**Adjusted Free Cash Flow**

Twelve Month Period Ended December 31,		
2017	2018	2019
\$65.7	\$140.3	\$155.2
10.6	14.9	13.0
(13.3)	(14.3)	(19.4)
<b>\$63.0</b>	<b>\$140.9</b>	<b>\$148.8</b>

# Adjusted EBITDA Reconciliation

(\$ in thousands)

	Twelve Month Period Ended December 31,				
	2015	2016 <sup>(1)</sup>	2017 <sup>(1)</sup>	2018	2019
<b>Reconciliations:</b>					
Net income (loss)	\$ 104,923	\$ 101,002	\$ (342,750)	\$ 80,354	\$ 104,346
Income tax expense (benefit)	63,726	56,850	(85,559)	30,254	34,142
Interest Charges	77,226	73,749	72,280	71,538	71,779
Depreciation and amortization	32,840	30,606	30,648	32,175	42,492
<b>EBITDA</b>	<b>\$ 278,715</b>	<b>\$ 262,207</b>	<b>\$ (325,381)</b>	<b>\$ 214,321</b>	<b>\$ 252,759</b>
<b>Adjustments:</b>					
Loss on extinguishment of debt	-	-	\$10	\$866	\$8,276
(Gain)/loss on disposition of assets:	(901)	3,280	(6,249)	(625)	(332)
Stock-based compensation	8,987	11,029	10,875	11,442	12,451
Impairment and closure charges	2,576	2,621	535,602	2,107	1,453
Separation costs	5,362	1,510	8,845	1,206	2,614
Franchisor advertising contribution	-	-	8,931	31,234	(1,234)
Litigation & other legal expenses	2,476	2,108	1,617	3,612	2,331
Business optimization costs	-	1,394	7,061	983	-
Recruiting, relocation & retention	3,741	4,905	4,258	2,234	1,551
Other <sup>(3)</sup>	2,524	5,410	3,232	5,650	653
<b>Covenant Adjusted EBITDA</b>	<b>\$ 303,480</b>	<b>\$ 294,464</b>	<b>\$ 248,801</b>	<b>\$ 273,030</b>	<b>\$ 280,522</b>

1. As adjusted to give effect to ASC 606 using the full retrospective transition.
2. Includes impairment of goodwill and tradename of \$531.6 million in fiscal 2017. Other impairment and closure charges primarily related to the closure of restaurants and restaurant support center.
3. Other includes (a) federal, state, local and foreign taxes based on income, profits or capital, including franchise, excise or similar taxes, unless otherwise disclosed in the income tax provision above, (b) facility, office, store, restaurant or business unit closures or consolidations unless otherwise disclosed in other line items above, (c) foreign currency translation gain/(loss), (d) franchise conference expenses, (e) Board of Director services and (f) systems establishment costs.



# Dine Brands Global, Inc.

February 2020