Dine Brands Global, Inc. Reports Second Quarter 2024 Results

August 7, 2024

PASADENA, Calif.--(BUSINESS WIRE)--Aug. 7, 2024-- Dine Brands Global, Inc. (NYSE: DIN), the parent company of Applebee's Neighborhood Grill & Bar®, IHOP® and Fuzzy's Taco Shop ® restaurants, today announced financial results for the second quarter of fiscal year 2024.

"Our brands have a long history of weathering economic cycles and despite the consumer pullback the industry witnessed this quarter, we are confident that our strategies around profitable promotions, menu innovation and development will help us manage both short-term challenges while positioning us for the long term," said John Peyton, chief executive officer, Dine Brands Global, Inc.

Vance Chang, chief financial officer, Dine Brands Global, Inc. added, "Our asset light model allows us to return capital to investors and maintain the strength of our balance sheet in all economic cycles. We are revising our financial guidance for the remainder of the fiscal year to reflect the current macro conditions and we are optimistic about the strategic advantage of Dine's platform to create value for all stakeholders in the long term."

Domestic Restaurant Sales for the Second Quarter of 2024

- Applebee's year-over-year domestic comparable same-restaurant sales declined 1.8% for the second quarter of 2024. Off-premise sales mix accounted for 21.4% in the second quarter of 2024 compared to 22.6% in the second quarter of 2023.
- IHOP's year-over-year domestic comparable same-restaurant sales declined 1.4% for the second quarter of 2024. Off-premise sales mix accounted for 19.8% in the second quarter of 2024 compared to 20.7% in the second quarter of 2023.

Second Quarter of 2024 Summary

- Total revenues for the second quarter of 2024 were $206.3 million compared to $208.4 million for the second quarter of 2023. The decrease was primarily due to the negative comparable same-restaurant sales growth at Applebee's and IHOP, partially offset by increases in the number of effective franchise restaurants and proprietary product sales at IHOP.
- General and Administrative ("G&A") expenses for the second quarter of 2024 were $46.9 million compared to $47.8 million for the second quarter of 2023. The variance was primarily attributable to the stopping of the IHOP Flip'd initiative in the prior year offset by an increase in compensation-related expenses and an increase in depreciation expense.
- GAAP net income available to common stockholders was $22.5 million, or earnings per diluted share of $1.50, for the second quarter of 2024 compared to net income available to common stockholders of $17.8 million, or earnings per diluted share of $1.16 for the second quarter of 2023. The increase was primarily due to an increase in segment profit, a prior year loss on disposition of assets, a prior year loss on debt extinguishment and a decrease in G&A expenses, partially offset by an increase in income taxes.
- Adjusted net income available to common stockholders was $25.6 million, or adjusted earnings per diluted share of $1.71, for the second quarter of 2024 compared to adjusted net income available to common stockholders of $27.8 million, or adjusted earnings per diluted share of $1.82, for the second quarter of 2023. The decline was primarily due to an increase in G&A expenses, partially offset by a decrease in the number of diluted shares. (See "Non-GAAP Financial Measures" for definition and reconciliation of GAAP net income available to common stockholders to adjusted net income available to common stockholders.)
- Consolidated adjusted EBITDA for the second quarter of 2024 was $67.0 million compared to $67.3 million for the second quarter of 2023. (See "Non-GAAP Financial Measures" for definition and reconciliation of GAAP net income to consolidated adjusted EBITDA.)
- Development activity by Applebee's and IHOP franchisees for the second quarter of 2024 resulted in 16 new restaurant openings and 25 restaurant closures.

First Six Months of 2024 Summary

- Total revenues for the first six months of 2024 were $412.5 million compared to $422.2 million for the first six months of

2023. The decline was primarily due to the negative comparable same-restaurant sales growth at Applebee's and IHOP, partially offset by increases in the number of effective franchise restaurants and proprietary product sales at IHOP.

- G&A expenses for the first six months of 2024 were $99.0 million compared to $98.9 million for the first six months of 2023. The variance was primarily due to an increase in stock-based compensation, depreciation and severance expense, offset by the stopping of the IHOP Flip'd initiative in the prior period and a decrease in occupancy costs.

- GAAP net income available to common stockholders was $39.4 million, or earnings per diluted share of $2.64, for the first six months of 2024 compared to net income available to common stockholders of $44.5 million, or earnings per diluted share of $2.91 for the first six months of 2023. The decline was primarily due to a decrease in segment profit and an increase in interest expense as a result of our April 2023 refinancing, partially offset by a prior year loss on disposition of assets.

- Adjusted net income available to common stockholders was $45.5 million, or adjusted earnings per diluted share of $3.04, for the first 6 months of 2024 compared to adjusted net income available to common stockholders of $58.0 million, or adjusted earnings per diluted share of $3.79, for the first six months of 2023. The decline was primarily due to a decrease in segment profit, an increase in G&A expenses and an increase in interest expense as a result of our April 2023 refinancing, partially offset by a decrease in income taxes. (See "Non-GAAP Financial Measures" for definition and reconciliation of GAAP net income available to common stockholders to adjusted net income available to common stockholders.)

- Consolidated adjusted EBITDA for the first six months of 2024 was $127.8 million compared to $133.7 million for the first six months of 2023. (See "Non-GAAP Financial Measures" for definition and reconciliation of GAAP net income to consolidated adjusted EBITDA.)

- Cash flows provided by operating activities for the first six months of 2024 were $52.2 million. This compares to cash flows provided by operating activities of $42.7 million for the first six months of 2023. The increase was primarily due to a favorable increase in working capital, partially offset by a decrease in segment profit.

- Adjusted free cash flow was $52.9 million for the first six months of 2024. This compares to adjusted free cash flow of $24.1 million for the first six months of 2023. (See "Non-GAAP Financial Measures" for definition and reconciliation of the Company's cash provided by operating activities to adjusted free cash flow.)

- Development activity by Applebee's and IHOP franchisees for the first six months of 2024 resulted in 25 new restaurant openings and 45 restaurant closures.

Key Balance Sheet Metrics (as of June 30, 2024)

- Total cash, cash equivalents and restricted cash of approximately $218.4 million, of which approximately $153.5 million was unrestricted cash.

- Available borrowing capacity under the Variable Funding Senior Secured Notes is over $223 million.

GAAP Effective Tax Rate

The Company's effective tax rate was 26.4% for the six months ended June 30, 2024, as compared to 24.7% for the six months ended June 30, 2023. The effective tax rate for the six months ended June 30, 2024 was higher than the rate of the prior comparable period primarily due to a lower tax deduction related to stock-based compensation.

Capital Returns to Equity Holders

During the second quarter of 2024, the Company repurchased approximately $6.0 million of its common stock and paid quarterly cash dividends totaling approximately $7.9 million.

Financial Performance Guidance for 2024

The Company's fiscal year 2024 guidance items have been revised as follows:

- *Reduced:* Applebee's domestic system-wide comparable same-restaurant sales performance is expected to range between negative 4% and negative 2% (versus between 0% and 2% previously).

- *Reduced:* IHOP's domestic system-wide comparable same-restaurant sales performance is expected to range between negative 2% and 0% (versus between 1% and 3% previously).

- *Reiterated:* Domestic development activity for Applebee's franchisees is between 25 and 35 net fewer restaurants.

- *Reduced:* Domestic development activity by IHOP franchisees and area licensees is expected to be between 0 and 10 net new openings (versus between 15 to 25 net new openings previously).

- *Reduced:* Consolidated adjusted EBITDA is expected to range between approximately $245 million and $255 million (versus between $255 million and $265 million previously).
- *Narrowed:* G&A expenses are expected to range between approximately $200 million and $205 million (versus between $200 million and $210 million previously). This total includes non-cash stock-based compensation expense and depreciation of approximately $35 million.
- *Reduced:* Gross capital expenditures are expected to range between approximately $14 million and $16 million (versus between $15 million and $20 million previously).

Dine Brands does not provide forward-looking guidance for GAAP net income because it is unable to predict certain items contained in the GAAP measure without unreasonable efforts. These items may include closure and impairment charges, loss on extinguishment of debt, gain or loss on disposition of assets, other non-income-based taxes and other items deemed not reflective of current operations.

Second quarter of 2024 Earnings Conference Call Details

Dine Brands will host a conference call to discuss its results on **August 7, 2024, at 9:00 a.m. Eastern time**. To access the call, please click this conference call registration link, and you will be provided with dial in details. A live webcast of the call, along with a replay will be available for a limited time at https://investors.dinebrands.com. Participants should allow approximately ten minutes prior to the call's start time to visit the site and download any streaming media software needed to listen to the webcast. An online archive of the webcast will also be available on Events and Presentations under the Investors section of the Company's website.

About Dine Brands Global, Inc.

Based in Pasadena, California, Dine Brands Global, Inc. (NYSE: DIN), through its subsidiaries and franchisees, supports and operates restaurants under the Applebee's Neighborhood Grill + Bar®, IHOP®, and Fuzzy's Taco Shop® brands. As of June 30, 2024, these three brands consisted of close to 3,600 restaurants across 18 international markets. Dine Brands is one of the largest full-service restaurant companies in the world and in 2022 expanded into the Fast Casual segment. For more information on Dine Brands, visit the Company's website located at www.dinebrands.com.

Forward-Looking Statements

Statements contained in this press release may constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan," "goal" and other similar expressions. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. These factors include, but are not limited to: general economic conditions, including the impact of inflation, particularly as it may impact our franchisees directly; 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, pandemics, epidemics, or other serious incidents; our success with development initiatives outside of our core business; the adequacy of our internal controls over financial reporting and future changes in accounting standards; and other factors discussed from time to time in the Corporation's Annual and Quarterly Reports on Forms 10-K and 10-Q and in the Corporation's other filings with the Securities and Exchange Commission. The forward-looking statements contained in this press release are made as of the date hereof and the Corporation does not intend to, nor does it assume any obligation to, update or supplement any forward-looking statements after the date hereof to reflect actual results or future events or circumstances.

Non-GAAP Financial Measures

This press release includes references to the Company's non-GAAP financial measure "adjusted net income available to common stockholders", "adjusted earnings per diluted share (Adjusted EPS)", "Adjusted EBITDA" and "Adjusted free cash flow." Adjusted EPS is computed for a given period by deducting from net income or loss available to common stockholders for such period the effect of any closure and impairment charges, any intangible asset amortization, any non-cash interest expense, any gain or loss related to the disposition of assets, any gain or loss related to debt extinguishment, 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 interest charges, any income tax provision or benefit, any depreciation and amortization, any non-cash stock-based compensation, any closure and impairment charges, any gain or loss related to debt extinguishment, 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. 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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Dine Brands Global, Inc. and Subsidiaries

Consolidated Statements of Comprehensive Income

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2024	**2023**	**2024**	**2023**
Revenues:				
Franchise revenues:				
Royalties, franchise fees and other	$ 101,980	$ 101,938	$ 202,596	$ 204,863
Advertising revenues	74,518	75,979	149,779	153,016
Total franchise revenues	176,498	177,917	352,375	357,879
Company restaurant sales	299	474	573	1,531
Rental revenues	29,006	29,440	58,555	61,391
Financing revenues	464	584	999	1,381
Total revenues	206,267	208,415	412,502	422,182
Cost of revenues:				
Franchise expenses:				
Advertising expenses	74,518	75,979	149,779	153,016
Bad debt (credit) expense	(729)	1,721	(546)	2,644
Other franchise expenses	11,164	10,580	22,193	19,986
Total franchise expenses	84,953	88,280	171,426	175,646
Company restaurant expenses	312	431	611	1,510

Rental expenses:				
Interest expense from finance leases	739	695	1,479	1,404
Other rental expenses	20,911	21,573	42,126	42,472
Total rental expenses	21,650	22,268	43,605	43,876
Financing expenses	81	94	165	192
Total cost of revenues	106,996	111,073	215,807	221,224
Gross profit	99,271	97,342	196,695	200,958
General and administrative expenses	46,858	47,840	99,045	98,927
Interest expense, net	17,850	17,781	35,922	32,490
Closure and impairment charges	442	847	1,076	1,314
Amortization of intangible assets	2,723	2,719	5,445	5,493
Loss on extinguishment of debt	—	1,671	—	10
Loss (gain) on disposition of assets	174	2,047	(63)	2,118
Income before income taxes	31,224	24,437	55,270	60,606
Income tax provision	(8,042)	(6,189)	(14,615)	(14,948)
Net income	23,182	18,248	40,655	45,658
Other comprehensive (loss) income net of tax:				
Foreign currency translation adjustment	(3)	(1)	(5)	—
Total comprehensive income	$ 23,179	$ 18,247	$ 40,650	$ 45,658
Net income available to common stockholders:				
Net income	$ 23,182	$ 18,248	$ 40,655	$ 45,658
Less: Net income allocated to unvested participating restricted stock	(703)	(446)	(1,206)	(1,125)
Net income available to common stockholders	$ 22,479	$ 17,802	$ 39,449	$ 44,533
Net income available to common stockholders per share:				
Basic	$ 1.50	$ 1.16	$ 2.64	$ 2.91
Diluted	$ 1.50	$ 1.16	$ 2.64	$ 2.91

Weighted average shares outstanding:				
Basic	14,943	15,308	14,962	15,304
Diluted	14,943	15,317	14,962	15,324

Dine Brands Global, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	June 30, 2024	December 31, 2023
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 153,534	$ 146,034
Receivables, net of allowance	83,184	127,937
Restricted cash	45,357	35,058
Prepaid gift card costs	23,501	29,545
Prepaid income taxes	2,767	3,445
Other current assets	11,259	15,759
Total current assets	319,602	357,778
Non-current restricted cash	19,500	19,500
Property and equipment, net	158,101	161,891
Operating lease right-of-use assets	280,641	275,214
Deferred rent receivable	28,888	33,326
Long-term receivables, net of allowance	33,720	35,602
Goodwill	254,062	254,062
Other intangible assets, net	580,793	586,033
Other non-current assets, net	18,195	16,881
Total assets	$ 1,693,502	$ 1,740,287

Liabilities and Stockholders' Deficit

Current liabilities:		
Current maturities of long-term debt	$ 100,000	$ 100,000
Accounts payable	31,512	36,193
Gift card liability	142,206	175,640
Current maturities of operating lease obligations	62,216	63,498
Current maturities of finance lease and financing obligations	6,630	7,243
Accrued employee compensation and benefits	14,173	23,211
Accrued advertising expenses	494	9,446
Dividends payable	7,805	7,827
Other accrued expenses	29,135	37,394
Total current liabilities	394,171	460,452
Long-term debt, net, less current maturities	1,085,510	1,084,502
Operating lease obligations, less current maturities	271,100	269,097
Finance lease obligations, less current maturities	37,090	34,389
Financing obligations, less current maturities	25,304	26,984
Deferred income taxes, net	58,898	60,829
Deferred franchise revenue, long-term	37,201	38,658
Other non-current liabilities	15,930	16,350
Total liabilities	1,925,204	1,991,261
Commitments and contingencies		
Stockholders’ deficit:		
Common stock	248	249
Additional paid-in-capital	249,265	256,542
Retained earnings	174,972	150,008
Accumulated other comprehensive loss	(69)	(64)
Treasury stock, at cost	(656,118)	(657,709)
Total stockholders’ deficit	(231,702)	(250,974)

Total liabilities and stockholders' deficit	$ 1,693,502	$ 1,740,287

Dine Brands Global, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In thousands) (Unaudited)

	Six Months Ended June 30,	
	2024	**2023**
Cash flows from operating activities:		
Net income	$ 40,655	$ 45,658
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	19,395	17,651
Non-cash closure and impairment charges	1,076	1,296
Non-cash stock-based compensation expense	8,757	5,309
Non-cash interest expense	1,619	1,935
Loss on extinguishment of debt	—	10
Deferred income taxes	(1,931)	(2,939)
Deferred revenue	(3,387)	(1,730)
(Gain) loss on disposition of assets	(63)	2,118
Other	(940)	88
Changes in operating assets and liabilities:		
Receivables, net	6,085	(285)
Deferred rent receivable	4,438	4,651
Current income tax receivables and payables	487	(3,006)
Gift card receivables and payables	(6,228)	(6,204)
Other current assets	4,472	4,502
Accounts payable	(2,260)	(13,307)

Operating lease assets and liabilities	(6,569)	3,806
Accrued employee compensation and benefits	(8,948)	(10,170)
Accrued advertising	(1,941)	(13,177)
Other current liabilities	(2,538)	6,478
Cash flows provided by operating activities	52,179	42,684
Cash flows from investing activities:		
Principal receipts from notes, equipment contracts and other long-term receivables	7,542	6,261
Additions to property and equipment	(6,779)	(22,787)
Proceeds from sale of property and equipment	81	—
Additions to long-term receivables	(1,790)	—
Other	(126)	(46)
Cash flows used in investing activities	(1,072)	(16,572)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	—	500,000
Repayment of long-term debt	—	(651,713)
Borrowing from revolving credit facility	—	15,000
Repayment of revolving credit facility	—	(15,000)
Payment of debt issuance costs	—	(7,967)
Dividends paid on common stock	(15,707)	(15,970)
Repurchase of common stock	(12,000)	(14,017)
Principal payments on finance lease and financing obligations	(3,080)	(3,623)
Proceeds from stock options exercised	—	3,812
Repurchase of restricted stock for tax payments upon vesting	(2,486)	(3,941)
Tax payments for share settlement of restricted stock units	(30)	(859)
Other	(5)	—
Cash flows used in financing activities	(33,308)	(194,278)
Net change in cash, cash equivalents and restricted cash	17,799	(168,166)

Cash, cash equivalents and restricted cash at beginning of period	200,592	324,984
Cash, cash equivalents and restricted cash at end of period	$ 218,391	$ 156,818

Dine Brands Global, Inc. and Subsidiaries

Non-GAAP Financial Measures

(In thousands, except per share amounts)

(Unaudited)

Reconciliation of net income available to common stockholders to net income available to common stockholders, as adjusted for the following items: Closure and impairment charges; amortization of intangible assets; non-cash interest expenses; loss on extinguishment of debt; gain or loss on disposition of assets; acquisition costs; IHOP Flip'd initiative; other EBITDA adjustments; and the combined tax effect of the preceding adjustments, as well as related per share data:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Net income available to common stockholders	$ 22,479	$ 17,802	$ 39,449	$ 44,533
Closure and impairment charges	442	847	1,076	1,314
Amortization of intangible assets	2,723	2,719	5,445	5,493
Non-cash interest expense	816	764	1,619	1,935
Loss (gain) on disposition of assets	174	2,047	(63)	2,118
Loss on extinguishment of debt	—	1,671	—	10
Acquisition costs	—	33	—	804
IHOP Flip'd initiative	—	5,121	—	5,121
Other EBITDA adjustments	165	654	365	1,871
Net income tax provision for above adjustments	(1,123)	(3,603)	(2,195)	(4,853)
Net income allocated to unvested participating restricted stock	(101)	(254)	(185)	(343)
Net income available to common stockholders, as adjusted	**$ 25,575**	**$ 27,801**	**$ 45,511**	**$ 58,003**
Diluted net income available to common stockholders per share (a):				
Net income available to common stockholders	$ 1.50	$ 1.16	$ 2.64	$ 2.91

Closure and impairment charges	0.02	0.04	0.05	0.06
Amortization of intangible assets	0.13	0.13	0.27	0.27
Non-cash interest expense	0.04	0.04	0.08	0.09
Loss (gain) on disposition of assets	0.01	0.10	0.00	0.10
Loss on extinguishment of debt	—	0.08	—	0.00
Acquisition costs	—	0.00	—	0.04
IHOP Flip'd initiative	—	0.25	—	0.25
Other EBITDA adjustments	0.01	0.03	0.02	0.09
Net income allocated to unvested participating restricted stock	(0.01)	(0.02)	(0.01)	(0.02)
Rounding	0.01	0.01	(0.01)	—
Diluted net income available to common stockholders per share, as adjusted	**$ 1.71**	**$ 1.82**	**$ 3.04**	**$ 3.79**
Numerator for basic EPS - net income available to common stockholders, as adjusted	$ 25,575	$ 27,801	$ 45,511	$ 58,003
Effect of unvested participating restricted stock using the two-class method	1	—	—	—
Numerator for diluted EPS - net income available to common stockholders, as adjusted	**$ 25,576**	**$ 27,801**	**$ 45,511**	**$ 58,003**
Denominator for basic EPS - weighted-average shares	14,943	15,308	14,962	15,304
Dilutive effect of stock options	—	9	—	20
Denominator for diluted EPS - weighted-average shares	14,943	15,317	14,962	15,324

(a) Diluted net income available to common stockholders per share for the three and six months ended June 30, 2024 and 2023 presented on an after-tax basis.

Dine Brands Global, Inc. and Subsidiaries

Non-GAAP Financial Measures

(Unaudited)

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

	Six Months Ended June 30,	
	2024	**2023**
	(In thousands)	
Cash flows provided by operating activities	$ 52,179	$ 42,684
Principal receipts from notes and equipment contracts	7,542	4,200
Net additions to property and equipment	(6,779)	(22,787)
Adjusted free cash flow	**52,942**	**24,097**
Repayment of long-term debt, net	—	(151,713)
Dividends paid on common stock	(15,707)	(15,970)
Repurchase of common stock	(12,000)	(14,017)
	$ 25,235	$ (157,603)

Dine Brands Global, Inc. and Subsidiaries

Non-GAAP Financial Measures

(in thousands)

(Unaudited)

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

	Three Months Ended June 30,		**Six Months Ended June 30, 2024**	
	2024	**2023**	**2024**	**2023**
Net income, as reported	$ 23,182	$ 18,248	$ 40,655	$ 45,658
Interest charges on finance leases	739	695	1,479	1,404

All other interest charges	20,749	19,813	41,512	37,494
Income tax provision	8,042	6,189	14,615	14,948
Depreciation and amortization	9,654	8,421	19,395	17,634
Non-cash stock-based compensation	3,833	3,591	8,756	5,309
Closure and impairment charges	442	847	1,076	1,314
Loss on extinguishment of debt	—	1,671	—	10
Loss (gain) on disposition of assets	174	2,047	(63)	2,118
IHOP Flip'd initiative	—	5,121	—	5,121
Other	165	687	365	2,675
Adjusted EBITDA	$ 66,980	$ 67,330	$ 127,790	$ 133,685

Dine Brands Global, Inc. and Subsidiaries

Restaurant Data

(Unaudited)

The following table sets forth, for the three and six months ended June 30, 2024, the number of "Effective Restaurants" in the Applebee's, IHOP and Fuzzy's systems and information regarding the percentage change in sales at those restaurants compared to the same periods in the prior year and, as such, the percentage change in sales at Effective Restaurants is based on non-GAAP sales data. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties and advertising fees that are generally based on a percentage of their sales, and, where applicable, rental payments under leases that partially may be based on a percentage of their sales. Management also uses this information to make decisions about future plans for the development of additional restaurants as well as evaluation of current operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Applebee's Restaurant Data				
Global Effective Restaurants[(a)]				
Franchise	1,627	1,662	1,631	1,667
Company	—	—	—	—
Total	**1,627**	**1,662**	**1,631**	**1,667**
System-wide[(b)]				
Domestic sales percentage change[(c)]	(3.0)%	(1.5)%	(4.5)%	2.0%

Domestic same-restaurant sales percentage change[d]	(1.8)%	(1.0)%	(3.2)%	2.5%
Franchise[b]				
Domestic sales percentage change[c]	(3.0)%	2.1%	(4.5)%	5.8%
Domestic same-restaurant sales percentage change[d]	(1.8)%	(1.0)%	(3.2)%	2.5%
Average weekly domestic unit sales (in thousands)	$ 53.9	$ 54.3	$ 54.3	$ 55.6

IHOP Restaurant Data				
Global Effective Restaurants(a)				
Franchise	1,647	1,628	1,645	1,622
Area license	155	155	156	156
Total	**1,802**	**1,783**	**1,801**	**1,778**
System-wide(b)				
Sales percentage change(c)	(0.2)%	4.6%	0.0%	7.8%
Domestic same-restaurant sales percentage change, including area license restaurants(d)	(1.4)%	2.1%	(1.5)%	5.3%
Franchise(b)				
Sales percentage change(c)	(0.1)%	5.0%	0.1%	8.1%
Domestic same-restaurant sales percentage change(d)	(1.2)%	2.2%	(1.6)%	5.4%
Average weekly unit sales (in thousands)	$ 38.4	$ 38.9	$ 38.0	$ 38.5
Area License(b)				
Sales percentage change(c)	(1.2)%	0.9%	(0.6)%	5.5%

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2024	**2023**	**2024**	**2023**
Fuzzy's Restaurant Data	**(Unaudited)**			
Global Effective Restaurants[a]				
Franchise	124	136	126	135
Company	1	1	1	2

Total	**125**	**137**	**127**	**137**
System-wide[(b)]				
Domestic sales percentage change[(c)]	(12.4)%	(1.3)%	(12.7)%	1.0 %
Domestic same-restaurant sales percentage change[(d)]	(7.5)%	(4.0)%	(8.6)%	(2.4)%
Franchise[(b)]				
Domestic sales percentage change[(c)]	(12.2)%	(0.2)%	(12.0)%	1.5 %
Domestic same-restaurant sales percentage change[(d)]	(7.6)%	(4.1)%	(8.6)%	(2.4)%
Average weekly domestic unit sales (in thousands)	$ 32.2	$ 33.5	$ 30.4	$ 32.1

(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 and Fuzzy'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 Fuzzy'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 and Fuzzy's domestic franchise restaurants, Fuzzy's company-operated restaurants, IHOP franchise restaurants and IHOP area license restaurants were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Reported sales (in millions)				
Applebee's franchise restaurant sales	$ 1,066.4	$ 1,099.3	$ 2,154.5	$ 2,255.4
IHOP franchise restaurant sales	822.0	822.7	1,625.9	1,624.9
IHOP area license restaurant sales	75.1	76.0	152.9	153.8
Fuzzy's franchise restaurant sales	51.9	59.1	99.1	112.7
Fuzzy's company-operated restaurants	0.3	0.5	0.6	1.5
Total	$ 2,015.7	$ 2,057.6	$ 4,033.0	$ 4,148.3

(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.

Dine Brands Global, Inc. and Subsidiaries

Restaurant Data

(Unaudited)

Restaurant Development Activity	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Applebee’s				
Summary - beginning of period:				
Franchise	1,636	1,673	1,642	1,678
Company	—	—	—	—
Beginning of period	**1,636**	**1,673**	**1,642**	**1,678**
Franchise restaurants opened:				
Domestic	—	1	—	1
International	3	1	5	3
Total franchise restaurants opened	3	2	5	4
Franchise restaurants permanently closed:				
Domestic	(11)	(10)	(16)	(16)
International	(3)	(4)	(6)	(5)
Total franchise restaurants permanently closed	(14)	(14)	(22)	(21)
Net franchise restaurant reduction	**(11)**	**(12)**	**(17)**	**(17)**
Summary - end of period:				
Franchise	1,625	1,661	1,625	1,661
Company	—	—	—	—
Total Applebee’s restaurants, end of period	**1,625**	**1,661**	**1,625**	**1,661**
Domestic	1,520	1,554	1,520	1,554

International	105	107	105	107
IHOP				
Summary - beginning of period:				
Franchise	1,653	1,633	1,657	1,625
Area license	156	157	157	156
Total IHOP restaurants, beginning of period	**1,809**	**1,790**	**1,814**	**1,781**
Franchise/area license restaurants opened:				
Domestic franchise	5	9	10	22
Domestic area license	1	—	1	2
International franchise	7	2	9	6
Total franchise/area license restaurants opened	13	11	20	30
Franchise/area license restaurants permanently closed:				
Domestic franchise	(9)	(10)	(17)	(18)
Domestic area license	(2)	(1)	(3)	(2)
International franchise	—	—	(3)	(1)
Total franchise/area license restaurants permanently closed	(11)	(11)	(23)	(21)
Net increase (decrease) in franchise/area license restaurants	**2**	**—**	**(3)**	**9**
Summary - end of period:				
Franchise	1,656	1,634	1,656	1,634
Area license	155	156	155	156
Total IHOP restaurants, end of period	**1,811**	**1,790**	**1,811**	**1,790**
Domestic	1,687	1,681	1,687	1,681
International	124	109	124	109

Dine Brands Global, Inc. and Subsidiaries

Restaurant Data

(Unaudited)

Restaurant Development Activity (continued)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Fuzzy's				
Summary - beginning of period:				
Franchise	127	134	131	134
Company	1	3	1	3
Beginning of period	**128**	**137**	**132**	**137**
Franchise restaurants opened:				
Domestic	—	2	—	2
Franchise restaurants permanently closed:				
Domestic	(3)	(1)	(7)	(1)
Net franchise restaurant addition (reduction)	**(3)**	**1**	**(7)**	**1**
Refranchised from Company restaurants	—	2	—	2
Net franchise restaurant addition (reduction)	**(3)**	**3**	**(7)**	**3**
Summary - end of period:				
Franchise	124	137	124	137
Company	1	1	1	1
Total Fuzzy's restaurants, end of period	**125**	**138**	**125**	**138**
Domestic	125	138	125	138
International	—	—	—	—

The restaurant counts and activity presented above do not include one domestic Applebee's ghost kitchens (small kitchens with no store-front presence, used to fill off-premise orders), eight international Applebee's ghost kitchens and 38 international IHOP ghost kitchens at June 30, 2024, and one domestic Applebee's ghost kitchens, 12 international Applebee's ghost kitchens and 41 international IHOP ghost kitchens at June 30, 2023.

Investor Contact

Matt Lee
Sr. Vice President, Finance and Investor Relations
Dine Brands Global, Inc.
IR@dinebrands.com

Media Contact

Susan Nelson
Sr. Vice President, Global Communications
Dine Brands Global, Inc.
Mediainquiries@dinebrands.com

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