



IHOP Corp. Reports Fourth Quarter and Fiscal 2002 Results

February 26, 2003

GLENDAL, Calif., Feb 26, 2003 /PRNewswire-FirstCall via COMTEX/ -- IHOP Corp. (NYSE: IHP) today announced results for its fourth quarter and fiscal year ended December 31, 2002.

Fourth Quarter and Fiscal 2002 Performance

The Company reported a 3.3% increase of net income to \$12.0 million, or an increase of 1.8% in diluted earnings per share to \$0.56 in the fourth quarter 2002, compared with net income of \$11.6 million, or diluted earnings per share of \$0.55 in the fourth quarter 2001. For the twelve months ended December 31, the Company reported a 1.4% increase of net income to \$40.8 million, and a decrease of 1.0% in diluted net income per share to \$1.92 in 2002, compared with net income of \$40.3 million, or diluted net income per share of \$1.94 in 2001.

Julia A. Stewart, IHOP Corp. president and chief executive officer, said, "We are pleased with the execution of our business in the fourth quarter. However, 2002 was a year of building the foundation for the future of our Company by investing in branding, operations and corporate infrastructure. With our investment in 2002, and our previously announced new operating model, we have a clear path for 2003 and beyond."

System-wide sales increased 8.9% in the quarter and by 9.9% in the twelve months ended December 31, 2002 over the same periods in 2001. The sales increase is primarily the result of growth in the number of effective restaurants and increases in average per unit sales. Effective restaurants grew by 8.1% in the fourth quarter and by 7.4% for the twelve months ended December 31, 2002 over the same periods in 2001. System-wide comparable store sales decreased by 1.0% for the fourth quarter and increased by 0.7% for the twelve months ended December 31, 2002. In the fourth quarter 2002, total revenues were \$107.4 million, an increase of 18.8% over the fourth quarter 2001. For the twelve months ended December 31, 2002 total revenues were \$365.9 million, an increase of 12.8% over the same period in 2001.

In the fourth quarter 2002, IHOP franchised 49 restaurants compared to 40 in the fourth quarter 2001. For the twelve months ended December 31, 2002, IHOP franchised 100 restaurants, compared to 95 restaurants over the same period in 2001.

Brand and Operations Update

During the fourth quarter, the Company completed work on its new advertising campaign and revised media and promotional strategies that were launched in January 2003. The completion of these initiatives finalized the initial stage of IHOP's brand revitalization efforts. In addition, the Company developed a number of programs which should better position it for success in 2003 and beyond. An expanded mystery shopper program and improved service and food delivery procedures should increase guest satisfaction.

Outlook for 2003

As previously announced in January 2003, IHOP plans to transition from company-financed development of new restaurants to a traditional franchise development model during 2003. Taking this transition into account, IHOP provided the following performance guidance for fiscal 2003:

- * The development of 55 to 60 company-financed restaurants and 20 to 25 franchise developed restaurants, for a total of between 75 to 85 new restaurants. This compares with the development of 86 company-financed restaurants and 15 franchise/area licensed developed restaurants in 2002.
- * System-wide sales to range between \$1.55 billion and \$1.6 billion. This compares to system-wide sales of \$1.48 billion in 2002.
- * Net income per diluted share to range between \$1.55 and \$1.70. This compares with diluted net income per share of \$1.92 in 2002.
- * Free cash flow to improve to between a negative \$25 million and negative \$35 million. This compares with negative free cash flow of \$63.5 million in 2002.

Stewart stated, "2003 will be a transition year for IHOP. We will be required to execute our former business model while making substantive progress to our new operating model. Our financial targets for this year reflect the transition. As a result, we believe our full year 2003 net income per share will be between \$1.55 and \$1.70, and that our free cash flow targets will improve as we substantially reduce capital expenditures. In addition, we are still in the process of considering several strategic financial alternatives, and anticipate reaching a decision within the next 30 days."

As in prior years, there are a number of factors that influence operating results including primarily the magnitude and timing of new restaurant

openings and the number of franchise units reacquired, refranchised or closed by IHOP. Additionally, IHOP noted that the level of quarterly earnings can be dramatically affected by the timing of a relatively small number of franchise sales. For this reason the Company cannot predict earnings on a quarterly basis with precision, nor does it manage its business on such a basis.

Investor Conference Call

IHOP Corp. will host an investor conference call to discuss its fourth quarter and year-end results today at 11:00 a.m. ET (8:00 a.m. PT). To participate on the call, please dial (719) 457-2604 and reference pass code 699254. A webcast of the live call will be available on the Investor Relations section of the Company's Web site located at www.ihop.com. Participants should allow approximately five 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 audio replay of the call will be available by 2:00 p.m. ET (11:00 a.m. PT) on February 26, 2003, which can be accessed through March 5, 2003 by dialing (719) 457-0820 and referencing pass code 699254. An online archive of the webcast will be available approximately four hours following the end of the live call and will be archived on IHOP's Web site until March 26, 2003.

About IHOP Corp.

The IHOP family restaurant chain has been serving a wide variety of breakfast, lunch and dinner selections for 45 years. Offering more than 16 types of pancakes, as well as omelets, breakfast specialties, burgers, chicken and steaks, IHOP's diverse menu appeals to people of all ages. IHOP restaurants are developed, operated and franchised by Glendale, California based IHOP Corp. As of December 31, 2002, there were 1,103 IHOP restaurants in the chain in 45 states and Canada. IHOP is publicly traded on the NYSE under the symbol "IHP." For more information, call the company's headquarters at (818) 240-6055 or visit the company's Web site located at www.ihop.com.

Forward-Looking Statements

There are forward-looking statements contained in this news release. They use such words as "may," "will," "expect," "believe," "plan," or other similar terminology. These statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results to be materially different than those expressed or implied in such statements. These factors include, but are not limited to: risks associated with the implementation of the Company's new strategic growth plan, the availability of suitable locations and terms of the sites designated for development; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; conditions beyond IHOP's control such as weather, natural disasters or acts of war or terrorism; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the International House of Pancakes brand and concepts by guests and franchisees; IHOP's overall marketing, operational and financial performance; economic and political conditions; adoption of new, or changes in, accounting policies and practices; and other factors discussed from time to time in IHOP's filings with the Securities and Exchange Commission. Forward-looking information is provided by IHOP pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, IHOP disclaims any intent or obligation to update these forward-looking statements.

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Revenues				
Franchise operations				
Rent	\$21,582	\$18,047	\$82,007	\$65,780
Service fees and other	39,582	36,173	156,415	142,850
	61,164	54,220	238,422	208,630
Sale of franchises and equipment	27,205	19,367	53,019	46,996
Company operations	19,023	16,822	74,433	68,810
Total revenues	107,392	90,409	365,874	324,436
Costs and Expenses				
Franchise operations				
Rent	13,584	10,576	50,562	37,867
Other direct costs	14,117	12,206	55,139	48,269
	27,701	22,782	105,701	86,136
Cost of sales of franchises and equipment	18,012	12,800	35,294	31,086

Company operations	19,256	16,312	72,275	66,330
Field, corporate and administrative	12,516	10,705	48,253	40,621
Depreciation and amortization	4,183	3,920	15,967	14,818
Interest	5,948	5,257	21,575	21,107
Other (income) expense, net	650	121	1,452	(123)
Total costs and expenses	88,266	71,897	300,517	259,975
Income before income taxes	19,126	18,512	65,357	64,461
Provision for income taxes	7,172	6,942	24,509	24,173
Net income	\$11,954	\$11,570	\$40,848	\$40,288
Net Income Per Share				
Basic	\$0.57	\$0.56	\$1.95	\$1.98
Diluted	\$0.56	\$0.55	\$1.92	\$1.94
Weighted Average Shares Outstanding				
Basic	21,152	20,701	20,946	20,398
Diluted	21,334	21,057	21,269	20,762

IHOP CORP. AND SUBSIDIARIES
RESULTS OF OPERATIONS
(Dollars in thousands)
(Unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2002	2001	2002	2001
Restaurant Data				
Effective restaurants(a)(d)				
Franchise	866	796	843	767
Company	79	72	76	72
Area license	125	122	123	131
Total	1,070	990	1,042	970
System-wide				
Sales(b)(d)	\$371,852	\$341,537	\$1,478,567	\$1,345,757
Percent change	8.9%	7.7%	9.9%	8.0%
Average sales per effective restaurant(d)	\$348	\$345	\$1,419	\$1,387
Percent change	0.9%	3.0%	2.3%	2.6%
Comparable sales percentage change (c)	(1.0%)	0.6%	0.7%	0.8%
Franchise				
Sales	\$322,100	\$295,422	\$1,278,103	\$1,146,124
Percent change	9.0%	13.0%	11.5%	11.6%
Average sales per effective restaurant	\$372	\$371	\$1,516	\$1,494
Percent change	0.3%	1.6%	1.5%	1.3%
Comparable sales percentage change(c)	(1.0%)	0.8%	0.7%	0.9%
Company				
Sales	\$19,023	\$16,822	\$74,433	\$68,810

Percent change	13.1%	(13.3%)	8.2%	(5.5%)
Average sales per effective restaurant	\$241	\$234	\$979	\$956
Percent change	3.0%	(3.7%)	2.4%	(0.2%)
Area License (with Japan)				
Sales (d)	\$30,729	\$29,293	\$126,031	\$130,823
Percent change	4.9%	(19.5%)	(3.7%)	(10.7%)
Average sales per effective restaurant (d)	\$246	\$240	\$1,025	\$999
Percent change	2.5%	(0.4%)	2.6%	2.3%
Area License (without Japan)				
Sales (d)	\$30,729	\$29,293	\$126,031	\$122,351
Percent change	4.9%	0.1%	3.0%	6.3%
Average sales per effective restaurant (d)	\$246	\$240	\$1,025	\$1,011
Percent change	2.5%	(2.4%)	1.4%	2.7%

- (a) "Effective restaurants" are the number of restaurants in a given fiscal period adjusted to account for restaurants open for only a portion of the period. It is calculated by dividing total restaurant operating days by 91 days for a quarterly calculation.
- (b) "System-wide sales" are retail sales of franchisees, area licensees and Company-operated restaurants, as reported to IHOP.
- (c) "Comparable sales percentage change" reflects the percentage change in sales for restaurants that are operated for the entire fiscal period in which they are being compared. Because of new unit openings and store closures, the restaurants opened for an entire fiscal period being compared will be different from period to period. Comparable average sales do not include data on restaurants located in Florida.
- (d) During the second quarter of 2001, the Company's area licensee in Japan negotiated an early termination of its area license agreement. As part of this early termination, the area licensee discontinued operations of its 32 IHOP restaurants. Sales for the twelve months ended 2001, include sales in Japan until their closing. Excluding the units in Japan, system-wide sales increased 8.9% for the quarter and 10.6% for the twelve months ended December 31; effective restaurants grew by 8.1% for the quarter and 8.5% for the twelve months ended December 31; and average sales per effective restaurant increased by 0.9% for the quarter and 1.9% for the twelve months ended December 31, in each case over the same period in 2001. In the fourth quarter of 2001, excluding the units in Japan, system-wide sales increased 10.2% for the quarter and 10.1% for the twelve months ended December 31; effective restaurants grew by 8.2% for the period and 8.0% for the twelve months ended December 31; and average sales per effective restaurant increased by 1.8% for the quarter and 2.0% for the twelve months ended December 31, in each case over the same periods in 2000.

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DEVELOPMENT AND FRANCHISING ACTIVITY
(Unaudited)

Three Months Ended		Twelve Months Ended	
December 31,		December 31,	
2002	2001	2002	2001

RESTAURANT DEVELOPMENT
ACTIVITY
IHOP-beginning

of period	1,063	982	1,017	968
New openings				
IHOP--developed	41	34	86	76
Franchisee--developed	3	5	10	12
Area license	1	--	5	5
Total new openings	45	39	101	93
Closings				
Company and franchise	(4)	(3)	(13)	(11)
Area license	(1)	(1)	(2)	(33)
IHOP-end of period	1,103	1,017	1,103	1,017
Summary-end of period				
Franchise	902	823	902	823
Company	76	72	76	72
Area license	125	122	125	122
Total IHOP	1,103	1,017	1,103	1,017

RESTAURANT FRANCHISING
ACTIVITY

IHOP-developed	41	31	80	74
Franchisee-developed	3	5	10	12
Rehabilitated and refranchised	5	4	10	9
Total restaurants franchised	49	40	100	95
Reacquired by IHOP	(4)	(5)	(10)	(12)
Closed	(4)	(1)	(11)	(7)
Net addition	41	34	79	76

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	December 31, 2002	December 31, 2001
Current assets, net	\$159,101	\$59,160
Property and equipment, net	286,226	238,026
Long-term receivables:		
Notes receivable	46,929	42,559
Equipment contracts receivable	153,261	131,200
Direct financing leases receivable	132,602	134,100
Other assets	41,681	36,384
Total assets	\$819,800	\$641,429
Current liabilities	\$53,564	\$44,529
Long-term debt	145,768	50,209
Other long-term liabilities	256,079	234,261
Shareholders' equity	364,389	312,430
Total liabilities and shareholders' equity	\$819,800	\$641,429

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

Twelve Months Ended

	December 31,	
	2002	2001
Cash provided by operating activities	\$78,112	\$55,703
Cash used in investing activities		
Additions to property and equipment	(141,740)	(119,797)
Additions to other assets, net	170	(2,645)
Cash provided by financing activities	155,945	65,783
Net change in cash and cash equivalents	92,487	(956)
Cash and cash equivalents at beginning of period	6,252	7,208
Cash and cash equivalents at end of period	\$98,739	\$6,252

SOURCE IHOP Corp.