



Applebee's International Reports Third Quarter 2007 Results

October 29, 2007

OVERLAND PARK, Kan.--(BUSINESS WIRE)--Oct. 29, 2007--Applebee's International, Inc. (Nasdaq:APPB) today reported net earnings of \$15.8 million, or \$0.21 per diluted share, for the third quarter ended September 30, 2007. Excluding discontinued operations, impairment and other restaurant closure costs, and strategic alternative and proxy contest expenses totaling \$3.0 million after-tax or \$0.04 per share, net earnings were \$18.8 million, or \$0.25 per diluted share, for the third quarter of 2007. A reconciliation of non-GAAP measurements to GAAP results is attached to this release.

In March 2007, the company announced the decision to close 24 underperforming restaurants in 11 states. In the first quarter of 2007, 19 of these restaurants were closed, and four restaurants were closed in the second quarter of 2007. The company believes that four of the closed restaurants will have significant sales transfer to other existing restaurants, and in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the results of operations, impairment charges and lease obligations related to these four restaurants have been included in continuing operations. In addition, the write-down of the carrying value of the one restaurant which has not yet been closed is included in impairment charges and other restaurant closure costs in the accompanying consolidated statement of earnings. The results of operations, impairment charges and lease obligations for the remaining 19 closed restaurants are included in discontinued operations in the accompanying consolidated statements of earnings for both 2007 and 2006.

As previously reported, system-wide domestic comparable sales for the third quarter of 2007 decreased 0.3 percent. Company and domestic franchise restaurant comparable sales decreased 0.2 percent and 0.4 percent, respectively, for the quarter. System-wide domestic comparable sales for the year-to-date period through September decreased 1.8 percent, with domestic franchise restaurant comparable sales down 1.7 percent and company comparable sales down 2.0 percent.

The company plans to report domestic system-wide and franchise comparable sales for the October fiscal period, comprised of the four weeks ended October 28, 2007, later this week after franchisees report their results. Preliminary comparable sales for company restaurants for the October period decreased 1.1 percent, reflecting a decrease in guest traffic of between 2.5 and 3.0 percent, combined with a higher average check.

On July 16, 2007, IHOP Corp. ("IHOP") and Applebee's International jointly announced a definitive agreement under which IHOP will acquire Applebee's for \$25.50 per share in cash, representing a total transaction value of approximately \$2.1 billion. The all-cash transaction is subject to the approval of Applebee's shareholders and customary closing conditions. The shareholder vote is scheduled for October 30, 2007, and if shareholders approve the merger, the transaction is expected to close by November 29, 2007.

Dave Goebel, president and chief executive officer, said, "While we were pleased with the sequential improvement in our third quarter sales trends, we continue to face a difficult macro environment. Our restaurant margins during the quarter were pressured by higher labor costs as well as higher direct and occupancy costs attributable primarily to increased advertising and repairs and maintenance expenses.

"On a more positive note, we are excited about the launch of our new advertising campaign which debuted yesterday. The campaign, which was created by our new agency, McCann Erickson, begins a restaging of the brand that is designed to differentiate Applebee's from our competition. The restaging also introduces several new brand elements including an updated logo; new menu design and strategy; and the new tag line, "Together is good."

"Finally, the Applebee's management team has been working closely with the IHOP management team to facilitate the integration of the two companies. I am extremely proud of the dedication and focus our exceptional associates and franchisees have shown while preparing for this transition."

Other results for the third quarter ended September 30, 2007 included:

- Total system-wide sales for the quarter increased by 3.9 percent over the prior year. System-wide sales are a non-GAAP financial measure that includes sales at all company and franchise Applebee's restaurants, as reported by franchisees. The company believes that system-wide sales information is useful in analyzing Applebee's market share and growth, and because franchisees pay royalties and contribute to the national advertising pool based on a percentage of their sales.
- Applebee's ended the quarter with 1,953 restaurants open system-wide (510 company and 1,443 franchise restaurants). During the third quarter of 2007, there were 16 new Applebee's restaurants opened system-wide, including 2 company and 14 franchised restaurants.

-- As of September 30, 2007, the company had total debt outstanding of \$123.0 million, with \$261.7 million available under its revolving credit facility.

Applebee's International, Inc., headquartered in Overland Park, Kan., develops, franchises and operates restaurants under the Applebee's Neighborhood Grill & Bar brand, the largest casual dining concept in the world. As of October 28, 2007, there were 1,955 Applebee's restaurants operating system-wide in 49 states, 17 international countries, and one U.S. territory, of which 510 were company-owned. Additional information on Applebee's International can be found at the company's website (www.applebees.com).

Forward-Looking Statements

Certain statements contained in this release are forward-looking and based on current expectations. There are several risks and uncertainties that could cause actual results to differ materially from those described. These risks include, but are not limited to, our pending merger with IHOP, our ability and the ability of our franchisees to open and operate additional restaurants profitably and generate positive operating cash flows and return on invested capital, the impact of economic and demographic factors on consumer spending, maintaining and growing the value of the Applebee's brand, the impact of intense competition in the casual dining segment of the restaurant industry, the impact of future leverage on our operations, the failure to open the restaurants anticipated, the impact of increases in capital expenditure costs on future development, our ability to attract and retain qualified franchisees, and the impact of further penetration of restaurants in existing markets. For a more detailed discussion of the principal factors that could cause actual results to be materially different, you should read our risk factors in Item 1A of our 2006 Annual Report on Form 10-K. We disclaim any obligation to update forward-looking statements.

Additional Information and Where to Find It

In connection with the proposed transaction, IHOP Corp. and Applebee's International will be filing documents with the Securities and Exchange Commission (the "SEC"), and Applebee's has filed a related definitive proxy statement. Investors and security holders are urged to read the definitive proxy statement because it contains important information about the proposed transaction. Investors and security holders may obtain free copies of the definitive proxy statement and other documents filed with the SEC at the SEC's website at www.sec.gov. In addition, investors and security holders may obtain free copies of the documents filed with the SEC by IHOP Corp. by contacting IHOP Investor Relations at 818-240-6055. Investors and security holders may obtain free copies of the documents filed with the SEC by Applebee's by contacting Applebee's Investor Relations at 913-967-4000.

Applebee's and their directors and executive officers may be deemed participants in the solicitation of proxies from the stockholders of Applebee's in connection with the proposed transaction. Information regarding the special interests of these directors and executive officers in the proposed transaction is included in the definitive proxy statement of Applebee's described above. Additional information regarding the directors and executive officers of Applebee's is also included in Applebee's proxy statement for its 2007 Annual Meeting of Stockholders, which was filed with the SEC on April 9, 2007, and the supplemental proxy statement filed on May 1, 2007. These documents are available free of charge at the SEC's website at www.sec.gov and from Investor Relations at IHOP and Applebee's as described above.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(in thousands, except per share amounts)

	13 Weeks Ended		39 Weeks Ended	
	Sept. 30, 2007	Sept. 24, 2006	Sept. 30, 2007	Sept. 24, 2006
Operating revenues:				
Company restaurant sales	\$288,861	\$280,480	\$883,128	\$870,372
Franchise royalties and fees	34,357	33,340	107,651	103,581
Other franchise income	475	371	1,209	1,355
Total operating revenues	323,693	314,191	991,988	975,308
Cost of company restaurant sales:				
Food and beverage	77,093	74,856	235,048	231,726
Labor	101,951	96,353	305,202	291,963
Direct and occupancy	83,262	77,296	243,302	230,948
Pre-opening expense	214	1,115	1,700	3,022
Total cost of company restaurant sales	262,520	249,620	785,252	757,659
Cost of other franchise income	357	694	1,100	1,741
General and administrative expenses	35,566	35,601	100,546	103,527

Amortization of intangible assets	128	154	382	562
Impairment and other restaurant closure costs	74	1,296	5,830	2,416
Loss on disposition of property and equipment	655	680	1,279	1,677
	-----	-----	-----	-----
Operating earnings	24,393	26,146	97,599	107,726
	-----	-----	-----	-----
Other income (expense):				
Investment income	746	885	2,753	1,345
Interest expense	(1,945)	(2,970)	(6,670)	(8,509)
Other income (expense)	(66)	301	(158)	538
	-----	-----	-----	-----
Total other expense	(1,265)	(1,784)	(4,075)	(6,626)
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Earnings from continuing operations before income taxes	23,128	24,362	93,524	101,100
Income taxes(a)	7,322	8,849	30,452	35,085
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Earnings from continuing operations	15,806	15,513	63,072	66,015
Loss from discontinued operations, net of tax	(42)	(672)	(13,684)	(3,619)
	-----	-----	-----	-----
Net earnings	\$15,764	\$14,841	\$49,388	\$62,396
	=====	=====	=====	=====
Basic net earnings per common share:				
Earnings from continuing operations	\$0.21	\$0.21	\$0.85	\$0.89
Loss from discontinued operations, net of tax	--	(0.01)	(0.18)	(0.05)
	-----	-----	-----	-----
Basic net earnings per common share	\$0.21	\$0.20	\$0.67	\$0.84
	=====	=====	=====	=====
Diluted net earnings per common share:				
Earnings from continuing operations	\$0.21	\$0.21	\$0.84	\$0.88
Loss from discontinued operations, net of tax	--	(0.01)	(0.18)	(0.05)
	-----	-----	-----	-----
Diluted net earnings per common share	\$0.21	\$0.20	\$0.66	\$0.83
	=====	=====	=====	=====
Basic weighted average shares outstanding	74,178	73,902	74,078	74,044
	=====	=====	=====	=====
Diluted weighted average shares outstanding	75,287	74,673	75,186	75,007
	=====	=====	=====	=====

(a) The income tax rate for the third quarter of 2007 benefited from higher tax credits related to the construction of our new corporate headquarters.

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP MEASUREMENTS TO GAAP RESULTS
(Unaudited)
(in thousands, except per share amounts)

In addition to the results provided in accordance with Generally Accepted Accounting Principles ("GAAP") throughout this document, the company has provided non-GAAP measurements which present operating results on a basis before discontinued operations, impairment and other restaurant closure costs, strategic alternative and proxy contest expenses in 2007 and legal expenses related to a lawsuit in 2006.

The company is using earnings before discontinued operations, impairment and other restaurant closure costs, strategic alternative and proxy contest expenses in 2007 and legal expenses related to a lawsuit in 2006 as a key performance measure of results of operations for purposes of evaluating performance internally. This non-GAAP measurement is not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the company believes that this presentation provides additional information to facilitate the comparison of past and present operations.

	13 Weeks Ended		39 Weeks Ended	
	Sept. 30, 2007	Sept. 24, 2006	Sept. 30, 2007	Sept. 24, 2006
Discontinued operations	\$(299)	\$(1,414)	\$(21,482)	\$(5,990)
Impairment and other restaurant closure costs	(74)	(1,296)	(5,830)	(2,416)
Legal expenses related to lawsuit	--	(1,500)	--	(1,500)
Strategic alternative and proxy contest expenses	(3,884)	--	(7,498)	--
Income taxes	1,244	1,730	12,030	3,730
Discontinued operations, impairment and other restaurant closure costs, legal expenses and strategic alternative and proxy contest expenses, net of tax	\$ (3,013)	\$ (2,480)	\$ (22,780)	\$ (6,176)
Diluted weighted average shares outstanding	75,287	74,673	75,186	75,007
Diluted earnings per share impact of discontinued operations, impairment and other restaurant closure costs, legal expenses and strategic alternative and proxy contest expenses	\$ (0.04)	\$ (0.03)	\$ (0.30)	\$ (0.08)

Reconciliation of earnings
before discontinued
operations, impairment and
other restaurant closure
costs, legal expenses and
strategic alternative and
proxy contest expenses to net
earnings:
Earnings before discontinued
operations, impairment and

other restaurant closure costs, legal expenses and strategic alternative and proxy contest expenses	\$ 18,777	\$ 17,321	\$ 72,168	\$ 68,572
Discontinued operations, impairment and other restaurant closure costs, legal expenses and strategic alternative and proxy contest expenses, net of tax	(3,013)	(2,480)	(22,780)	(6,176)
Net earnings	\$15,764	\$14,841	\$49,388	\$62,396

Reconciliation of earnings per share before discontinued operations, impairment and other restaurant closure costs, legal expenses and strategic alternative and proxy contest expenses to reported earnings per share:

Diluted earnings per share before discontinued operations, impairment and other restaurant closure costs, legal expenses and strategic alternative and proxy contest expenses	\$ 0.25	\$ 0.23	\$ 0.96	\$ 0.91
Diluted earnings per share impact of discontinued operations, impairment and other restaurant closure costs, legal expenses and strategic alternative and proxy contest expenses	(0.04)	(0.03)	(0.30)	(0.08)
Reported diluted earnings per share	\$0.21	\$0.20	\$0.66	\$0.83

The following table contains information derived from the company's consolidated statements of earnings expressed as a percentage of total operating revenues, except where otherwise noted. Percentages may not add due to rounding.

	13 Weeks Ended		39 Weeks Ended	
	Sept. 30, 2007	Sept. 24, 2006	Sept. 30, 2007	Sept. 24, 2006
Operating revenues:				
Company restaurant sales	89.2%	89.3%	89.0%	89.2%
Franchise royalties and fees	10.6	10.6	10.9	10.6
Other franchise income	0.1	0.1	0.1	0.1
Total operating revenues	100.0%	100.0%	100.0%	100.0%
Cost of sales (as a percentage of company restaurant sales):				
Food and beverage	26.7%	26.7%	26.6%	26.6%
Labor	35.3	34.4	34.6	33.5
Direct and occupancy	28.8	27.6	27.6	26.5
Pre-opening expense	0.1	0.4	0.2	0.3

Total cost of sales	90.9%	89.0%	88.9%	87.1%
Cost of other franchise income (as a percentage of other franchise income)	75.2%	187.1%	91.0%	128.5%
General and administrative expenses	11.0	11.3	10.1	10.6
Amortization of intangible assets	--	--	--	0.1
Impairment and other restaurant closure costs	--	0.4	0.6	0.2
Loss on disposition of property and equipment	0.2	0.2	0.1	0.2
Operating earnings	7.5	8.3	9.8	11.0
Other income (expense):				
Investment income	0.2	0.3	0.3	0.1
Interest expense	(0.6)	(0.9)	(0.7)	(0.9)
Other income	--	0.1	--	0.1
Total other expense	(0.4)	(0.6)	(0.4)	(0.7)
Earnings from continuing operations before income taxes	7.1	7.8	9.4	10.4
Income taxes	2.3	2.8	3.1	3.6
Earnings from continuing operations	4.9	4.9	6.4	6.8
Loss from discontinued operations, net of tax	--	(0.2)	(1.4)	(0.4)
Net earnings	4.9%	4.7%	5.0%	6.4%

The following table sets forth certain financial information and other restaurant data relating to company and franchise restaurants, as reported to us by franchisees:

	13 Weeks Ended		39 Weeks Ended	
	Sept. 30, 2007	Sept. 24, 2006	Sept. 30, 2007	Sept. 24, 2006
Number of restaurants:				
Company:				
Beginning of period	508	507	521	486
Restaurant openings	2	6	12	25
Restaurant closings	--	(1)	(23)	(3)
Restaurants acquired from franchisees	--	--	--	4
End of period	510	512	510	512
Franchise:				
Beginning of period	1,435	1,353	1,409	1,318
Restaurant openings	14	22	42	67
Restaurant closings	(6)	(3)	(8)	(9)
Restaurants acquired by franchisor	--	--	--	(4)
End of period	1,443	1,372	1,443	1,372

Total:				
Beginning of period	1,943	1,860	1,930	1,804
Restaurant openings	16	28	54	92
Restaurant closings	(6)	(4)	(31)	(12)
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End of period	1,953	1,884	1,953	1,884
	=====	=====	=====	=====
Weighted average weekly sales per restaurant:				
Company(1)	\$43,720	\$43,331	\$44,501	\$45,527
Domestic franchise	\$46,928	\$47,516	\$48,993	\$50,394
Domestic total	\$46,046	\$46,327	\$47,744	\$49,011
Change in comparable restaurant sales:(2)				
Company(3)	(0.2)%	(1.7)%	(2.0)%	(0.8)%
Domestic franchise	(0.4)%	(2.5)%	(1.7)%	(0.4)%
Domestic total	(0.3)%	(2.3)%	(1.8)%	(0.5)%
Total operating revenues (in thousands):				
Company restaurant sales(4)	\$288,861	\$280,480	\$883,128	\$870,372
Franchise royalties and fees(5)	34,357	33,340	107,651	103,581
Other franchise income(6)	475	371	1,209	1,355
	-----	-----	-----	-----
Total	\$323,693	\$314,191	\$991,988	\$975,308
	=====	=====	=====	=====

(1) Includes restaurants presented as discontinued operations. Excluding the restaurants presented as discontinued operations, company average weekly sales were \$43,720 and \$43,997 in the 2007 quarter and the 2006 quarter, respectively, and \$44,763 and \$46,225 in the 2007 year-to-date period and the 2006 year-to-date period, respectively.

(2) When computing comparable restaurant sales, restaurants open for at least 18 months are compared from period to period.

(3) Includes restaurants presented as discontinued operations. Excluding the restaurants presented as discontinued operations, company comparable restaurant sales were (0.2)% and (1.6)% in the 2007 quarter and the 2006 quarter, respectively, and (2.0)% and (0.7)% in the 2007 year-to-date period and the 2006 year-to-date period, respectively.

(4) Excludes restaurants presented as discontinued operations. Sales for these restaurants, in thousands, were \$6,458 in the 2006 quarter and \$7,298 and \$20,593 in the 2007 year-to-date period and the 2006 year-to-date period, respectively.

(5) Franchise royalties are generally 4% of each franchise restaurant's reported monthly gross sales. Reported unaudited franchise sales, in thousands, were \$865,484 and \$830,458 in the 2007 quarter and the 2006 quarter, respectively, and \$2,681,427 and \$2,594,659 in the 2007 year-to-date period and the 2006 year-to-date period, respectively. Franchise fees typically are \$35,000 for each restaurant opened.

(6) Other franchise income includes revenue from information technology products and services provided to certain franchisees.

(in thousands, except share amounts)

	September 30, 2007	December 31, 2006
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ASSETS		
Current assets:		
Cash and cash equivalents	\$18,912	\$22,309
Short-term investments, at market value	299	293
Receivables, net of allowance	39,754	48,224
Inventories	10,912	11,524
Prepaid income taxes	4,736	55
Prepaid and other current assets	19,192	15,255
Assets held for sale	5,273	7,633
Current assets related to discontinued operations	4,935	1,630
	-----	-----
Total current assets	104,013	106,923
Property and equipment, net	631,243	618,492
Goodwill	138,950	138,950
Restricted assets related to captive insurance subsidiary	10,755	13,356
Other intangible assets, net	6,028	6,408
Other assets, net	36,881	34,351
Non-current assets related to discontinued operations	2,558	19,705
	-----	-----
	\$930,428	\$938,185
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$310	\$265
Accounts payable	49,720	43,235
Accrued expenses and other current liabilities	96,348	113,641
Loss reserve related to captive insurance subsidiary	4,940	6,094
Accrued dividends	--	16,299
Accrued income taxes	--	9,015
Current liabilities related to discontinued operations	1,162	--
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Total current liabilities	152,480	188,549
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Non-current liabilities:		
Long-term debt, less current portion	122,697	174,920
Deferred income taxes	25,134	26,225
Other non-current liabilities	70,185	61,837
Non-current liabilities related to discontinued operations	6,367	--
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Total non-current liabilities	224,383	262,982
	-----	-----
Total liabilities	376,863	451,531
	-----	-----
Stockholders' equity:		
Preferred stock - par value \$0.01 per share: authorized - 1,000,000 shares; no shares issued	--	--
Common stock - par value \$0.01 per share: authorized - 125,000,000 shares; issued - 108,503,243 shares	1,085	1,085

Additional paid-in capital	274,412	265,122
Retained earnings	822,722	774,884
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	1,098,219	1,041,091
Treasury stock - 33,343,536 shares in 2007 and 34,393,331 shares in 2006, at cost	(544,654)	(554,437)
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Total stockholders' equity	553,565	486,654
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	\$930,428	\$938,185
	=====	=====

APPLEBEE'S INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	39 Weeks Ended	

	September 30,	September 24,
	2007	2006

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$49,388	\$62,396
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	51,225	48,092
Amortization of intangible assets	382	562
Stock-based compensation	12,285	16,584
Other amortization	250	233
Deferred income tax benefit	(5,815)	(8,615)
Impairment and other restaurant closure costs	25,935	6,500
Loss on disposition of property and equipment	686	1,692
Income tax benefit from stock-based compensation	456	1,233
Changes in assets and liabilities, exclusive of effect of acquisition:		
Receivables	8,470	2,789
Inventories	522	10,031
Prepaid and other current assets	(661)	115
Accounts payable	3,478	(24,502)
Accrued expenses and other current liabilities	(17,824)	(16,750)
Loss reserve and unearned premiums related to		
captive insurance subsidiary	(1,154)	(4,210)
Income taxes	(13,946)	7,440
Other non-current liabilities	6,481	7,770
Other	(3,684)	(1,922)
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NET CASH PROVIDED BY OPERATING ACTIVITIES	116,474	109,438
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CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(65,276)	(86,635)
Change in restricted assets related to captive insurance subsidiary	2,601	4,318
Acquisition of restaurants	--	(8,053)

Proceeds from sale of property and equipment	4,949	281
NET CASH USED BY INVESTING ACTIVITIES	(57,726)	(90,089)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchases of treasury stock	(999)	(27,528)
Dividends paid	(16,299)	(14,840)
Issuance of common stock upon exercise of stock options	4,001	8,814
Shares issued under employee benefit plans	2,831	3,345
Excess tax benefits from stock-based compensation	499	1,683
Net debt proceeds (payments)	(52,178)	5,913
NET CASH USED BY FINANCING ACTIVITIES	(62,145)	(22,613)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,397)	(3,264)
CASH AND CASH EQUIVALENTS, beginning of period	22,309	13,040
CASH AND CASH EQUIVALENTS, end of period	\$18,912	\$9,776
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SOURCE:

Applebee's International, Inc.