UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

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

For the transition period from to

Commission File Number 001-15283

Dine Brands Global, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-3038279** (I.R.S. Employer Identification No.)
450 North Brand Boulevard, Glendale, California (Address of principal executive offices)	**91203-2306** (Zip Code)

Registrant's telephone number, including area code: **(818) 240-6055**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§232.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company) Smaller reporting company o Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act o

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2017: $750.2 million.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of February 13, 2018
Common Stock, $.01 par value	17,997,911

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on Tuesday, May 15, 2018 (the "2018 Proxy Statement") are incorporated by reference into Part III.

DINE BRANDS GLOBAL, INC. AND SUBSIDIARIES

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2017

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Cautionary Statement Regarding Forward-Looking Statements

Statements contained in this Annual Report on Form 10-K may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. You can identify these forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “goal” and other similar expressions. You should consider our forward-looking statements in light of the risks discussed under the heading “Risk Factors,” as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the United States Securities and Exchange Commission. The forward-looking statements contained in this report are made as of the date hereof and the Company does not intend to, nor does it assume any obligation to, update or supplement any forward-looking statements after the date of this report to reflect actual results or future events or circumstances.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Annual Report on Form 10-K include, among other things: general economic conditions; our level of indebtedness; compliance with the terms of our securitized debt; our ability to refinance our current indebtedness or obtain additional financing; our dependence on information technology; potential cyber incidents; the implementation of restaurant development plans; our dependence on our franchisees; the concentration of our Applebee’s franchised restaurants in a limited number of franchisees; the financial health of our franchisees; 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; possible future impairment charges; the effects of tax reform; 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; our ability to attract and retain management and other key employees; compliance with federal, state and local governmental regulations; risks associated with our self-insurance; natural disasters or other series 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.

Fiscal Year End

We have a 52/53 week fiscal year ending on the Sunday nearest to December 31 of each year. For convenience, in this annual report on Form 10-K, we refer to all fiscal years as ending on December 31 and all interim fiscal quarters as ending on March 31, June 30 and September 30 of the respective fiscal year. There were 52 calendar weeks in our 2017 and 2016 fiscal years that ended on December 31, 2017 and January 1, 2017, respectively, and 53 calendar weeks in our 2015 fiscal year that ended January 3, 2016.

PART I

Item 1. Business

Dine Brands Global, Inc.℠, together with its subsidiaries (referred to as the “Company,” “Dine Brands Global,” “we,” “our” and “us”), owns and franchises the Applebee's Neighborhood Grill & Bar® (“Applebee's”) concept in the bar and grill segment within the casual dining category of the restaurant industry and the International House of Pancakes® (“IHOP”) concept in the family dining category of the restaurant industry. References herein to Applebee's® and IHOP® restaurants are to these two restaurant concepts, whether operated by franchisees or area licensees and their sub-licensees. As of December 31, 2017, all of our 3,722 restaurants across both brands were franchised. We believe this franchised business model requires less capital investment and general and administrative overhead, generates higher gross profit margins and reduces the volatility of adjusted free cash flow performance, as compared to a business model based on owning a significant number of company-operated restaurants.

We generated revenue from five operating segments during the year ended December 31, 2017, comprised as follows:

- Our two franchise operations - primarily royalties, fees and other income from 1,936 Applebee’s franchised restaurants and 1,786 IHOP franchised and area licensed restaurants;
- Rental operations - primarily rental income derived from lease or sublease agreements covering 693 IHOP franchised restaurants and one Applebee’s franchised restaurant;
- Financing operations - primarily interest income from approximately $80 million of receivables for equipment leases and franchise fee notes generally associated with IHOP franchised restaurants developed before 2003; and
- Company restaurant operations - retail sales from 10 IHOP company restaurants we operated until June 2017.

Most of our revenue is derived from domestic sources within these five operating segments, with approximately 97% of our total 2017 revenues being generated from our franchise and rental operations. Revenue derived from all international operations comprised approximately 3% of total consolidated revenue for the year ended December 31, 2017. At December 31, 2017, there were no long-lived assets located outside of the United States. See Note 18 - Segment Reporting, of the Notes to the Consolidated Financial Statements included in this report for additional segment information.

This report should be read in conjunction with the cautionary statements under “Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Cautionary Statement Regarding Forward-Looking Statements.”

Our Goal

Our goal is to return to growth and continue to create significant future value for shareholders and franchisees.

Our Strategic Priorities

We are focused on generating strong adjusted free cash flow and returning a substantial portion of it to stockholders. Since announcing in 2013 our capital allocation strategy to return the majority of adjusted free cash flow to our stockholders, we have returned over $500 million over the last five years, through a combination of quarterly cash dividends and stock repurchases.

To build value, we seek to maximize our business by focusing on the following key strategic priorities:

- Evolve strong brands and drive same-restaurant sales growth;
- Facilitate franchisee restaurant development; and
- Maintain strong financial discipline.

Our fundamental approach to brand building centers on a strategic combination of initiatives to continually innovate and evolve our existing brands as well as explore small investments in or acquisitions of new concepts. We have shifted our philosophy to one of actively supporting our brands, not overseeing them. Our management team has been restructured, establishing more responsibility and accountability at the brand level to create greater efficiency for both brands. We are making strategic investments to ensure the brands have the resources necessary to succeed. We are investing in store remodel design and culinary innovation to enhance the guest experience. In partnership with our franchisees, significant investments have been made and will continue to be made in marketing across traditional and digital channels to drive traffic to our restaurants. We are placing greater emphasis on quantitative analytics to know who our guests are, what matters to them and why they care about our brands. We are investing in technology to create more ways for customers to access our brands and in new growth platforms such as on-line ordering and delivery.

We will continue to prioritize the return of a substantial portion of our adjusted free cash flow to stockholders. We have reduced the quarterly dividend on our common stock to $0.63 per share, effective with the first quarter 2018 dividend. We believe this action allows for greater flexibility to provide for meaningful opportunistic stock repurchases in the future.

Our History

The first IHOP restaurant opened in 1958 in Toluca Lake, California. Since that time, the Company and its predecessors have engaged in the development, franchising and operation of IHOP restaurants. Prior to 2003, new IHOP restaurants were generally developed by us, and we were involved in all aspects of the construction and financing of the restaurants. We typically identified and leased or purchased the restaurant sites for new company-developed IHOP restaurants, built and equipped the restaurants and then franchised them to franchisees. In addition, we typically financed as much as 80% of the franchise fee for periods ranging from five to eight years and leased the restaurant and equipment to the franchisee over a 25-year period. We refer to this as our "Previous IHOP Business Model," which accounts for most of the activity in our rental and financing operations.

For most IHOP restaurants opened after 2003, the franchisee is primarily responsible for the development and financing of the restaurant. In general, we no longer provide any financing with respect to the franchise fee, restaurant site or equipment. The franchisee uses its own capital and financial resources along with third-party financial sources obtained by the franchisee to purchase or lease a restaurant site, build and equip the business and fund its working capital needs. We refer to this as our "Current IHOP Business Model."

The first restaurant in what became the Applebee's chain opened in 1980 in Decatur, Georgia. In November 2007, we completed the acquisition of Applebee's International, Inc., which comprised 1,455 franchised restaurants and 510 company-operated restaurants at the time of the acquisition. Since the acquisition, we have refranchised all of the Applebee's company-operated restaurants and the Applebee's system became 100% franchised in July 2015.

Restaurant Concepts

Applebee's

We franchise Applebee's restaurants in the bar and grill segment within the casual dining category of the restaurant industry. Each Applebee's restaurant offers a lively, casual dining, table service experience combining simple American fare with flair, classic drinks and local drafts - all for a moderate price. All Applebee's restaurants are owned and operated by franchisees dedicated to serving their communities and offering quality food and drinks with genuine, neighborly service.

Our menu features a selection of craveable grill and bar fare, such as appetizers, bar snacks, burgers, classic entrees and lighter fare, as well as cocktails, beers and desserts. Our commitment to industry-leading innovation is evident behind such products as Topped Steaks and Twisted Potatoes and Big & Bold Grill Combos. For guests looking for wholesome ingredients, satisfying portions, loaded with flavors and not calories, our Lighter Fare options include meals under 600 calories like the Shrimp Wonton Stir Fry or Cedar Grilled Lemon Chicken. To reinforce our connection to the communities in which we operate, we re-introduced our "Eatin' Good in the Neigborhood" ad campaign in 2017.

As of December 31, 2017, 60 franchise groups operated 1,936 Applebee's franchise restaurants. These restaurants were located in 50 states within the United States, in two United States territories and in 15 countries outside of the United States. The June 19, 2017 issue of *Nation's Restaurant News* reported that Applebee's was the largest casual dining concept in terms of 2016 United States system-wide sales.

IHOP

We franchise restaurants in the family dining category of the restaurant industry under the names IHOP and International House of Pancakes. IHOP restaurants feature full table service and high quality, moderately priced food and beverage offerings in an attractive and comfortable family atmosphere. Although the restaurants are best known for their award-winning pancakes, omelets and other breakfast specialties, IHOP restaurants also offer a variety of lunch, dinner and snack items. IHOP restaurants are open throughout the day and evening hours. Approximately half of IHOP restaurants operate 24 hours a day, seven days a week, with 226 additional restaurants operating 24 hours a day for some portion of the week. After announcing the most comprehensive remodel program in our brand's 60-year history in late 2015, our domestic franchisees remodeled 620 of their restaurants in 2017 and 2016, representing approximately 37% of domestic IHOP restaurants. We continued our culinary innovation throughout 2017 with product offerings such as Latte Lovers Pancakes and Cheesecake Stuffed French Toast. With the 2017 roll-out of our new "IHOP 'N Go" mobile ordering technology, IHOP is now more accessible than ever.

As of December 31, 2017, 321 franchise groups operated 1,786 IHOP franchise and area license restaurants. These restaurants were located in all 50 states within the United States, in the District of Columbia, in three United States territories and in 13 countries outside of the United States. We no longer operate any company-owned restaurants, but we may operate, on a temporary basis until refranchised, IHOP restaurants that we re-acquire for a variety of reasons from IHOP franchisees. The June 19, 2017 issue of *Nation's Restaurant News* reported that IHOP was the largest family dining concept in terms of 2016 United States system-wide sales.

See Item 2 - Properties, for the geographic location of all Applebee’s and IHOP restaurants.

Franchising

Franchisee Relationships

We highly value good relationships with our IHOP and Applebee's franchisees and strive to maintain positive working relationships with them. For several years, IHOP and Applebee’s franchisees have participated in Company-sponsored advisory groups. These groups provide a forum for franchisees to share demonstrated best practices, offer counsel and review successful strategies, while working side-by-side with management of the Applebee's and IHOP brands. Applebee’s sponsors its Franchise Brand Council (“FBC”), which consists of eight franchisee representatives. One franchisee representative, the founder of Applebee's, is a member for life, while the other franchisee representatives are elected by our franchisees. IHOP sponsors its Franchise Leadership Council (“FLC”), an elected and appointed body of 12 IHOP franchisees. The Applebee's FBC and the IHOP FLC assist Applebee's and IHOP senior management in key areas of the business and strategy, including brand marketing, operations, restaurant development, information technology, menu, and innovation.

Franchise Agreements and Fees

Franchise arrangements for Applebee's restaurants typically consist of a development agreement and a separate franchise agreement for each restaurant. Development agreements grant to the franchisee the exclusive right to develop Applebee's restaurants within a designated geographical area over a specified period of time. The term of a domestic development agreement is generally 20 years. The development agreements typically provide for initial development periods of one to five years as agreed upon by us and the franchisee. At or shortly prior to the completion of the initial development schedule or any subsequent supplemental development schedule, we and the franchisee generally execute supplemental development schedules providing for the development of additional Applebee's restaurants in the franchisee's exclusive territory.

Prior to the opening of each new Applebee's restaurant, we enter into a separate franchise agreement with the franchisee for that restaurant. Our current standard domestic Applebee's franchise agreement provides for an initial term of 20 years and provides an option for four successive renewal terms, in five-year increments, for up to an additional 20 years, upon payment of an additional franchise fee. Our current standard domestic Applebee's franchise arrangement calls for a development fee equal to $10,000 for each Applebee's restaurant that the franchisee contracts to develop and an initial franchisee fee of $35,000 for each restaurant developed (against which the $10,000 development fee will be credited) and a royalty fee equal to 4% of the restaurant's monthly gross sales. We have agreements with most of our franchisees for Applebee's restaurants opened before January 1, 2000, which provide for a royalty rate of 4%. The terms, royalty rate and advertising fees under a limited number of franchise agreements and other franchise fees under older development agreements vary from the currently offered arrangements.

Under the Current IHOP Business Model, a potential franchisee that is approved first enters into a single-restaurant franchise agreement, a single-restaurant development agreement, or a multi-restaurant development agreement with us and is responsible for the development and financing of one or more new IHOP franchised restaurants. Our current standard domestic IHOP franchise agreement typically provides for an initial term of 20 years and permits one renewal for a term of 10 years, upon payment of a renewal fee of $10,000.

The revenues we receive from a typical domestic franchise development arrangement under the Current IHOP Business Model include (a) a location fee equal to $15,000 for an IHOP restaurant that the franchisee contracts to develop upon execution of a single-restaurant development agreement; (b) a development fee equal to $20,000 for each IHOP restaurant that the franchisee contracts to develop upon execution of a multi-restaurant development agreement; (c) an initial franchise fee equal to (i) $40,000 (against which the $20,000 development fee will be credited) for each restaurant developed under a multi-restaurant development agreement, (ii) $50,000 (against which the $15,000 location fee will be credited) for a restaurant developed under a single-restaurant development agreement or (iii) $50,000 for a restaurant opened pursuant to a single-restaurant franchise agreement, in each case paid upon execution of the franchise agreement; (d) franchise royalties equal to 4.5% of weekly gross sales; (e) revenue from the sale of our proprietary pancake and waffle dry-mixes; and (f) franchise advertising fees.

The principal commercial terms of the franchise arrangements under the Previous IHOP Business Model and the Current IHOP Business Model, including the franchise royalties and the franchise advertising fees, are substantially the same except with respect to the terms relating to the franchise fee, lease or sublease rents for the restaurant property and building, and interest income from any franchise fee notes and equipment leases.

Development of Applebee’s and IHOP restaurants outside of the United States has historically been conducted through a separate development agreement and franchise agreement. More recently, certain franchisees have entered into a multi-unit franchise agreement that governs the rights and obligations to develop a territory, in addition to terms of operating each restaurant opened in the territory. The term of a franchisee’s exclusive right to develop a territory expires when the agreement’s development schedule is completed. The term to operate the restaurant is typically 20 years, subject to applicable renewals.

In limited instances, we have agreed to accept reduced royalties and/or lease payments from franchisees or have provided other accommodations to franchisees for specified periods of time in order to assist them in either establishing or reinvigorating their businesses. We have the contractual right, subject to applicable law, to terminate a development and franchise agreement for a variety of reasons, such as a franchisee’s failure to make required payments when due, failure to timely develop restaurants and failure to adhere to specified brand policies and standards.

Advertising Fees

We currently require domestic franchisees of Applebee's restaurants to contribute 3.25% of their gross sales to a national advertising fund, which funds the development of national promotions, television and radio commercials and print advertising materials. Applebee's franchisees are also required to spend at least 0.5% of their gross sales on local marketing and promotional activities. Under the current Applebee's franchise agreements, we have the ability to increase the amount of the required combined contribution to the national advertising fund and the amount required to be spent on local marketing and promotional activities to a maximum of 5% of gross sales. Virtually all Applebee’s franchisees have entered into an amendment to their franchise agreements that increased their contribution to the Applebee's national advertising fund (the “Applebee’s NAF”) to 3.50% of their gross sales and decreased their minimum local promotional expenditures by 0.25% of their gross sales, in each case, for the period from January 1, 2018 to December 31, 2019. Such franchisees have also agreed to an incremental temporary increase in the advertising contribution rate, subject to certain contingencies.

IHOP franchisees allocate a percentage of their sales to local advertising cooperatives and a national advertising fund (the “IHOP NAF”). The IHOP franchise agreements generally provide for advertising fees comprised of (i) a local advertising fee generally equal to 2.0% of weekly gross sales under the franchise agreement, which is typically used to cover the cost of local media purchases and other local advertising expenses incurred by a local advertising cooperative, and (ii) a national advertising fee equal to 1.0% of weekly gross sales under the franchise agreement. Area licensees are generally required to pay lesser amounts toward advertising.

The local IHOP advertising cooperatives have historically used advertising fees for various local marketing programs. The IHOP NAF is primarily used for buying media and national advertising, in addition to the related production costs. The IHOP NAF is also used to defray certain expenses associated with our marketing and advertising functions.

Beginning in 2005, and every year thereafter, we and the IHOP franchisees agreed to reallocate portions of the local advertising fees to purchase national broadcast, syndication and cable television time in order to reach our target audience more frequently and more cost effectively.

In 2014, we and franchisees whose restaurants account for a large majority of total annual contributions to the IHOP NAF entered into franchise agreement amendments that increased the advertising contribution percentage of those restaurants' gross sales. Pursuant to the amendment, for the period from June 30, 2014 to December 31, 2014, 2.74% of each participating restaurant's gross sales was contributed to the IHOP NAF and 0.76% was contributed to local advertising cooperatives. For the period from January 1, 2015 to December 31, 2017, 3.50% of each participating restaurant's gross sales was contributed to the IHOP NAF with no significant contribution to local advertising cooperatives required. The amended advertising contribution percentage was also applicable to all new franchise agreements and to IHOP company-operated restaurants open at the time. In 2016, we and franchisees whose restaurants account for a large majority of total annual contributions to the IHOP NAF extended this additional contribution through 2022.

Franchise advertising fees designated for the IHOP NAF and local marketing and advertising cooperatives are recognized as revenue and expense of franchise operations. However, because we have less contractual control over Applebee's advertising expenditures, Applebee’s NAF activity has not historically been recognized as franchise revenue and expense. However, effective with the adoption in 2018 of accounting guidance promulgated by the Financial Accounting Standards Board with respect to revenue recognition, we will treat contributions to and expenditures from the Applebee's NAF as revenue and expense of franchise operations, as is currently done with contributions to and expenditures from the IHOP NAF. See Note 2 - Basis of Presentation and Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements.

IHOP Area License Agreements

We have entered into two long-term area license agreements for IHOP restaurants covering the state of Florida and certain counties in the state of Georgia, and the province of British Columbia, Canada. The area license agreements provide the licensees with the right to develop and franchise new IHOP restaurants in their respective territories and provide for royalties ranging from 1.0% to 2.0% of gross sales and advertising fees ranging from 0.25% to approximately 2.0% of gross sales. During 2014, the advertising fee contribution provisions of the Florida area license agreement were amended for the period through December 31, 2017 on substantially similar terms as the franchise agreement amendment described above and such amendments were subsequently extended through 2022. We also derive revenues from the sale of proprietary products to these area licensees and, in certain instances, to their sub-franchisees. Revenues from our area licensees are included in franchise operations revenues.

As of December 31, 2017, the area licensee for the state of Florida and certain counties in Georgia operated or sub-franchised a total of 152 IHOP restaurants. The area licensee for the province of British Columbia, Canada operated or sub-franchised a total of 12 IHOP restaurants. The area license for British Columbia expires in 2026. The area license for Florida and Georgia expires in 2119.

Other Franchise-related Revenues and Fees

Approximately 87% of franchise segment revenue for the year ended December 31, 2017 consisted of Applebee's and IHOP royalties and advertising revenue from domestic IHOP restaurants and international restaurants of both brands. Most of the remaining 13% consisted of sales of proprietary products (primarily IHOP pancake and waffle dry-mixes), initial franchise and renewal fees and software maintenance and support fees. Depending on circumstances, we may seek to recover a portion of any royalties and fees lost due to early termination of a franchise agreement; however, not all franchise restaurant closures necessarily result in our receipt of such fees.

International Franchising

We continue to pursue international franchising of the Applebee's and the IHOP concepts. To this end, we seek qualified franchisees that possess the financial, development and operational resources needed to open multiple restaurants in each territory and are experienced conducting business in the development territory. We work closely with our international franchisees to develop and implement the Applebee's and IHOP systems outside the United States, recognizing commercial, cultural and dietary diversity. Differences in tastes and cultural norms and standards require that we be flexible and pragmatic regarding many elements of the Applebee's and IHOP systems, including menu, restaurant design, restaurant operations, training, marketing, purchasing and financing.

The success of further international expansion will depend on, among other things, local acceptance of the Applebee's and IHOP concepts and menu offerings and our ability to attract qualified franchisees and operating personnel. Our franchisees must comply with the regulatory requirements of the local jurisdictions.

Domestic and International Franchise Restaurant Development

Each franchisee is responsible for selecting the site for each new restaurant. We may consult with franchisees when they are selecting appropriate sites, and selections made by franchisees are subject to our approval. We also conduct a physical inspection, review any proposed lease or purchase agreement for compliance with our requirements and may make available to franchisees demographic and other studies for domestic restaurants. We make the design specifications for a typical restaurant available to franchisees, and we retain the right to prohibit or modify the use of any set of plans.

As of December 31, 2017, we had signed commitments from IHOP franchisees to build 298 IHOP restaurants over the next 15 years, comprised of four restaurants under single restaurant or non-traditional development agreements, 190 restaurants under domestic multi-restaurant development agreements and 104 restaurants under international development agreements. The signed agreements include options to build an additional 40 restaurants over the next 12 years, primarily under domestic multi-restaurant development agreements. As of December 31, 2017, Applebee’s development agreements in place call for the opening of 35 international restaurants over the next six years. While Applebee's also has domestic development agreements in place, we do not expect a significant number of Applebee's restaurants will be opened domestically in the near future. Developers’ level of compliance with development obligations vary per year and could change and, therefore, may not be a reliable indicator of future development activity for any given period of time.

Franchise Operations

We continuously monitor franchise restaurant operations. Company and third-party representatives make both scheduled and unannounced inspections of franchised restaurants to ensure that only approved products are in use and that our prescribed operations practices and procedures are being followed. We have the right to terminate a franchise agreement if a franchisee does not operate and maintain a restaurant in accordance with our requirements. Due to cultural and regulatory differences, we may have different requirements for restaurants opened outside of the United States. We also monitor the financial health of our franchisees through business and financial reviews.

Composition of Franchise Systems

As of December 31, 2017, 35 Applebee’s franchisees owned a total of 1,782 domestic Applebee's restaurants. The number of domestic restaurants held by a single franchisee ranged from one restaurant to 475 restaurants. As of December 31, 2017, 25 franchisees owned a total of 154 international Applebee's restaurants. The number of international restaurants held by a single franchisee ranged from one restaurant to 22 restaurants. Our five largest Applebee’s franchisees owned 50% of the total 1,936 Applebee's restaurants.

As of December 31, 2017, 301 franchisees owned a total of 1,671 domestic IHOP restaurants, including 127 franchisees that each owned one restaurant. The largest single IHOP franchisee owned 295 domestic restaurants. As of December 31, 2017, 20 franchisees owned a total of 115 international IHOP franchise restaurants. The number of international restaurants held by a single franchisee ranged from one restaurant to 29 restaurants. Our five largest IHOP franchisees owned 32% of the total 1,786 IHOP restaurants.

Company-Operated Restaurants

In June 2017, we refranchised nine of our ten company-operated IHOP restaurants in the Cincinnati, Ohio market area; the one restaurant not refranchised was permanently closed. We previously had refranchised the last 23 company-operated Applebee's restaurants in 2015. As a result, we no longer operate any restaurants on a permanent basis. From time to time, we may reacquire restaurants from franchisees for a variety of reasons. Historically, we have been able to quickly refranchise these restaurants to new franchisees. When reacquired restaurants are not quickly refranchised, we typically operate the reacquired restaurants until they can be refranchised. These temporarily reacquired restaurants may require investments in remodeling and rehabilitation before they can be refranchised. As a result, a reacquired restaurant may incur operating losses for some period of time. At December 31, 2017, we did not operate any reacquired restaurants.

Supply Chain

In February 2009, Centralized Supply Chain Services, LLC (“CSCS” or the “Co-op”), an independent cooperative entity, was formed by us and franchisees of Applebee's and IHOP domestic restaurants. CSCS has been appointed as the sole authorized purchasing organization and purchasing agent for goods, equipment and distribution services for Applebee's and IHOP restaurants in the United States. As of December 31, 2017, 100% of Applebee's domestic franchise restaurants and 99% of IHOP domestic franchise restaurants were members of CSCS.

CSCS combines the purchasing volume for goods, equipment and distribution services within and across the Applebee's and IHOP concepts. Its mission is to achieve for its members the benefit of continuously available goods, higher quality equipment and distribution services in adequate quantities at the lowest possible sustainable prices. We do not control CSCS, but do have contractual rights associated with supplier certification, quality assurance and protection of our intellectual property. The operations of CSCS are funded by a separately stated administrative fee added to one or more products purchased by operators.

We believe the larger scale provided by combining the supply chain requirements of both brands provides continuing cost savings and efficiencies while helping to ensure compliance with our quality and safety standards.

Industry Overview and Competition

Applebee's and IHOP are among the numerous restaurant chains and independent restaurants competing in the restaurant industry in the United States. The restaurant industry is generally categorized into segments by price point ranges, the types of food and beverages offered and the types of service available to customers. These segments include, among others, fast food or quick service restaurants (“QSR”), fast-casual dining, family dining, casual dining and fine dining. Casual dining restaurants offer full table service and typically have bars or serve liquor, wine and beer, while family dining restaurants offer full table service, typically do not have bars or serve liquor, and usually offer breakfast in addition to lunch and dinner items.

Applebee's competes in the casual dining segment against national and multi-state restaurant chains such as Olive Garden, Buffalo Wild Wings, Chili's, Outback Steakhouse and Red Lobster, among others, as well as fast-casual restaurant chains. In addition, there are many independent restaurants across the country in the casual dining segment. The June 19, 2017 issue of *Nation's Restaurant News* reported that Applebee's was the largest casual dining concept in terms of 2016 United States system-wide sales.

IHOP competes in the family dining segment against national and multi-state restaurant chains such as Cracker Barrel Old Country Store, Denny's, Golden Corral, Waffle House and Bob Evans Restaurants. IHOP also faces competition from QSR restaurant chains and fast-casual restaurant chains that serve breakfast. In addition, there are many independent restaurants and diners across the country in the family dining segment. The June 19, 2017 issue of *Nation's Restaurant News* reported that IHOP was the largest family dining concept in terms of 2016 United States system-wide sales.

The restaurant and related food-service industries are highly competitive and are affected by, among other things, economic conditions, price levels, on-going changes in eating habits and food preferences, population trends and traffic patterns. The principal bases of competition in the industry are the type, quality and price of the food products served. Restaurant location, quality and speed of service, advertising, name identification and attractiveness of facilities are important. Additionally, changes in the price of groceries may influence the attractiveness of dining at home versus dining out.

The market for high quality commercial real estate is also very competitive. We and our franchisees compete with other restaurant chains and retail businesses for suitable sites for the development of new restaurants. We also compete against other franchisors both within and outside the restaurant industry for new franchisees. For further information regarding competition, see Item 1A, Risk Factors.

Trademarks and Service Marks

We and our affiliates have registered or submitted registrations for certain trademarks and service marks with the United States Patent and Trademark Office and various international jurisdictions, including “Dine Brands Global, Inc.℠” We own trademarks and service marks used in the Applebee's system, including various logos and the trademarks “Applebee's®,” “Applebee's Neighborhood Grill & Bar®” and variations of each. In addition, we own trademarks and service marks used in the IHOP system, including various logos and the trademarks “IHOP®,” “International House of Pancakes®” and variations of each.

We consider our trademarks and service marks important to the identification of our company and our restaurants and believe they are of material importance to the conduct of our business. Depending upon the jurisdiction, trademarks and service marks generally are valid as long as they are used and/or registered. We generally intend to renew our trademarks and service marks as they come up for renewal. We own or have rights to all trademarks we believe are material to our restaurant operations. In addition, we have registered various domain names on the Internet that incorporate certain of our trademarks and service marks, and believe these domain name registrations are an integral part of our identity. From time to time, we may take appropriate legal action to defend and protect the use of our intellectual property.

Information Technology

We utilize third-party point of sale systems, kitchen data systems, and back-of-the house systems for accounting, labor and inventory management in our franchisees' restaurants. In addition, we have several consumer-facing technology initiatives focused on improving our customers' experience. Sales and product mix information is transmitted to our restaurant support centers on a daily basis and this information supports our operations and marketing initiatives. We mitigate the potential impact from operational interruption of our information technology systems through a disaster recovery plan that is updated on a regular basis. We believe that technology is and will continue to be a key component of our long-term plans and are committed to providing system stability and targeted innovation. Our use of technology, particularly in terms of managing electronic payments and confidential information, also represents security and operational risks that we must manage and may result in additional costs incurred.

Protection of financial and personal information is a high priority for us, led by our Cybersecurity department with a committee representing key functional areas. We continuously focus on enhancing our cyber security capabilities, educating our staff members on cyber security importance, and managing our cyber risks. In addition, we participate in annual audits of our financial and human resources systems to verify that measures are in place to protect our employees' personally identifiable information. We accept credit cards, third party gift cards, and branded gift cards as payment in our restaurants. We submit our systems to regular audit and review, as required by Payment Card Industry Standards, including periodic scanning of our networks to check for vulnerability. To further secure customers' payment data, in working with our franchisees, we are deploying encryption and tokenization technologies, ensuring credit card data is not stored in our franchisees' restaurants systems. This includes installation of equipment to improve authentication and to prevent fraud using EMV (Europay, Mastercard, Visa) technology. As a franchisor, we are not responsible for ensuring that our franchisees maintain compliance;

however, we regularly encourage them to take similar steps to maintain compliance and to mitigate risk. For further information regarding Information Technology, see Item 1A, Risk Factors.

Research and Development

We do not engage in any material amount of research and development activity from a financial accounting perspective. We do engage in ongoing culinary development and testing, in addition to consumer research into customers’ preferences and opinions as well as overall industry trends.

Seasonality

We do not consider our operations to be seasonal to any material degree. We do experience a slight increase in system-wide sales in the first quarter due to redemptions of gift cards sold during the December holiday season. Over the past five years, 26% of our annual system-wide sales (retail sales reported to us by our franchisees plus sales at our company-operated restaurants) occurred in the first quarter of the fiscal year. Sales at restaurants owned by franchisees are not attributable to the Company.

Government Regulation

We are subject to regulation by the Federal Trade Commission (“FTC”) and a number of foreign and state laws that regulate the offer and sale of franchises. We also are subject to a number of foreign and state laws that regulate substantive aspects of the franchisor-franchisee relationship. The FTC's Trade Regulation Rule on Franchising, as amended (the “FTC Rule”), requires us to furnish to prospective domestic franchisees a Franchise Disclosure Document containing information prescribed by the FTC Rule.

State laws that regulate the offer and sale of franchises and the franchisor-franchisee relationship presently exist in a number of states and some of these laws require registration of the franchise offering with state authorities. Those states that regulate the franchise relationship generally require that the franchisor deal with its franchisees in good faith, prohibit interference with the right of free association among franchisees, limit the imposition of unreasonable standards of performance on a franchisee and regulate discrimination against franchisees with respect to charges, royalty fees or other fees. Although such laws may restrict a franchisor in the termination and/or non-renewal of a franchise agreement by, for example, requiring "good cause" to exist as a basis for the termination and/or non-renewal, advance notice to the franchisee of the termination or non-renewal, an opportunity to cure a default and a repurchase of inventory or other compensation upon termination, these provisions have not historically had a significant effect on our franchise operations.

Each restaurant is subject to licensing and regulation by a number of governmental authorities, which may include liquor license authorities (primarily in the case of Applebee's restaurants), health, sanitation, safety, fire, building and other agencies in the state or municipality in which the restaurant is located. We are also subject to new laws and regulations, which may vary from jurisdiction to jurisdiction, relating to nutritional content and menu labeling.

More stringent and varied requirements of local governmental bodies with respect to zoning, land use and environmental factors could delay or prevent the development of new restaurants in particular areas.

Various federal and state labor laws govern our relationship with employees and our franchisees' relationship with their own employees. These include such matters as minimum wage requirements, overtime and other working requirements and conditions. Significant additional government-imposed increases in minimum wages, paid leaves of absence, mandated health benefits or increased tax reporting and tax payment requirements with respect to employees who receive gratuities could be detrimental to the economic viability of our franchisees' restaurants.

We are subject to a number of privacy and data protection laws and regulations globally. The legislative and regulatory landscape for privacy and data protection continues to evolve, and there has been increased attention in privacy and data protection issues. This has the potential to affect directly our business, including recently enacted laws and regulations in the United States and internationally requiring notification to individuals and government authorities of security breaches involving certain categories of personal information.

The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act of 2010 (the “ACA”) are far-reaching and are intended to expand access to health insurance coverage over time by adjusting the eligibility thresholds for most state Medicaid programs and providing certain other individuals and small businesses with tax credits to subsidize a portion of the cost of health insurance coverage. The laws include a requirement that most individuals obtain health insurance coverage and a requirement that certain large employers offer coverage to their employees or pay a financial penalty. In October 2017, the President of the United States of America issued an executive order titled “Promoting Healthcare Choice and Competition Across the United States.” We do not know how our franchisees will be affected (if at all) by this new executive order. The Patient Protection and Affordable Care Act has increased our franchisees' employee costs in some respects and may continue to do so.

In recent years, there has been an increased legislative, regulatory and consumer focus at the federal, state and municipal levels on the food industry including nutrition and advertising practices. Restaurants operating in the quick-service and fast-casual segments have been a particular focus. In addition to the United States Food and Drug Administration’s recently adopted menu labeling requirements for restaurants, a number of other jurisdictions around the United States have adopted regulations requiring that chain restaurants include calorie information on their menus or make other nutritional information available. Initiatives in the area of nutrition disclosure or advertising, such as requirements to provide information about the nutritional content of our food, may result in increased costs of compliance with the requirements and may also change customer buying habits in a way that adversely impacts our sales. For further information regarding governmental regulation, see Item 1A, Risk Factors.

Environmental Matters

We are subject to federal and state environmental regulations, but historically these have not had a material effect on our operations. We are not aware of any federal, state or local environmental laws or regulations that are likely to materially impact our revenues, cash flow or competitive position, or result in any material capital expenditure. However, we cannot predict the effect of possible future environmental legislation or regulations.

Employees

At December 31, 2017, we had approximately 520 full-time employees. Our employees are not presently represented by any collective bargaining agreements and we have never experienced a work stoppage. We believe our relations with employees are good. Our franchisees are independent business owners and their employees are not our employees. Therefore, their employees are not included in our employee count.

Corporate Information

We were incorporated under the laws of the State of Delaware in 1976 with the name IHOP Corp. In November 2007, we completed the acquisition of Applebee’s, which became a wholly-owned subsidiary of the Company. Effective June 2, 2008, we changed our name to DineEquity, Inc. and on February 20, 2018, we changed our name to Dine Brands Global, Inc. Our principal executive offices are located at 450 North Brand Boulevard, Glendale, California 91203-2306 and our telephone number is (818) 240-6055. Our Internet address is **www.dinebrands.com.** Our common stock is listed on the New York Stock Exchange (“NYSE”) and trades under the ticker symbol “DIN.”

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and amendments to those reports filed with or furnished to the United States Securities and Exchange Commission (the “SEC”) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through our website as soon as reasonably practicable after electronically filing such material with the SEC. The SEC maintains an Internet site that contains periodic reports, proxy and information statements and other information regarding our filings at **www.sec.gov.** In addition, the public may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 100 F. Street, NE, Washington, D.C. 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The above references to our website and the SEC’s website do not constitute incorporation by reference of the information contained on those websites and should not be considered part of this document.

Item 1A. Risk Factors.

This Item 1A includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements included in Item 7.

The occurrence of any of the events discussed in the following risk factors may materially adversely affect our business, financial condition and results of operations, which may materially adversely affect the value of our common stock. It is not possible to identify or predict all risk factors. There may be risks and uncertainties that are not currently known or that are currently deemed by us to be immaterial. These other risks and uncertainties may also impact our business, financial condition and results of operations.

Our business is affected by general economic conditions that are largely out of our control. Our business is dependent to a significant extent on national, regional and local economic conditions, and, to a lesser extent, on global economic conditions, particularly those conditions affecting the demographics of the guests that frequently patronize Applebee's or IHOP restaurants. If our customers' disposable income available for discretionary spending is reduced (because of circumstances such as job losses, credit constraints, higher housing costs, changes to tax regulations, energy costs, interest rates or other costs) or if the perceived wealth of customers decreases (because of circumstances such as lower residential real estate values, increased foreclosure rates, changes to tax regulations or other economic disruptions), our business could experience a decline in sales and/or customer traffic as potential customers choose lower-cost alternatives (such as quick-service restaurants) or other alternatives to dining out. Additionally, negative trends in the availability of credit and in expenses such as interest rates and the cost of construction materials could affect our franchisees' ability to maintain and remodel existing restaurants. Any decreases in customer traffic or average customer check due to these or other reasons could reduce gross sales at franchise restaurants, resulting in lower royalty and other payments from franchisees. This could reduce the profitability of franchise restaurants, potentially impacting the ability of franchisees to make royalty payments owed to us when due and negatively impacting franchisees’ ability to develop new restaurants as may be required in their respective development agreements.

Our level of indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under our debt. As of December 31, 2017, certain of our indirect, wholly-owned subsidiaries had approximately $1.3 billion of long-term debt. In addition, we had approximately $0.1 billion in financing and capital lease obligations as of December 31, 2017. Our level of indebtedness and the financial and other restrictive covenants in our indebtedness could have important consequences to our financial health. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our debt or refinance any of our debt on attractive terms, commercially reasonable terms, or at all;
- increase our vulnerability to general adverse economic and industry conditions or a downturn in our business;
- require us to dedicate a substantial portion of our cash flow from operations to debt service, thereby reducing the availability of our cash flow to pay dividends to our stockholders, repurchase shares of our common stock, fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- place us at a competitive disadvantage compared to our competitors that are not as highly leveraged;
- limit our ability to borrow additional funds;
- prevent us from taking actions that we believe would be in the best interest of our business and make it difficult for us to successfully execute our business strategy; and
- result in an event of default if we fail to satisfy our obligations under our debt or fail to comply with the financial and other restrictive covenants contained in our debt documents, which event of default could result in all of our debt becoming immediately due and payable and could permit certain of our lenders to foreclose on our assets securing such debt.

In addition, we may incur substantial additional indebtedness in the future. If new debt is added to our current debt levels, the related risks that we now face could increase.

The terms of the securitized debt issued by certain of our indirect, wholly-owned subsidiaries have restrictive terms and the failure to comply with such restrictive terms could put us in default, which would have an adverse effect on our business and prospects. Unless and until we repay all outstanding borrowings under our securitized debt, we will remain subject to the restrictive terms of the securitized debt issued by certain of our indirect, wholly-owned subsidiaries. For example, the indenture entered into by such subsidiaries in connection with the securitized debt contains covenants that limit the ability of certain of our wholly-owned subsidiaries to, among other things: sell assets; alter the business conducted by such subsidiaries; engage in mergers or acquisitions; declare dividends or redeem or purchase certain equity interests; incur, assume or permit to exist additional indebtedness or guarantees; make loans and investments; incur liens; and enter into transactions with affiliates other than on an arms-length basis. These covenants are applicable only to the securitization subsidiaries and do not apply to any of Dine Brands Global, Inc., International House of Pancakes, LLC, Applebee’s International, Inc. or DineEquity International, Inc. as these entities are not a party to the indenture. A breach of a covenant could result in a rapid amortization event or default under the securitized debt.

Further, the securitized debt also includes limitations on our ability to incur additional indebtedness and contains a number of financial performance measures that must be met to avoid a possible rapid amortization event or event of default. The most significant of these measures include a minimum debt service coverage ratio and minimum domestic franchise system sales. The ability to meet these financial performance measures can be affected by events beyond our control and there can be no assurance that we will satisfy these financial measures.

If amounts owed under the securitized debt are accelerated because of a default and we are unable to pay such amounts, the investors may have the right to assume control of substantially all of the securitized assets, which consist of substantially all of our domestic revenue-generating assets and domestic intellectual property.

During the seven-year term following issuance, the outstanding fixed-rate senior notes will accrue interest at a rate of 4.277% per year. Additionally, the fixed-rate senior notes have scheduled quarterly principal amortization payments of $3.25 million. If we maintain a leverage ratio of less than or equal to 5.25x total debt to adjusted EBITDA (See Exhibit 12.1), we may elect to not make the scheduled principal payments. From time to time, our leverage ratio has exceeded the 5.25x total debt to adjusted EBITDA ratio and we have made the required scheduled principal payments. If we are unable to refinance or repay amounts under the securitized debt prior to the expiration of the seven-year term, our cash flow would be directed to the repayment of the securitized debt and, other than a weekly management fee sufficient to cover minimal selling, general and administrative expenses, would not be available for operating our business.

In the event that a rapid amortization event occurs under the indenture (including, without limitation, upon an event of default under the indenture or the failure to repay the securitized debt at the end of the seven-year term), the funds available to us would be reduced or eliminated, which would in turn reduce our ability to operate or grow our business.

Our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control. No assurance can be given that any refinancing or additional financing will be possible when needed or that we will be able to negotiate acceptable terms. In addition, our access to capital is affected by prevailing conditions in the financial and capital markets and other factors beyond our control. There can be no assurance that market conditions will be favorable at the times that we require new or additional financing. Further, changes by any rating agency to our credit rating may negatively impact the value and liquidity of both our debt and equity securities, as well as the potential costs associated with refinancing our debt. Downgrades in our credit ratings could also affect the terms of any such financing and restrict our ability to obtain additional financing in the future.

We are heavily dependent on information technology and any material failure of that technology could impair our ability to effectively and efficiently operate our business. We rely heavily on information technology systems across our operations, including point-of-sale processing in our franchisees' restaurants, management of our supply chain, collection of cash, payment of obligations and various other processes and procedures. Our ability to effectively and efficiently manage our business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrades or transitions to replacement systems, inaccurate or fraudulent manipulation of sales reporting from our restaurants resulting in loss of sales and royalty payments, or a breach in security of these systems could be harmful and cause delays in customer service, reduce efficiency in our operations and negatively impact our business. Significant capital investment might be required to remediate any problems.

In addition, we outsource certain essential technology-based business processes to third-party vendors and we may share sensitive financial and other information with third party vendors which subjects us to risks, including disruptions in business, increased costs and exposure to data breaches or privacy law compliance issues of our third-party vendors.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, and/or damage to our employee and business relationships, all of which could subject us to loss and harm our brands. A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include gaining unauthorized access to systems to disrupt operations, corrupt data, or steal confidential information about our customers, franchisees, vendors and employees. As our reliance on technology has increased, so have the risks posed to our systems, both internal and those that we have outsourced. Primary adverse events that could directly result from the occurrence of a cyber incident include (i) exposure of confidential data about our customers, franchisees, vendors and employees, (ii) damage to the reputation of our brands (iii) damage to our relationship with our franchisees and (iv) interruption of our business.

As a merchant and service provider of point of sale related services, we are subject to the Payment Card Industry Data Security Standard (“PCI DSS”), issued by the Payment Card Industry Council. PCI DSS contains compliance guidelines and standards with regard to our security surrounding the physical and electronic storage, processing and transmission of individual cardholder data. Despite our cybersecurity measures and our efforts to comply with PCI DSS guidelines, we cannot be certain that all of our information technology systems are able to prevent, contain or detect any cyber-attacks or security breaches from known malware or malware that may be developed in the future.

Our use of personally identifiable information is regulated by international, federal and state laws, as well as by certain third-party agreements. If our security and information systems are compromised or if our employees or franchisees fail to comply with these laws and regulations, and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation and could disrupt our operations and result in costly litigation, judgments, or penalties resulting from violation of federal and state laws and payment card industry regulations. As privacy and information security laws and regulations change, we may incur additional costs to ensure that we remain in compliance with those laws and regulations.

Restaurant development plans under development agreements may not be implemented effectively and developed restaurants may not achieve desired results. We rely on franchisees to develop Applebee's and IHOP restaurants. From time to time, our franchisees have failed to fulfill their commitments to build new restaurants in the numbers and within the timeframes required by their development agreements, and we expect that this will continue to varying degrees in the future. Restaurant development and the success of restaurants opened by our franchisees involve substantial risks, including the following:

- the demand for Applebee’s and IHOP restaurants and the selection of appropriate franchisee candidates;
- costs of construction, permit issuance and regulatory compliance;
- the availability of suitable locations and terms for potential development sites, including lease or purchase terms for new locations;
- the availability of financing, at acceptable rates and terms, to both franchisees and third-party landlords, for restaurant development and/or implementation of our business strategy through new remodel programs and other operational changes;
- delays in obtaining construction permits and in completion of construction;
- competition for suitable development sites;
- changes in governmental rules, regulations, and interpretations (including interpretations of the requirements of the Americans with Disabilities Act); and
- general economic and business conditions.

Additionally, developed restaurants may not achieve desired revenue or cash flow levels once opened. This could result in restaurant closures, which may be significant in number, and may cause our royalty revenues and financial performance to decline. The inability to open new restaurants that achieve and sustain acceptable sales volumes and/or the closure of existing restaurants that do not achieve or sustain acceptable sales volumes, which if significant in number, may have a material adverse effect on our business and financial condition.

Both of our brands are fully franchised which means restaurants are owned and operated by our franchisees. As a result, we are highly dependent upon our franchisees. All Applebee’s and IHOP restaurants are owned and operated by our franchisees. Our dependence on franchisees could adversely affect us, our brands, and our business, financial condition and results of operations. Our financial results are significantly contingent upon the performance of our franchise restaurants because we derive a substantial portion of our revenues from royalties. Worsening economic conditions and declining trends in sales, traffic and/or average check could impact the performance of our franchise restaurants, resulting in lower royalty, advertising fund and other payments from franchisees. If declining conditions persist, franchisee profitability and financial health may worsen and franchisees may suffer from financial, personal or other difficulties, including insolvency. Franchisees may also experience financial risks unrelated to the operation of restaurants under our brands, such as a decline in performance of other brands or businesses held by franchisees. Additionally, lenders to our franchisees may be less likely to provide current or prospective franchisees necessary financing on favorable terms, or at all, due to market conditions and our or our franchisees’ operating results. These and other factors could impact franchisees’ ability to make royalty and other payments owed to us when due and franchisees could default on their financial obligations to us. A decrease in franchisee profitability as well as other reasons could also cause franchisees’ failure or inability to meet new restaurant development obligations and other obligations such as maintenance or remodel requirements and rent obligations for certain leases on which we retain contingent liability.

Additionally, our franchise agreements have expiration dates. Upon expiration, franchisees are required to enter into new franchise agreements in order to extend the franchise relationship. We or the franchisee may or may not elect to enter into these successor franchise agreements based on a number of factors, including a failure to meet our criteria, lack of interest by either party and/or the inability of franchisees to enter into successor franchise agreements. It is expected that, in the ordinary course of business, some franchise agreements will expire without successor franchise agreements. However, a substantial number of franchise agreements are set to expire in 2020 and 2021 for Applebee’s and 2024 through 2028 for IHOP, and we cannot ensure that we and/or our franchisees will enter into successor franchise agreements once current terms expire. This may result in reduced royalties and other payments due to a decrease in the number of restaurants operating under our brands.

As independent third parties, franchisees own, operate and oversee the daily operations of their restaurants and their employees are not our employees. Accordingly, we do not control their actions. While our franchise agreements are designed to maintain brand consistency, having all franchise operated restaurants may expose us to risks not otherwise encountered if we maintained ownership and control of the restaurants. Franchisees may breach the terms of their franchise agreements in a manner that adversely affects our brands, such as failing to operate restaurants in accordance with our required standards, and we may be limited in our ability to enforce franchise obligations. Franchisees are required to conform to specified product quality standards and other requirements pursuant to their franchise agreements in order to protect our brands and to optimize restaurant performance. If franchisees do not successfully operate their restaurants in a manner consistent with our standards, or customers have negative experiences due to issues with food quality or operational execution, our reputation and brands could suffer, which could result in a material adverse effect on our business. The quality of franchisees’ operations may also be diminished by factors beyond our control, including a lack of investment in enhancing or maintaining acceptable standards for restaurant operations due to financial and other constraints. Franchisees may also fail or be unable to hire or retain qualified managers and other personnel and training of managers and other personnel may be inadequate. These and other such negative factors could reduce franchisees' restaurant revenues, impact payments to us under the franchise agreements and could have a material adverse effect on us.

Various other risks associated with the operation of a fully franchised business model that may have a material adverse effect on our business or financial condition include:

- inability or unwillingness of franchisees to participate in implementing changes or to participate in business strategy changes;
- inability or unwillingness of franchisees to support our marketing programs and strategic initiatives;
- inability of franchisees to participate in business strategy changes due to financial constraints;
- failure of franchisees to report sales information accurately;
- greater proportional impact of general and administrative expenses on our business and financial condition; and
- inability to retain franchisees in the future, both in terms of number and quality, and inability to attract, retain and motivate sufficient numbers of franchisees of the same caliber, including top performing franchisees.

While we try to maintain positive working relationships with our franchisees, the nature of the franchisor-franchisee relationship inherently subjects us to potential disagreements with our franchisees on matters pertaining to the business and/or our brands. From time to time, we have experienced, and we may continue to experience, poor franchise relations caused by the efforts of one or more of our larger franchisees or an organized franchise association.

Concentration of Applebee's franchised restaurants in a limited number of franchisees subjects us to greater risk. As of December 31, 2017, Applebee's franchisees operated 1,782 Applebee's restaurants in the United States. Of those restaurants, the ten largest Applebee's franchisees owned 1,284 restaurants, representing 72% of all franchised Applebee's restaurants in the United States. The largest Applebee's franchisee owned 475 restaurants, representing 27% of all franchised Applebee's restaurants in the United States. The concentration of franchised restaurants in a limited number of franchisees subjects us to a potentially higher level of risk with respect to such franchisees because their obligations to us, including financial obligations, are greater as compared to those franchisees with fewer restaurants. The risk associated with these franchisees is also greater where franchisees are the sole or dominant franchisee for a particular region of the United States, as is the case for most domestic Applebee's franchised territories. In particular, if any of these franchisees experience financial or other difficulties, the franchisee may default on its obligations under multiple franchise agreements including payments to us and the maintenance and improvement of its restaurants. From time to time, we may work with our franchisees who are experiencing financial difficulties to assess and address their financial health and their ability to satisfy their financial obligations to us. In certain of these situations, we may agree to alternative arrangements with franchisees for the payment of amounts due to us under our franchise and other agreements. We cannot assure you that these arrangements will be successful nor can we assure you that they will result in us receiving all or any of the amounts due to us under our franchise and other agreements. Any franchisee that is experiencing financial difficulties may also be unable to participate in implementing changes to our business strategy. Any franchisee that owns and operates a significant number of Applebee's restaurants and fails to comply with other obligations under the franchise agreement, such as those relating to the quality and preparation of food and maintenance of restaurants, could cause significant harm to the Applebee's brand and subject us to claims by consumers even if we are not legally liable for the franchisee's actions or failure to act. Development rights for Applebee's restaurants are also concentrated among a limited number of existing franchisees. If any of these existing franchisees experience financial difficulties, future development of Applebee's restaurants may be materially adversely affected.

An insolvency or bankruptcy proceeding involving a franchisee could prevent the collection of payments or the exercise of rights under the related franchise agreement. An insolvency proceeding involving a franchisee could prevent us from collecting payments or exercising any of our other rights under the related franchise agreement. If a franchisee is subject to bankruptcy or insolvency proceedings, a bankruptcy court may prevent the termination of the related franchise and development agreement. In particular, the protection of the statutory automatic stay that arises under Section 362 of the United States Bankruptcy Code upon the commencement of a bankruptcy proceeding by or against a franchisee would prohibit us from terminating a franchise agreement previously entered into with a franchisee. Furthermore, a franchisee that is subject to bankruptcy proceedings may reject the franchise agreement in which case we would be limited to a general unsecured claim against the franchisee's bankruptcy estate on account of breach-of-contract damages arising from the rejection. Payments previously made to us by a franchisee that is subject to a bankruptcy proceeding also may be recoverable from us on behalf of the franchisee as a preferential transfer under the United States Bankruptcy Code.

We are subject to credit risk from our IHOP franchisees operating under our Previous IHOP Business Model, and a default by these franchisees may negatively affect our cash flows. Of the 1,519 IHOP domestic franchise restaurants as of December 31, 2017, slightly less than half operate under the Previous IHOP Business Model. The Company was involved in all aspects of the development and financing of the IHOP restaurants established prior to 2003. Under the Previous IHOP Business Model, the Company typically identified and leased or purchased the restaurant sites, built and equipped the restaurants and then franchised them to franchisees. In addition, IHOP typically financed as much as 80% of the franchise fee for periods ranging from five to eight years and leased the restaurant and equipment to the franchisee over a 25-year period. Therefore, in addition to franchise fees and royalties, the revenues received from an IHOP franchisee operating under the Previous IHOP Business Model may include, among other things, lease or sublease rents for the restaurant property building, rent under an equipment lease and interest income from the financing arrangements for the unpaid portion of the franchise fee under the franchise notes. If any of these IHOP franchisees were to default on their payment obligations to us, we may be unable to collect the amounts owed under the building property lease/sublease agreement and our notes and equipment contract receivables, as well as outstanding franchise royalties. The additional amounts owed to us by each of these IHOP franchisees subject us to greater credit risk and defaults by IHOP franchisees operating under our Previous IHOP Business Model and may negatively affect our cash flows.

Franchisees are subject to potential losses that are not covered by insurance that may negatively impact their ability to make payments to us and perform other obligations under franchise agreements. Franchisees may have insufficient insurance coverage to cover all of the potential risks associated with the ownership and operation of their restaurants. A franchisee may have insufficient funds to cover future unanticipated increases in insurance premiums or losses that are not covered by insurance. Certain extraordinary hazards may not be insurable and insurance may not be available (or may be available only at prohibitively expensive rates) with respect to many other risks. Moreover, there is no assurance that any loss incurred will not exceed the limits on the policies obtained, or that claim payments on such policies will be received on a timely basis, or even if obtained on a timely basis, that such payments will prevent losses to such franchisee or enable timely franchise payments. Accordingly, in cases in which a franchisee experiences increased insurance premiums or must pay claims out-of-pocket, the franchisee may not have the funds necessary to make franchise and other payments to us.

If franchisees and other licensees do not observe the required quality and trademark usage standards, our brands may suffer reputational damage, which could in turn adversely affect our business. We license our intellectual property to our franchisees, product suppliers, manufacturers, distributors, advertisers and other third parties. The franchise agreements and other license agreements require that each franchisee or other licensee use our intellectual property in accordance with established or approved quality control guidelines. However, there can be no assurance that the franchisees or other licensees will use the intellectual property assets in accordance with such guidelines. Franchisee and licensee noncompliance with the terms and conditions of the governing franchise agreement or other license agreement may reduce the overall goodwill associated with our brands. Franchisees and other licensees may refer to our intellectual property improperly in communications, resulting in the weakening of the distinctiveness of our intellectual property. There can be no assurance that the franchisees or other licensees will not take actions that could have a material adverse effect on the Applebee's or IHOP intellectual property.

In addition, even if the licensee product suppliers, manufacturers, distributors, or advertisers observe and maintain the quality and integrity of our intellectual property assets in accordance with the relevant license agreement, any product manufactured by such suppliers may be subject to regulatory sanctions and other actions by third parties which can, in turn, negatively impact the perceived quality of our restaurants and the overall goodwill of our brands, regardless of the nature and type of product involved. Any such sanctions or actions could reduce restaurant revenues and corresponding franchise payments to us.

Our performance is subject to risks associated with the restaurant industry, including the highly competitive nature of the industry. We derive a substantial portion of our revenues in the form of royalties based on a percentage of the gross sales of our franchised restaurants. Sales and profitability of these restaurants and, in turn, payments we receive from our franchisees may be negatively impacted by a number of factors associated with operating in the restaurant industry, some of which are outside of our control. These factors include:

- changes in consumer behavior driven by macro-level shifts in retail, technology, media, e-commerce, global safety and demography which may impact where, when, whether and how often customers visit full-service restaurants;
- declines in comparable restaurant sales growth rates due to: (i) failure to meet or adequately adapt to changing customer expectations for food type, quality and taste, or to innovate and develop new menu items to retain existing customers and attract new customers; (ii) competitive intrusions in our markets, including competitive pricing initiatives and daypart expansion by competitors; (iii) opening new restaurants that cannibalize the sales of existing restaurants; (iv) failure of national or local marketing to be effective; and (v) natural or man-made disasters or adverse weather conditions;
- negative trends in operating expenses such as: (i) increases in food and other commodity costs; (ii) increases in labor costs due to minimum wage and other employment laws or regulations, immigration reform, the potential impact of union organizing efforts and tight labor market conditions; and (iii) increases in other operating costs including advertising, utilities, lease-related expenses and credit card processing fees;
- the highly competitive nature of the restaurant and related industries with respect to, among other things: (i) price, service, location, personnel and the type and quality of food; (ii) the trend toward convergence in grocery, deli, retail and restaurant services, as well as the continued expansion of restaurants into the breakfast daypart; (iii) the entry of major market players in non-competing industries into the food services market; (iv) the decline in the price of groceries which may increase the attractiveness of dining at home versus dining out; and (v) the emergence of new or improved technologies such as mobile or online ordering, delivery and consumer behavior facilitated by such technology;
- the inability to increase menu pricing to offset increased operating expenses; and
- failure to effectively manage further penetration into mature markets.

Factors outside our control may harm our brands' reputations. The success of our business is largely dependent upon brand recognition and the strength of our franchise systems. Our and our franchisees' continued success is directly dependent upon maintaining a favorable public view of the Applebee's and IHOP brands. Negative publicity (e.g., crime, scandal, litigation, on-site accidents and injuries or other harm to customers and food-borne illness) at a single Applebee's or IHOP location can have a substantial negative impact on all restaurants within the Applebee's or IHOP system. Multi-unit food service businesses such as ours can be materially and adversely affected by widespread negative publicity of any type, but particularly regarding food quality, food-borne illness, food tampering or preparation, obesity, injury or other health concerns with respect to certain foods and actions of franchisee managers or employees, regardless of whether such claims are accurate or valid.

The risk of food-borne illness or food tampering cannot be completely eliminated. Any outbreak of food-borne illness or other food-related incidents attributed to Applebee's or IHOP restaurants or within the food service industry or any widespread negative publicity regarding the Applebee's or IHOP brands or the restaurant industry in general could harm our reputation. Even where such food-related incidents occur solely at restaurants of our competitors or within the industry, our business could be adversely affected as a result of negative publicity about the restaurant industry generally. Franchisees may produce or receive through the supply chain sub-standard or non-compliant food or beverage products. Failure of franchisees to comply with food quality and preparation requirements may subject us to potential losses even when we are not legally liable for a franchisee's actions or failure to act. Although the Company maintains liability insurance, and each franchisee is required to maintain liability insurance pursuant to its franchise agreements, a liability claim could injure the reputation of all Applebee's or IHOP restaurants, whether or not it is ultimately successful.

Declines in our financial performance have resulted in and could result in future impairment charges. United States generally accepted accounting principles ("U.S. GAAP") require annual (or more frequently if events or changes in circumstances warrant) impairment tests of goodwill, intangible assets and other long-lived assets. Generally speaking, if the carrying value of the asset is in excess of the estimated fair value of the asset, the carrying value will be adjusted to fair value through an impairment charge. Fair values of goodwill and intangible assets are primarily estimated using discounted cash flows based on five-year forecasts of financial results that incorporate assumptions including, among other things, same-restaurant sales trends, future development plans, brand-enhancing initiatives, restaurant closures and an appropriate discount rate. Fair values of long-lived tangible assets are primarily estimated using discounted cash flows over the estimated useful lives of the assets. Significant underachievement of forecasted results or changes in the discount rate assumption could reduce the estimated fair value of these assets below the carrying value, requiring non-cash impairment charges to reduce the carrying value of the asset. As a result of performing an interim quantitative impairment test in the third quarter of 2017, we recognized an impairment of Applebee's goodwill of $358.2 million and an impairment of Applebee's tradename of $173.4 million. As of

December 31, 2017, our total stockholders' deficit was $146.7 million. Any additional significant impairment write-down of goodwill, intangible assets or long-lived assets in the future could increase the stockholders' deficit. While such a deficit balance does not create an event of default in any of our contractual agreements, the negative perception of such a deficit could have an adverse effect on our stock price and could impair our ability to obtain new financing, or refinance existing indebtedness on commercially reasonable terms or at all.

Comprehensive tax reform legislation could adversely affect our business and financial condition. On December 22, 2017, the Tax Cuts and Jobs Act was signed into law (the "Tax Act"). The Tax Act introduced significant changes to the tax code. We continue to examine the impact the Tax Act may have on our business. Notwithstanding the reduction in the federal corporate income tax rate as a result of the Tax Act, the overall impact of the Tax Act is uncertain and our business and financial condition could be adversely affected.

Many factors, including those over which we have no control, affect the trading volatility and price of our stock. Many factors, in addition to our operating results, may have an impact on the trading volatility and price of our common stock. These factors include general economic and market conditions, publicity regarding us, our competitors, or the restaurant industry generally, changes in financial estimates by securities analysts, changes in financial or tax reporting and accounting principles or practices, trading activity in our common stock, and the impact of our capital allocation initiatives, including any future stock repurchase programs or dividend declarations. A number of these factors are outside of our control, and any failure to meet market expectations whether for sales growth, earnings per share or other metrics could cause our share price to decline.

Our actual operating and financial results in any given period may differ from guidance we provide to the public, including our most recent public guidance. From time to time, in press releases, SEC filings, public conference calls and other contexts, we have provided guidance to the public regarding current business conditions and our expectations for our future financial results. We expect that we will provide guidance periodically in the future. Our guidance is based upon a number of assumptions, expectations and estimates that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In providing our guidance, we also make various assumptions with respect to our future business decisions, some of which will change. Our actual financial results, therefore, may vary from our guidance due to our inability to meet the assumptions upon which our guidance is based and the impact on our business of the various risks and uncertainties described in these risk factors and in our public filings with the SEC. Variances between our actual results and our guidance may be material. To the extent that our actual financial results do not meet or exceed our guidance, the trading prices of our securities may be materially adversely affected.

Our business strategy may not achieve anticipated results. We expect to continue to apply a business strategy that includes: (i) operation of a fully franchised restaurant system; (ii) the maintenance of a purchasing cooperative that procures products and services for our Applebee's and IHOP restaurants; (iii) the possible introduction or acquisition of new restaurant concepts; and (iv) dedicated brand resources for key functions such as marketing, consumer insights and operations and a shared service model for certain other functions such as legal, technology and human resources. There can be no assurance that the business strategy we apply to one franchise system will be suitable or will achieve results similar to the application of such business strategy to the other franchise system. In addition, our operational improvement, purchasing and other strategic initiatives may not be successful or achieve the desired results. In particular, there can be no assurance that the existing franchisees or prospective new franchisees will respond favorably to such initiatives.

A lack of availability of suitable locations for new restaurants or a decline in the quality of the locations of our current restaurants may adversely affect our sales and results of operations. The success of our brands depends in large part on restaurant locations. As demographic and economic patterns change, current locations may not continue to be attractive or profitable. Potential declines in neighborhoods where restaurants are located or adverse economic conditions in areas surrounding those neighborhoods could result in reduced sales in those locations. In addition, desirable locations for new restaurant openings or for the relocation of existing restaurants may not be available at an acceptable cost when we identify a particular opportunity for a new restaurant or relocation. Additionally, restaurant revitalization initiatives may not be completed as and when projected and may not produce the results we expect. We may also be unable to operate effectively in new and/or highly competitive geographic regions or local markets in which our franchisees have limited operating experience.

We may experience shortages or interruptions in the supply or delivery of food and other products from third parties or in the availability of utilities. Our franchised restaurants are dependent on frequent deliveries of fresh produce, food, beverages and other products. Shortages or interruptions in food and beverage supplies may result from a variety of causes, including shortages due to adverse weather, labor unrest, political unrest, terrorism, outbreaks of food-borne illness, disruption of operation of production facilities, financial difficulties (including bankruptcy) of our suppliers or other unforeseen circumstances. Such shortages could adversely affect our revenue and profits. The inability to secure adequate and reliable supplies or distribution of food and beverage products could limit our ability to make changes to our core menus or offer promotional "limited time only" menu items, which may limit our ability to implement our business strategies. Our franchisees’ restaurants bear risks associated with the timeliness of deliveries by suppliers and distributors as well as the solvency, reputation, labor relationships, freight rates, prices of raw materials and health and safety standards of each supplier and distributor. Other significant risks associated with our suppliers and distributors include improper handling of food and beverage products and/or the adulteration or contamination of such food and beverage products. Disruptions in our relationships with suppliers and distributors may reduce the payments we receive from our franchisees or our pancake and waffle dry mix distributors. In addition, interruptions to the availability of gas, electric, water or other utilities may adversely affect the operations of our franchised restaurants.

Any inability to effectively manage or forecast appropriate inventory levels may adversely affect our business. Effective management of inventory levels depends, in part, on our ability to anticipate and respond in a timely manner to changing consumer demand and preferences. From time to time, we may carry excessive inventory resulting from menu events that vary from forecasted demand which may result in financial loss to us and/or to our franchisees. Conversely, if we underestimate demand, we may experience inventory shortages which may result in lost revenues.

A failure to develop and implement innovative marketing and guest relationship initiatives, ineffective or improper use of social media or other marketing initiatives and increased advertising and marketing costs could adversely affect our business results. If our competitors increase their spending on advertising and promotions, if our advertising, media or marketing expenses increase, or if our advertising and promotions become less effective than those of our competitors, we could experience a material adverse effect on our business results. A failure to sufficiently innovate, develop guest relationship initiatives, or maintain adequate and effective advertising could inhibit our ability to maintain brand relevance and drive increased sales.

As part of our marketing efforts, we rely on search engine marketing and social media platforms to attract and retain guests. These efforts may not be successful, resulting in expenses incurred without the benefit of higher revenues or increased employee engagement. In addition, a variety of risks are associated with the use of social media, including the improper disclosure of proprietary information, posting of negative comments about our brands, exposure of personally identifiable information, fraud, and use of outdated information. The inappropriate or otherwise harmful use of social media vehicles by our franchisees and their employees, guests, our employees or others in the general public could increase our costs, lead to litigation or result in negative publicity that could damage our reputation.

Changing health or dietary preferences may cause consumers to avoid Applebee's and IHOP restaurants in favor of alternative options. The food service industry as a whole rests on consumer preferences and demographic trends at the local, regional, national and international levels. New information regarding diet, nutrition and health may impact consumer eating habits. Franchise development and system-wide sales depend on the sustained demand for our products, which may be affected by factors we do not control. Various factors such as: (i) the Food and Drug Administration’s menu labeling rules, (ii) nutritional guidelines issued by the United States Department of Agriculture and issuance of similar guidelines or statistical information by state or local municipalities, or (iii) academic studies, may impact consumer choice and cause consumers to select foods other than those that are offered by Applebee's or IHOP restaurants. We may not be able to adequately adapt Applebee's or IHOP restaurants' menu offerings to keep pace with developments in consumer preferences, which may result in reduced royalty revenues from a decline in demand for our food and fewer guests visiting Applebee’s and IHOP restaurants.

We face a variety of risks associated with doing business in international markets. Our expansion into and continued operations in international markets could create risks to our brands and reputation. There is no assurance that our international operations will be profitable or that international growth will continue. Our international operations are subject to all of the same risks associated with our domestic operations, as well as a number of additional risks. These include, among other things, international economic and political conditions, international currency fluctuations, terrorism, global travel risks and differing cultures and consumer preferences.

We also are subject to governmental regulations throughout the world that impact the way we do business with our international franchisees and vendors. These include antitrust and tax requirements, import/export/customs regulations, anti-boycott regulations, other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could harm our business, results of operations and financial condition.

We may be subject to litigation and other legal proceedings that could be time consuming, require significant amounts of management time and result in the diversion of significant operational resources. We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. Litigation is inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. There have been a growing number of lawsuits in recent years. There has also been a rise in employment-related lawsuits. From time to time, we have been subject to these types of lawsuits. The cost of defending claims against us or the ultimate resolution of such claims may harm our business and operating results. In addition, the increasingly regulated business environment may result in a greater number of enforcement actions and private litigation. This could subject us to increased exposure to stockholder lawsuits.

Our franchisees are subject to complaints or litigation from guests alleging illness, injury or other food quality, food safety, health or operational concerns as well as claims related to the Americans with Disabilities Act and other premises liability. Our franchisees are also subject to "dram shop" laws in some states pursuant to which our franchisees may be subject to liability in connection with personal injuries or property damages incurred in connection with wrongfully serving alcoholic beverages to an intoxicated person. Although our franchise agreements require our franchisees to defend and indemnify us, we may be named as a defendant and sustain liability in legal proceedings against franchisees under the doctrines of vicarious liability, agency, negligence or otherwise. Claims against our franchisees may reduce the ability of our franchisees to make payments to us. We may also initiate legal proceedings against franchisees for breach of the terms of their franchise agreements, including underreporting of sales, failure to operate restaurants according to standard operating procedures and payment defaults. These claims may also reduce the ability of franchisees to enter into new franchise agreements with us.

Third-party claims with respect to intellectual property assets, if decided against us, may result in competing uses or require adoption of new, non-infringing intellectual property, which may in turn adversely affect sales and revenues. We regard our service marks and trademarks related to our restaurant businesses as having significant value and being important to our marketing efforts. To protect our brands from infringement, we rely on contracts, copyrights, patents, trademarks, service marks and other common law rights, such as trade secret and unfair competition laws. We have registered certain trademarks and service marks in the United States and international jurisdictions; however, effective intellectual property protection may not be available in every country in which we have or intend to open or franchise a restaurant. Although we believe we have taken appropriate measures to protect our intellectual property, there can be no assurance that these protections will be adequate.

In addition, there can be no assurance that third parties will not assert infringement or misappropriation claims against us, or assert claims that our rights in our trademarks, service marks and other intellectual property assets are invalid or unenforceable. Any such claims could have a material adverse effect on us or our franchisees if such claims were to be decided against us. If our rights in any intellectual property were invalidated or deemed unenforceable, it could permit competing uses of intellectual property which, in turn, could lead to a decline in restaurant revenues and sales of other branded products and services (if any). If the intellectual property became subject to third-party infringement, misappropriation or other claims, and such claims were decided against us, we may be forced to pay damages, be required to develop or adopt non-infringing intellectual property or be obligated to acquire a license to the intellectual property that is the subject of the asserted claim. There could be significant expenses associated with the defense of any infringement, misappropriation, or other third-party claims.

Our business depends on our ability to attract and retain talented management and other key employees. Our business is based on successfully attracting and retaining talented employees. The market for highly skilled employees and leaders in our industry is extremely competitive. If we are less successful in our recruiting efforts, or if we are unable to retain management and other key employees, our ability to develop and deliver successful products and services may be adversely affected. Effective succession planning is also important to our long-term success. Failure to ensure effective transfer of knowledge and smooth transitions involving management and other key employees could hinder our strategic planning and execution.

Our failure or the failure of our franchisees to comply with federal, state and local governmental regulations may subject us to losses and harm our brands. We are subject to the Fair Labor Standards Act (which governs such matters as minimum wage, overtime and other working conditions), along with the Americans with Disabilities Act (which provides civil rights protections to individuals with disabilities in the context of employment, public accommodations, and other areas), the Immigration Reform and Control Act of 1986, various family leave mandates and a variety of other laws enacted, or rules and regulations promulgated by federal, state and local governmental authorities that govern these and other employment matters, including tip credits, working conditions, safety standards and immigration status. There have been several complaints alleging franchisors to be joint employers with franchisees. Although we do not consider ourselves to be joint employers with our franchisees, there can be no assurance that other franchisors will not receive similar complaints in the future which may result in legal proceedings based on the actions of its franchisees. We expect increases in payroll expenses as a result of federal and state mandated increases in the minimum wage, and although such increases are not expected to be material, we cannot assure you that there will not be material increases in the future. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration and labor organizations may adversely impact the availability and costs of labor in a particular area or across the United States. Other labor shortages or increased team member turnover could also increase labor costs. In addition, our vendors may be affected by higher minimum wage standards or availability of labor, which may increase the price of goods and services they supply to us. The Patient Protection and Affordable Care Act has impacted our franchisees' employee costs in some respects. There are no assurances that a combination of cost management and price increases can accommodate all of the costs associated with compliance.

We are subject to extensive federal, state and local governmental regulations, including those relating to food safety and inspection and the preparation and sale of food and alcoholic beverages. Disruptions within any government agencies could impact the U.S. food industry, which may have an adverse effect on our business. We are also subject to laws and regulations relating to building and zoning requirements. Each of our franchisees' restaurants is also subject to licensing and regulation by alcoholic beverage control, health, sanitation, safety and fire agencies in the state, county and/or municipality where the restaurant is located. We cannot assure you that our franchisees will not encounter material difficulties or failures, including with respect to obtaining and maintaining required licenses and approvals, which could impact the continuing operations of an existing restaurant, or delay or prevent the opening of a new restaurant.

In addition, we are subject to laws and regulations, which vary from jurisdiction to jurisdiction, relating to nutritional content and menu labeling. Compliance with these laws and regulations may lead to increased costs and operational complexity and may increase our exposure to governmental investigations or litigation. In connection with the continued operation or remodeling of certain restaurants, our franchisees may be required to expend funds to meet federal, state, local and international regulations. The inability to obtain or maintain such licenses or publicity resulting from actual or alleged violations of such laws could have an adverse effect on our results of operations.

We are subject to federal regulation and certain foreign and state laws, including state laws that govern the offer and sale of franchises. Many state franchise laws contain provisions that supersede the terms of franchise agreements, including provisions concerning the termination or non-renewal of a franchise. Some state franchise laws require that certain materials be registered before franchises can be offered or sold in that state. The failure to obtain or retain licenses or approvals to sell franchises could adversely affect us and the franchisees. Changes in, and the cost of compliance with, government regulations could have a material effect on operations.

Finally, regulatory changes or actions under the current U.S. political administration may impact the laws or regulations described above. We cannot predict whether or when any of these potential changes in law might become effective in any jurisdiction nor the impact, if any, of these changes to our business.

We are subject to risks associated with self-insurance for medical, dental and vision benefits. As of January 2017, we now self-insure all of our employee medical, dental and vision benefits. We maintain a per claim stop loss coverage but do not maintain coverage at an aggregate level. Our reserves are based on historical loss trends that may not correlate to actual loss experience in the future. If we experience an unexpectedly large number of claims that result in costs or liabilities in excess of our projections, our reserves may prove to be insufficient and we may be exposed to significant and unexpected losses. For these and other reasons, including our inability to renew stop loss coverage at competitive rates, we are subject to risks associated with self-insurance that may have an adverse effect on the Corporation's financial condition and operating results.

In addition, access to personal medical information is regulated by federal, state and/or local laws as well as by certain third-party agreements. If our security and information systems or the systems of our third-party vendors are compromised, we could be subject to costly litigation or penalties and our reputation and operations could be adversely affected.

Any inability or failure to execute on a comprehensive business continuity plan following a major natural disaster such as an earthquake, tornado, flood or man-made disaster, including terrorism or a cyber incident, at our corporate facilities could materially adversely impact our business. Our corporate systems and processes and corporate support for our restaurant operations are handled primarily at our restaurant support center. We have disaster recovery procedures and business continuity plans in place to address most events of a crisis nature, including earthquakes, tornadoes, floods and other natural or man-made disasters, and back up and off-site locations for recovery of electronic and other forms of data and information. However, if we are unable to fully implement our disaster recovery plans, we may experience delays in recovery of data, inability to perform vital corporate functions, tardiness in required reporting and compliance, failures to adequately support field operations and other breakdowns in normal communication and operating procedures that could have a material adverse effect on our financial condition, results of operation and exposure to administrative and other legal claims.

Development initiatives outside our core business could negatively impact our brands. Our business expansion into non-traditional restaurant formats, including restaurants with a smaller footprint, restaurants located in non-traditional locations and retail product licensing for the IHOP brand could create new risks to our brand and reputation.

Failure of our internal controls over financial reporting and future changes in accounting standards may cause adverse unexpected operating results, affect our reported results of operations or otherwise harm our business and financial results. Our management is responsible for establishing and maintaining effective internal controls over financial reporting. Internal controls over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our common stock.

A change in accounting standards can have a significant effect on our reported results and may affect our reporting of transactions before the change is effective. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Changes to existing accounting rules or the questioning of current accounting practices may adversely affect our reported financial results. Additionally, our assumptions, estimates and judgments related to complex accounting matters could significantly affect our financial results. Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations are highly complex and involve many subjective assumptions, estimates and judgments by us. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments by us could significantly change our reported or expected financial performance.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The table below shows the location and ownership type of Applebee's and IHOP restaurants as of December 31, 2017:

	Applebee's (a)	IHOP (a)		
	Franchise	Franchise	Area License	Total IHOP
United States				
Alabama	30	21	—	21
Alaska	1	4	—	4
Arizona	26	42	—	42
Arkansas	10	16	—	16
California	118	231	—	231
Colorado	26	37	—	37
Connecticut	6	9	—	9
Delaware	12	7	—	7
District of Columbia	—	2	—	2
Florida	106	—	148 (b)	148
Georgia	67	76	4 (b)	80
Hawaii	3	6	—	6
Idaho	12	8	—	8
Illinois	47	55	—	55
Indiana	63	24	—	24
Iowa	26	10	—	10
Kansas	32	27	—	27
Kentucky	31	10	—	10
Louisiana	16	30	—	30
Maine	12	3	—	3
Maryland	25	47	—	47
Massachusetts	29	20	—	20
Michigan	85	24	—	24
Minnesota	55	9	—	9
Mississippi	21	15	—	15
Missouri	52	32	—	32
Montana	8	5	—	5
Nebraska	19	7	—	7
Nevada	13	24	—	24
New Hampshire	14	6	—	6
New Jersey	60	45	—	45
New Mexico	20	21	—	21
New York	111	57	—	57
North Carolina	52	54	—	54
North Dakota	11	2	—	2
Ohio	86	39	—	39
Oklahoma	14	34	—	34
Oregon	21	8	—	8
Pennsylvania	81	25	—	25
Rhode Island	8	4	—	4
South Carolina	33	31	—	31
South Dakota	6	2	—	2
Tennessee	31	41	—	41
Texas	101	206	—	206
Utah	10	19	—	19
Vermont	3	1	—	1
Virginia	67	66	—	66
Washington	42	32	—	32
West Virginia	16	8	—	8
Wisconsin	39	14	—	14
Wyoming	5	3	—	3
Total Domestic	1,782	1,519	152	1,671

	Applebee's (a)	IHOP (a)			
	Franchise	Franchise	Area License		Total IHOP
International					
Bahrain	—	3	—		3
Brazil	9	—	—		—
Canada	16	16	12	(b)	28
Chile	1	—	—		—
Costa Rica	3	—	—		—
Dominican Republic	3	—	—		—
Egypt	1	—	—		—
Guam	1	2	—		2
Guatemala	5	2	—		2
India	—	1	—		1
Indonesia	2	—	—		—
Kuwait	8	5	—		5
Lebanon	—	1	—		1
Mexico	58	40	—		40
Northern Mariana Islands	—	1	—		1
Panama	1	3	—		3
Philippines	2	3	—		3
Puerto Rico	5	5	—		5
Qatar	7	1	—		1
Saudi Arabia	22	13	—		13
Thailand	—	1	—		1
United Arab Emirates	10	6	—		6
Total International	154	103	12		115
Totals	1,936	1,622	164		1,786

(a) The properties identified in this table generate revenue in our franchise, rental and financing operating segments.
(b) Of these restaurants, 40 in Florida, one in Georgia and 12 in Canada have been sub-licensed by the area licensee.

Of the 1,622 IHOP restaurants operated by franchisees, 59 were located on sites owned by us, 634 were located on sites leased by us from third parties and 929 were located on sites owned or leased by franchisees. All of the IHOP restaurants operated by area licensees and 1,934 of the franchisee-operated Applebee's restaurants were located on sites owned or leased by the area licensees or the franchisees. We leased one site and owned one site on which franchisee-operated Applebee's restaurants were located.

Leases of IHOP restaurants generally provide for an initial term of 20 to 25 years, with most having one or more five-year renewal options. Leases of Applebee's restaurants generally have an initial term of 10 to 20 years, with renewal terms of five to 20 years. In addition, a substantial number of the leases for both IHOP and Applebee's restaurants include provisions calling for the periodic escalation of rents during the initial term and/or during renewal terms. The leases typically provide for payment of rents in an amount equal to the greater of a fixed amount or a specified percentage of gross sales and for payment of taxes, insurance premiums, maintenance expenses and certain other costs. Historically, it has been our practice to seek to extend, through negotiation, those leases that expire without renewal options. However, from time to time, we choose not to renew a lease or are unsuccessful in negotiating satisfactory renewal terms. When this occurs, the restaurant is closed and possession of the premises is returned to the landlord.

Under our Applebee's franchise agreements, we have certain rights to gain control of a restaurant site in the event of default under the franchise agreement. Because substantially all IHOP franchised restaurants developed by us under our Previous IHOP Business Model are subleased to the franchisees, IHOP has the ability to regain possession of the subleased restaurant if the franchisee defaults in the payment of rent or other terms of the sublease.

We currently occupy our principal corporate offices and restaurant support center in Glendale, California, under a lease expiring in April 2023. We lease approximately 50,000 square feet of office space in Kansas City, Missouri, under a lease expiring in October 2021.

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosure.

Not Applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the NYSE under the symbol "DIN". The following table sets forth the high and low sales prices of our common stock on the NYSE for each fiscal quarter of 2017 and 2016.

	Fiscal Year 2017		Fiscal Year 2016	
	Prices		Prices	
Quarter	High	Low	High	Low
First	$ 78.15	$ 49.53	$ 98.82	$ 77.36
Second	$ 57.31	$ 42.37	$ 94.30	$ 80.07
Third	$ 45.60	$ 36.71	$ 85.79	$ 75.05
Fourth	$ 52.14	$ 42.05	$ 88.00	$ 76.36

Holders

The number of stockholders of record and beneficial owners of our common stock as of February 9, 2018 was estimated to be 17,400.

Dividends on Common Stock

Please refer to Note 11 - Stockholders' Equity, of the Notes to the Consolidated Financial Statements for information on dividends declared and paid in the fiscal years ended December 31, 2017 and 2016.

On February 14, 2018, our Board of Directors approved payment of a cash dividend of $0.63 per share of common stock, payable at the close of business on April 6, 2018 to the stockholders of record as of the close of business on March 19, 2018.

We evaluate dividend payments on common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors. There can be no assurance that we will continue to pay such dividends or the amount of such dividends.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2017, regarding shares outstanding and available for issuance under the DineEquity, Inc. 2016 Stock Incentive Plan (the "2016 Plan"):

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,272,048	$ 61.44	1,394,408
Equity compensation plans not approved by security holders	—	—	—
Total	1,272,048	$ 61.44	1,394,408

The number of securities remaining available for future issuance represents shares under the 2016 Plan. Please refer to Note 13 - Stock-Based Incentive Plans, of the Notes to the Consolidated Financial Statements for a description of the 2016 Plan.

Issuer Purchases of Equity Securities

Purchases of Equity Securities by the Company

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Approximate dollar value of shares that may yet be purchased under the plans or programs (b)
October 2, 2017 – October 29, 2017[a]	756	$43.86	—	$ 67,100,000
October 30, 2017 – November 26, 2017[a]	396	—	—	$ 67,100,000
November 27, 2017 – December 31, 2017	—	—	—	$ 67,100,000
Total	1,152	$44.32	—	$ 67,100,000

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

(b) In October 2015, our Board of Directors approved a stock repurchase program authorizing us to repurchase up to $150 million of the Company's common stock on an opportunistic basis from time to time in open market transactions and in privately negotiated transactions, including Rule 10b-5 stock repurchase plans, based on business, market, applicable legal requirements and other considerations. The program does not require the repurchase of a specific number of shares and can be terminated at any time.

Stock Performance Graph

The graph below shows a comparison of the cumulative total stockholder return on our common stock with the cumulative total return on the Standard & Poor's 500 Composite Index and the Value-Line Restaurants Index (“Restaurant Index”) over the five-year period ended December 31, 2017. The graph and table assume $100 was invested at the close of trading on the last day of trading in 2012 in our common stock and in each of the market indices, with reinvestment of all dividends. Stockholder returns over the indicated periods should not be considered indicative of future stock prices or stockholder returns.

Comparison of Five-Year Cumulative Total Stockholder Return
Dine Brands Global, Inc., Standard & Poor's 500 and Value Line Restaurant Index
(Performance Results through December 31, 2017)

	2012		2013		2014		2015		2016		2017
Dine Brands Global, Inc.	$	100.00	$	129.97	$	167.17	$	141.78	$	134.78	$	96.51
Standard & Poor's 500		100.00		132.39		150.51		152.60		170.85		208.15
Restaurant Index		100.00		132.68		148.87		180.21		193.17		239.65

The foregoing performance graph is being furnished as part of this report solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by the Company under the Securities Act of 1933, as amended (the “Securities Act”) or the Exchange Act.

Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with the consolidated financial statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K. The consolidated statement of operations information and the consolidated balance sheet data for the years ended and as of December 31, 2017, 2016, 2015, 2014 and 2013 are derived from our audited consolidated financial statements.

	Fiscal Year Ended December 31,				
	2017	2016	2015	2014	2013
	(In millions, except per share amounts and restaurant data)				
Revenues:					
Franchise and restaurant revenues (a)	$ 475.0	$ 501.7	$ 542.6	$ 518.6	$ 502.6
Rental revenues	121.4	123.0	127.7	122.9	124.8
Financing revenues	8.4	9.2	10.8	13.5	13.1
Total revenues	604.8	634.0	681.1	655.0	640.5
Cost of revenues:					
Franchise and restaurant expenses (a)	172.0	162.9	187.0	184.4	173.2
Rental expenses	90.6	91.5	94.6	94.6	97.3
Financing expenses	0.6	0.2	0.5	0.8	0.2
Total cost of revenues	263.2	254.6	282.1	279.9	270.8
Gross profit	341.6	379.4	399.0	375.1	369.7
Impairment of goodwill and intangible assets	531.6	—	—	—	—
General and administrative expenses	165.7	148.9	155.4	145.9	143.6
Interest expense	62.0	61.5	63.3	96.6	100.3
Closure and other impairment charges	4.0	5.1	2.6	3.7	1.8
Loss on extinguishment of debt and temporary equity	—	—	—	64.9	0.1
(Gain) loss on disposition of assets (a)	(6.2)	0.8	(0.9)	0.3	(0.2)
Other expense (b)	10.0	10.0	10.0	12.1	13.6
Income before income taxes	(425.4)	153.1	168.6	51.6	110.6
Income tax benefit (provision)	94.8	(55.1)	(63.7)	(15.1)	(38.6)
Net (loss) income	(330.5)	98.0	104.9	36.5	72.0
Less: Net loss (income) allocated to unvested participating restricted stock	6.5	(1.4)	(1.4)	(0.5)	(1.2)
Net (loss) income available to common stockholders	$ (324.0)	$ 96.6	$ 103.5	$ 35.9	$ 70.8
Net (loss) income available to common stockholders per share:					
Basic	$ (18.28)	$ 5.36	$ 5.55	$ 1.92	$ 3.75
Diluted	$ (18.28)	$ 5.33	$ 5.52	$ 1.90	$ 3.70
Weighted average shares outstanding:					
Basic	17.7	18.0	18.6	18.8	18.9
Diluted	17.7	18.1	18.8	19.0	19.1
Dividends declared per common share	$ 3.88	$ 3.73	$ 3.545	$ 3.125	$ 3.00
Dividends paid per common share	$ 3.88	$ 3.68	$ 3.50	$ 2.25	$ 3.00
Balance Sheet Data (end of year):					
Cash and cash equivalents	$ 117.0	$ 140.5	$ 144.8	$ 104.0	$ 106.0
Restricted cash—short-term and long-term (c)	46.1	45.0	47.2	67.0	0.7
Property and equipment, net (a)	199.6	205.1	219.6	241.2	274.3
Total assets (d)	1,750.2	2,278.6	2,331.9	2,393.7	2,366.8
Long-term debt, less current maturities (d)	1,269.8	1,282.7	1,279.5	1,276.5	1,189.5
Capital lease obligations, less current maturities	61.9	74.7	84.8	98.1	111.7
Financing obligations, less current maturities	39.2	39.5	42.4	42.5	48.8
Stockholders' (deficit) equity	(146.7)	252.8	267.2	279.1	315.2
Other Financial Data:					
Cash flows provided by operating activities	$ 65.7	$ 118.1	$ 135.5	$ 118.5	$ 127.8
Capital expenditures	13.4	5.6	6.6	5.9	7.0
Domestic system-wide same-restaurant sales percentage change:					
Applebee's	(5.3)%	(5.0)%	0.2%	1.1%	(0.3)%
IHOP	(1.9)%	(0.1)%	4.5%	3.9%	2.4 %
Total restaurants (end of year):					
Applebee's	1,936	2,016	2,033	2,017	2,011
IHOP	1,786	1,733	1,683	1,650	1,620
Total restaurants	3,722	3,749	3,716	3,667	3,631

(a)We refranchised nine IHOP company-operated restaurants in 2017 and 23 Applebee's company-operated restaurants in 2015.
(b)Includes amortization of intangible assets in each year as well as $1.3 of debt modification costs in 2013.
(c)Restricted cash increased in 2014 due to refinancing of long-term debt. See Note 7 - Long-Term Debt, of the Notes to Consolidated Financial Statements

(d)Amounts for 2014 and 2013 were restated in 2015 to reflect accounting standards adopted in that year.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement Regarding Forward-Looking Statements

Statements contained in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. You can identify these forward-looking statements by words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “goal” and other similar expressions. You should consider our forward-looking statements in light of the risks discussed under the heading “Risk Factors,” as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the United States Securities and Exchange Commission. The forward-looking statements contained in this report are made as of the date hereof and the Company assumes no obligation to update or supplement any forward-looking statements.

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the consolidated financial statements and the related notes that appear elsewhere in this report.

General

The first International House of Pancakes restaurant opened in 1958 in Toluca Lake, California. Shortly thereafter, the Company's predecessor began developing and franchising additional restaurants. The Company was incorporated under the laws of the State of Delaware in 1976 with the name IHOP Corp. In November 2007, the Company completed the acquisition of Applebee's International, Inc., which became a wholly-owned subsidiary of the Company. Effective June 2, 2008, the name of the Company was changed to DineEquity, Inc. and on February 20, 2018, the name of the Company was changed to Dine Brands Global, Inc.℠ (“Dine Brands Global,” “we” or “our”). Through various subsidiaries (see Exhibit 21, Subsidiaries of Dine Brands Global, Inc.), we own and franchise the Applebee's Neighborhood Grill & Bar® (“Applebee's”) concept in the bar and grill segment within the casual dining category of the restaurant industry, and own, franchise and operate the International House of Pancakes® (“IHOP”) concept in the family dining category of the restaurant industry. References herein to Applebee's® and IHOP® restaurants are to these two concepts, whether operated by franchisees, area licensees or us.

Domestically, Applebee's and IHOP franchise restaurants are located in all 50 states and two IHOP franchise restaurants are located in the District of Columbia. Internationally, IHOP restaurants are located in three United States territories and 13 countries outside of the United States; Applebee's restaurants are located in two United States territories and 15 countries outside of the United States. With over 3,700 restaurants combined, we believe we are the largest full-service restaurant company in the world. The June 19, 2017 issue of *Nation's Restaurant News* reported that IHOP and Applebee's were the largest restaurant systems in the family dining and casual dining categories, respectively, in terms of United States system-wide sales during 2016. This marks the tenth consecutive year our two brands have achieved the number one ranking in *Nation's Restaurant News*.

We have a 52/53 week fiscal year ending on the Sunday nearest to December 31 of each year. For convenience, in this annual report on Form 10-K, we refer to all fiscal years as ending on December 31 and all interim fiscal quarters as ending on March 31, June 30 and September 30 of the respective fiscal year. There were 52 calendar weeks in our 2017 and 2016 fiscal years that ended on December 31, 2017 and January 1, 2017, respectively, and 53 calendar weeks in our 2015 fiscal year that ended January 3, 2016.

Executive Summary of 2017 Results

Overview

- We incurred a net loss of $330.5 million, due in large part to impairment charges taken in the third quarter of 2017 of $358.2 million for Applebee's goodwill and $173.4 million for Applebee's tradename. The goodwill impairment was not deductible for federal income tax purposes and therefore we received no tax benefit related to the goodwill impairment. We did recognize a deferred tax benefit of $65.1 million related to the impairment charge for Applebee's tradename;

- We recognized a substantial benefit associated with the December 2017 enactment of the Tax Cuts and Jobs Act, primarily due to a one-time revaluation of our net deferred tax liability based on a U.S. federal tax rate of 21 percent. This revaluation reduced our net loss by $77.5 million, or $4.37 per share;

- Our gross profit decreased $37.8 million, primarily due to a decrease of $38.1 million in gross profit from Applebee's franchise operations. Nearly $29 million of the decline was due to Applebee's franchisee financial health issues, specifically, an $11.5 million increase in bad debt expense; an increase of $7.0 million in contributions we made to the

Applebee's National Advertising Fund (the "Applebee's NAF") to mitigate the decline in franchisee contributions that are based on a percentage of restaurant sales; a $6.2 million decrease in royalty revenue because of uncertainty as to collectibility; and a $4.1 million decrease in royalty revenue due to restaurant closures. An additional $8.3 million of the total decline was due to a 5.3% decrease in Applebee's domestic same-restaurant sales;

- We generated cash provided by operating activities of approximately $66 million and adjusted free cash flow (cash provided by operating activities, plus receipts from notes and equipment contract receivables, less additions to property and equipment) of approximately $63 million in 2017;
- We returned nearly $80 million to our stockholders, comprised of $69.8 million in cash dividends and $10.0 million in the form of stock repurchases;
- IHOP franchisees opened 77 new restaurants worldwide, with net development of 54 restaurants. The opening of 77 restaurants was the highest annual total of franchise restaurant openings for IHOP since the Current Business Model was adopted in 2004. Applebee's franchisees closed 99 restaurants worldwide, with a net reduction of 80 restaurants. Taken together, the total number of our restaurants declined by less than 1% from last year's total; and
- IHOP franchisees remodeled 320 domestic restaurants in 2017 under our new *Rise N' Shine* design. A total of 620 restaurants have been remodeled since the *Rise N' Shine* design was announced in late 2015.

Key Performance Indicators

An overview of our key performance indicators for the year ended December 31, 2017 is as follows:

	Applebee's	**IHOP**
Sales percentage (decrease) increase in domestic system-wide sales	(6.8)%	0.7 %
Net franchise restaurant (reduction) development [(1)]	(80)	54
% (decrease) in domestic same-restaurant sales	(5.3)%	(1.9)%

[(1)] Franchise and area license restaurant openings, net of closings

Financial Summary

	2017	***Favorable (Unfavorable) Variance***	**2016**
	(In millions, except per share amounts)		
(Loss) income before income taxes	$ (425.4)	*$ (578.5)*	$ 153.1
Income tax benefit (provision)	94.8	*149.9*	(55.1)
Net (loss) income	$ (330.5)	*$ (428.5)*	$ 98.0
Effective tax rate	22.3%	*13.7%*	36.0%
Net (loss) income per diluted share	$ (18.28)	*$ (23.61)*	$ 5.33
Weighted average diluted shares outstanding	17.7	*0.4*	18.1

Income before income taxes for the year ended December 31, 2017 decreased $578.5 million compared to the year ended December 31, 2016. The primary reasons for the decline are summarized as follows:

	(In millions)
Impairment of Applebee's goodwill and tradename	$ (531.6)
Decrease in gross profit:	
Applebee's franchise operations	(38.1)
All other operations	0.3
Total gross profit decrease	(37.8)
Increase in General and Administrative ("G&A") expenses:	
Executive separation costs	(8.8)
Applebee's stabilization initiatives	(8.6)
All other G&A	0.7
Total G&A increase	(16.7)
Increase in gain on disposition of assets	7.0
Other	0.6
Decrease in income before income taxes	$ (578.5)

Our effective tax rate ("ETR") of 22% for the year ended December 31, 2017 was significantly different than both the federal statutory rate of 35% and the ETR of 36% for the year ended December 31, 2016. The 2017 effective tax rate of 22.3% applied to pretax book loss was lower than the statutory federal tax rate of 35% primarily due to the non-deductibility of the impairment of Applebee's goodwill for federal income tax purposes, which was partially offset by the income tax benefit resulted from the revaluation of our deferred taxes at the federal tax rate of 21% in accordance with the Tax Cuts and Jobs Act. See Note 15 - Income Taxes, of the Notes to Consolidated Financial Statements for additional information.

Key Performance Indicators

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

System-wide Sales and Domestic Same-Restaurant Sales

The following table sets forth for each of the past three years the number of "Effective Restaurants" in the Applebee's and IHOP systems and information regarding the percentage change in sales at those restaurants compared to the same periods in the prior two years. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company and, as such, the percentage changes in sales presented below are based on non-GAAP sales data. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties and advertising fees that are 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.

Applebee's Restaurant Data	**Year Ended December 31,**		
Global Effective Restaurants:[(a)]	**2017**	**2016**	**2015**
Franchise	1,970	2,027	2,004
Company	—	—	13
Total	1,970	2,027	2,017
System-wide:[(b)]			
Domestic sales percentage change[(c)]	(6.8)%	(6.8)%	3.4%
Domestic same-restaurant sales change(d)	(5.3)%	(5.0)%	0.2%
Franchise:[(b)]			
Domestic sales percentage change[(c)]	(6.8)%	(6.2)%	3.9%
Domestic same-restaurant sales change(d)	(5.3)%	(5.0)%	0.2%
Domestic average weekly unit sales (in thousands)	$ 43.6	$ 45.3	$ 47.8
IHOP Restaurant Data			
Global Effective Restaurants:[(a)]			
Franchise	1,576	1,517	1,481
Area license	164	166	166
Company	5	10	12
Total	1,745	1,693	1,659
System-wide:[(b)]			
Sales percentage change[(c)]	0.7 %	(0.3)%	8.1%
Domestic same-restaurant sales change(d)	(1.9)%	(0.1)%	4.5%
Franchise:[(b)]			
Sales percentage change[(c)]	1.2 %	(0.3)%	8.2%
Domestic same-restaurant sales change(d)	(1.9)%	(0.1)%	4.5%
Average weekly unit sales (in thousands)	$ 36.3	$ 37.3	$ 37.6
Area License:[(b)]			
IHOP sales percentage change[(c)]	(0.7)%	0.6 %	5.9%

(a) “Global Effective Restaurants” are the weighted average number of restaurants open in a given 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, domestic and international, which includes restaurants owned by franchisees and area licensees as well as those owned by the Company.

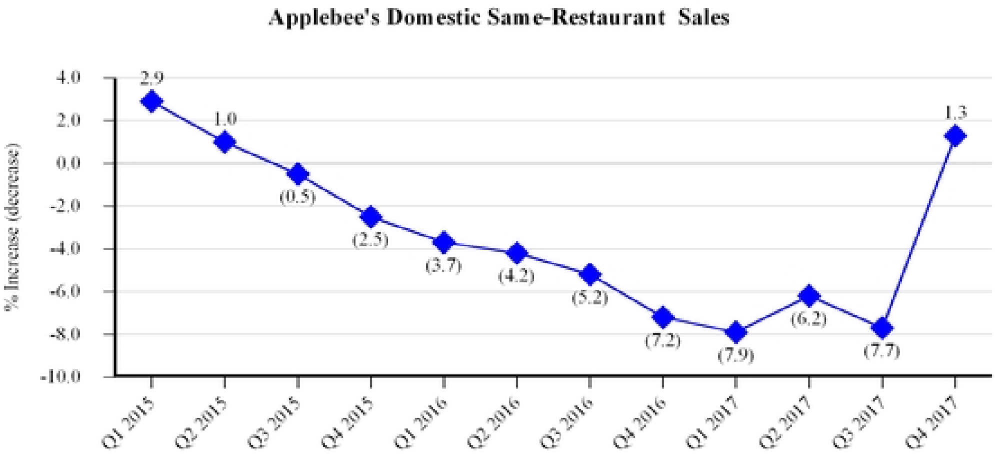
(b) “System-wide sales” are retail sales at Applebee’s restaurants operated by franchisees and IHOP restaurants operated by franchisees and area licensees, as reported to the Company, in addition to retail sales at company-operated restaurants. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company. An increase in franchisees' reported sales will result in a corresponding increase in our royalty revenue, while a decrease in franchisees' reported sales will result in a corresponding decrease in our royalty revenue. Unaudited reported sales for Applebee's domestic franchise restaurants, IHOP franchise restaurants and IHOP area license restaurants for the years ended December 31, 2017, 2016 and 2015 were as follows:

	Year Ended December 31,		
Reported sales (unaudited)	**2017**	**2016**	**2015**
		(In millions)	
Applebee's domestic franchise restaurant sales	$ 4,117.1	$ 4,418.6	$ 4,711.9
IHOP franchise restaurant sales	2,974.6	2,939.9	2,948.3
IHOP area license restaurant sales	280.6	282.5	280.9
Total	$ 7,372.3	$ 7,641.0	$ 7,941.1

(c) “Sales percentage change” reflects, for each category of restaurants, the percentage change in sales in any given fiscal year compared to the prior fiscal year for all restaurants in that category. The sales percentage change for the years ended December 31, 2016 and 2015 was impacted by a 53rd calendar week in fiscal year 2015.

(d) “Domestic same-restaurant sales change” reflects the percentage change in sales in any given fiscal year, compared to the same weeks in the prior year, for domestic restaurants that have been operated throughout both fiscal years that are being compared and have been open for at least 18 months. Because of new unit openings and restaurant closures, the domestic restaurants open throughout the fiscal years being compared may be different from year to year. Domestic same-restaurant sales percentage change does not include data on IHOP area license restaurants.

Domestic Same-Restaurant Sales Trends

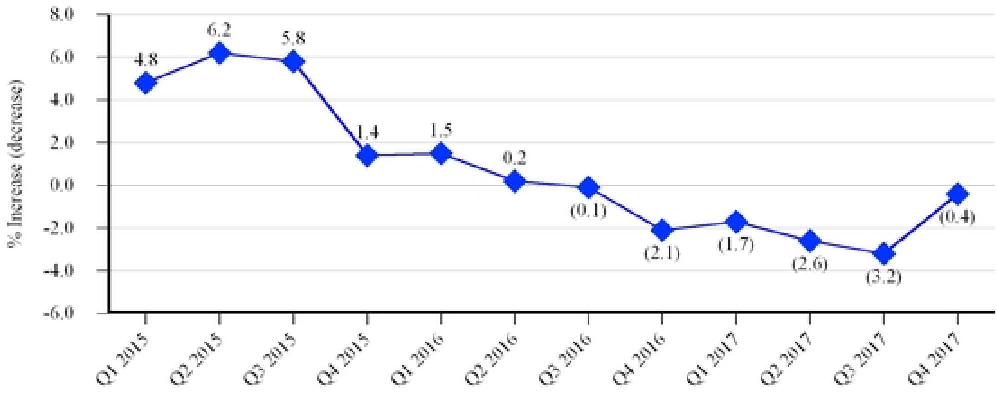


Applebee’s domestic same-restaurant sales increased 1.3% for the three months ended December 31, 2017 from the same period in 2016, the first quarterly increase in two and one-half years. The increase in the fourth quarter of 2017 was primarily due to an increase in customer traffic that was partially offset by a decrease in average customer check. We believe the increases in traffic and same-restaurant sales were due, in part, to favorable customer response to marketing initiatives implemented during the quarter, to our revitalized menu offerings and to operational improvements in the quality of the customer experience. Applebee's performance for the fourth quarter of 2017 exceeded that of the casual dining segment of the restaurant industry. Based on data from Black Box, the casual dining segment of the restaurant industry experienced a slight increase in same-restaurant sales during the fourth quarter of 2017 resulting from an increase in average customer check that was mostly offset by a decline in customer traffic. Applebee's outperformance during the fourth quarter was due primarily to its differential improvement in traffic.

For the full year ended December 31, 2017, Applebee’s domestic same-restaurant sales decreased 5.3%, which was a 200 basis-point improvement over the decrease of 7.3% realized through the first nine months of 2017. The decrease in domestic same-restaurant sales for the full year 2017 was primarily due to a decline in customer traffic, along with a smaller decrease in average customer check. For the full year 2017, Applebee's performance trailed that of the casual dining segment. The casual dining segment's decrease in same-restaurant sales was smaller than Applebee's and was due to a decline in traffic that was partially offset by an increase in average check. As reported by Black Box, the decrease in customer traffic the casual dining segment experienced for the full year 2017 was smaller than the Applebee's decrease in customer traffic, and the casual dining segment experienced an increase in average customer check for the full year 2017 compared to Applebee's decrease in average customer check.

We believe the differential between Applebee's performance for the full year 2017 and that of the casual dining segment is due in large part to unsuccessful tactical initiatives previously implemented by Applebee's that have since been addressed and to the inconsistent quality of operations across the Applebee's system. We engaged third-party consultants during the first half of 2017 to assess the continued decline in Applebee's traffic and same-restaurant sales and to provide actionable recommendations to stabilize the decline and to assist with franchisee health initiatives. These recommendations were implemented and, in large part, drove the positive sales in the fourth quarter of 2017. We incurred approximately $8.6 million of costs related to these stabilization initiatives in 2017.

IHOP Domestic Same-Restaurant Sales



IHOP's domestic same-restaurant sales decreased 0.4% for the three months ended December 31, 2017. The decline in the fourth quarter of 2017 was due to a decrease in customer traffic that was partially offset by an increase in average customer check. IHOP customer traffic has declined for nine consecutive quarters, however, the percentage decrease in the fourth quarter of 2017 was the smallest since the first quarter of 2016. We believe the improvement in IHOP's domestic same-restaurant sales in the fourth quarter of 2017 compared to the third quarter of 2017 was due to successful limited-time promotions along with the roll-out of our new "IHOP 'N Go" mobile ordering technology. For the full year ended December 31, 2017, IHOP's domestic same-restaurant sales decreased 1.9%. The decrease for the full year 2017 also was due to a decrease in customer traffic that was partially offset by an increase in average customer check.

IHOP's performance for both the fourth quarter and full year of 2017 lagged that of the family dining segment of the restaurant industry. Based on data from Black Box, during the fourth quarter of 2017, the family dining segment had an increase in same-restaurant sales due primarily to an increase in average check that was larger than IHOP's, offset by a decrease in traffic that was also larger than IHOP's. For the full-year 2017, the family dining segment experienced a smaller decrease in same-restaurant sales than IHOP, due primarily to a smaller decrease in traffic than IHOP experienced.

In the short term, a decline in customer traffic at either brand may be offset by an increase in average customer check resulting from an increase in menu prices, a favorable change in product sales mix, or a combination thereof. A sustained decline in same-restaurant customer traffic that cannot be offset by an increase in average customer check could have an adverse effect on our business, results of operations and financial condition, due to, among other things, reduced royalty revenues, higher bad debt expense resulting from the failure or inability of franchisees to pay amounts owed to us when due, and a possible decline in the number of franchise restaurants because of reduced restaurant development or restaurant closures.

Net Franchise Restaurant Development

The total number of Applebee's franchise restaurants open at December 31, 2017 declined 4% from the number open at December 31, 2016 as franchisees opened 19 new restaurants but closed 99 restaurants. Restaurant closures can occur for a variety of reasons that may differ for each restaurant and for each franchisee. Closures generally fall into one of two categories: restaurants in older locations whose retail, residential and traffic demographics have changed unfavorably over time, and restaurants with non-viable unit economics. The majority of Applebee's restaurant closures in 2017 were due to these factors. While 18 of the restaurants were closed by a single franchisee, no other franchisee had more than 10 restaurant closures.

IHOP franchisees and area licensees opened 77 restaurants in 2017 and closed 23 restaurants, resulting in net development of 54 restaurants, the highest net development since 2009. The opening of 77 restaurants was the highest annual total of franchise restaurant openings for IHOP since the Current Business Model was adopted in 2004. We believe the IHOP closures were primarily due to natural attrition as the total number of closures in 2017 was only slightly higher than the average annual closure rate of 21 restaurants per year over the three previous years.

Internationally, franchisees of both brands opened 37 restaurants and closed 22, for net development of 15 restaurants. This international activity is included in the total activity for each brand cited above.

The following tables summarize Applebee's and IHOP restaurant development and franchising activity over the past three years:

	Year Ended December 31,		
	2017	2016	2015
Applebee's Restaurant Development Activity			
Summary - beginning of period:			
Franchise	2,016	2,033	1,994
Company	—	—	23
Total Applebee's restaurants, beginning of period	**2,016**	**2,033**	**2,017**
Domestic	1,858	1,878	1,870
International	158	155	147
Franchise restaurants opened:			
Domestic	10	19	27
International	9	10	17
Total franchise restaurants opened	19	29	44
Franchise restaurants closed:			
Domestic	(86)	(39)	(19)
International	(13)	(7)	(9)
Total franchise restaurants closed	(99)	(46)	(28)
Net franchise restaurant (reduction) development	**(80)**	**(17)**	**16**
Refranchised from Company restaurants	—	—	23
Net franchise restaurant (decrease) increase	**(80)**	**(17)**	**39**
Summary - end of period:			
Franchise	1,936	2,016	2,033
Company restaurants	—	—	—
Total Applebee's restaurants, end of period	**1,936**	**2,016**	**2,033**
Domestic	1,782	1,858	1,878
International	154	158	155
% (Decrease) increase in total Applebee's restaurants from prior year	**(4.0)%**	**(0.8)%**	**0.8%**

	Year Ended December 31,		
	2017	2016	2015
IHOP Restaurant Development Activity			
Summary - beginning of period:			
Franchise	1,556	1,507	1,472
Area license	167	165	167
Company[(a)]	10	11	11
Total IHOP restaurants, beginning of period	**1,733**	**1,683**	**1,650**
Domestic	1,637	1,604	1,579
International	96	79	71
Franchise/area license restaurants opened:			
Domestic franchise	48	43	44
Domestic area license	1	3	3
International franchise	28	20	8
Total franchise/area license restaurants opened	77	66	55
Franchise/area license restaurants closed:			
Domestic franchise	(11)	(12)	(17)
Domestic area license	(3)	(1)	(5)
International franchise	(8)	(3)	—
International area license	(1)	—	—
Total franchise/area license restaurants closed	(23)	(16)	(22)
Net franchise/area license restaurant development	**54**	**50**	**33**
Refranchised from Company restaurants	9	1	3
Franchise restaurants reacquired by the Company	—	—	(3)
Net franchise/area license restaurant additions	**63**	**51**	**33**
Summary - end of period:			
Franchise	1,622	1,556	1,507
Area license	164	167	165
Company[(a)]	—	10	11
Total IHOP restaurants, end of period	**1,786**	**1,733**	**1,683**
Domestic	1,671	1,637	1,604
International	115	96	79
% Increase in total IHOP restaurants from prior year	**3.1%**	**3.0%**	**2.0%**

[(a)] During the twelve months ending December 31, 2017, nine company-operated restaurants were refranchised and one was permanently closed.

During 2018, we expect Applebee's franchisees to develop between 10 and 15 new restaurants globally, the majority of which are expected to be international openings. IHOP franchisees are projected to develop between 85 and 100 new IHOP restaurants globally, the majority of which are expected to be domestic openings. We anticipate the closing of between 60 and 80 Applebee's restaurants in 2018 as part of the continuation of a system-wide analysis to optimize the health of the franchisee system. We expect to close between 30 and 40 IHOP restaurants in 2018.

The actual number of openings may differ from both our expectations and development commitments. Historically, the actual number of restaurants developed in a particular year has been less than the total number committed to be developed due to various factors, including economic conditions and franchisee noncompliance with development agreements. The timing of new restaurant openings also may be affected by various factors including weather-related and other construction delays, difficulties in obtaining timely regulatory approvals and the impact of currency fluctuations on our international franchisees. The actual number of closures also may differ from our expectations. Our franchisees are independent businesses and decisions to close restaurants can be impacted by numerous factors in addition to changes in Applebee's domestic same-restaurant sales that are outside of our control, including but not limited to, franchisees' agreements with landlords and lenders.

Consolidated Results of Operations - Fiscal 2017, 2016 and 2015

Significant Known Events, Trends or Uncertainties Impacting or Expected to Impact Comparisons of Reported or Future Results

Applebee's has experienced a decline in system-wide sales over the past two years that was primarily due to a decrease in customer traffic. This decline in sales at our franchisees' restaurants has adversely impacted the financial health of some of the franchisees and the timely payment of amounts they owe us for royalty payments and advertising fund contributions. The non-timely payments are primarily concentrated amongst four franchisees. Two franchisees representing approximately 13% of Applebee's 2017 domestic system-wide sales are exhibiting a higher level of financial difficulty than the other franchisees. These franchisee health issues, in turn, had an adverse impact on our 2017 financial results as follows: (i) our bad debt expense increased $11.5 million; (ii) we contributed $9.5 million to the Applebee's NAF to mitigate both the decline in franchisee contributions that are based on a percentage of restaurant sales and the non-timely payment by certain franchisees; and (iii) there was a decrease of $6.2 million in royalty revenue due to uncertainty as to its collectibility. We engaged third-party consultants during the first half of 2017 to assess the continued decline in Applebee's traffic and same-restaurant sales and to provide actionable recommendations to stabilize the decline and to assist with franchisee health initiatives. These recommendations were implemented and, in large part, drove the positive sales in the fourth quarter of 2017. We incurred approximately $8.6 million of costs related to these stabilization initiatives in 2017.

Throughout 2017 we addressed franchisee financial health through a collaborative effort between ourselves, a third-party advisor and franchisee representatives. We have considered various forms of assistance to franchisees, such as restaurant closures, assessing franchisee debt arrangements, temporary forbearance on payment obligations, extensions of credit and other support programs. To date, the assistance provided primarily has been the approved closures of non-viable restaurants and waiver of related termination fees, as well as loans to certain franchisees. Applebee's restaurant closures during 2017 reduced our royalty revenue by approximately $4.1 million. Any additional assistance to franchisees may entail incremental costs.

Virtually all domestic Applebee’s franchisees have entered into an amendment to their franchise agreements that will increase their contribution to the Applebee’s NAF by 0.25% to 3.50% of their gross sales and decrease their minimum local promotional expenditures to 0.25% of their gross sales for the period from January 1, 2018 to December 31, 2019. Such franchisees have also agreed to an incremental temporary increase in the advertising contribution rate, subject to certain contingencies. We will contribute an additional $30 million to the Applebee's NAF during the first six months of 2018.

While we are encouraged by the improvement in Applebee's same-restaurant sales and customer traffic during the fourth quarter of 2017, there can be no assurance that this favorable trend will continue or to what extent any improvement in same-restaurant sales and customer traffic might mitigate the franchisee health issues discussed above. Until such mitigation occurs, we may, in the future, continue to experience relatively high charges for bad debt as a percentage of revenue or be unable to recognize all of the royalty revenue to which we are entitled.

Events Impacting Comparability of Financial Information

<u>Impairment of Applebee's Goodwill and Tradename</u>

We performed an interim quantitative test for impairment of Applebee's goodwill and indefinite-lived intangible assets in the third quarter of 2017. As a result of performing the interim quantitative test, we recognized an impairment of Applebee's goodwill of $358.2 million and an impairment of Applebee's tradename of $173.4 million.

See additional discussion of these impairments under the heading “Financial Review - Impairment of Goodwill and Intangible Assets.”

<u>Tax Cuts and Jobs Act</u>

The Tax Cuts and Jobs Act (the “Tax Act”) enacted in December 2017 lowered the Federal statutory corporate tax rate from 35% to 21%, beginning in 2018. In accordance with U.S. GAAP, we revalued our net deferred tax liability as of December 31, 2017, based on a U.S. federal tax rate of 21 percent. This revaluation reduced our 2017 net loss by $77.5 million, or $4.37 per share. We also expect to benefit meaningfully from the Tax Act in future periods, primarily due to the impact of the lower U.S. federal tax rate.

Executive Separation Costs

On February 17, 2017, we announced the resignation of our former Chairman and Chief Executive Officer (the "former CEO"), effective March 1, 2017. In accordance with the terms of the Separation Agreement and General Release filed as Exhibit 10.1 to Form 8-K filed on February 17, 2017, we recorded approximately $5.9 million for severance, separation pay and ancillary costs in the first quarter of 2017. All stock options and restricted stock awards held by the former CEO that were unvested at the time of the announcement became vested in connection with the separation. We recorded a charge of approximately $2.9 million related to the accelerated vesting of the equity awards in the first quarter of 2017. Total costs of $8.8 million related to the separation were included in G&A expenses for the year ended December 31, 2017.

Refranchising of Company-operated Restaurants

In June 2017, we refranchised nine of our ten company-operated IHOP restaurants in the Cincinnati, Ohio market area; the one restaurant not refranchised was closed. As a result, we no longer operate any IHOP restaurants on a permanent basis. In July 2015, we refranchised 23 Applebee's company-operated restaurants in the Kansas City, Missouri market area. As of that date, we no longer operated any Applebee's restaurants on a permanent basis.

53rd week in Fiscal 2015

Our fiscal year ends on the Sunday nearest to December 31 of each year. Every five or six years, our fiscal year contains 53 calendar weeks. Our 2015 fiscal year contained 53 calendar weeks, whereas fiscal 2017 and 2016 each contained 52 calendar weeks. The estimated impact of the 53rd week on fiscal 2015 results of operations was an increase in revenue of $13.8 million, an increase in gross profit of $9.4 million, an increase in income before income taxes of $6.8 million and an increase in cash from operating activities of approximately $6 million. These amounts represent unfavorable variances in the respective line items in comparing 2016 results with 2015 results.

Financial Review

Revenue	**2017**	***Favorable (Unfavorable) Variance***	**2016**	***Favorable (Unfavorable) Variance***	**2015**
			(In millions)		
Franchise operations	$ 467.5	*$ (16.9)*	$ 484.4	*$ (10.3)*	$ 494.7
Rental operations	121.4	*(1.6)*	123.0	*(4.6)*	127.7
Company restaurant operations	7.5	*(9.8)*	17.4	*(30.5)*	47.9
Financing operations	8.4	*(0.8)*	9.2	*(1.7)*	10.8
Total revenue	$ 604.8	*$ (29.2)*	$ 634.0	*$ (47.1)*	$ 681.1
Change vs. prior year	(4.6)%		(6.9)%		6.3%

Our 2017 total revenue declined $29.2 million compared to 2016. The significant components of the change are as follows:

- Franchise revenues decreased due to a 5.3% decline in Applebee's same-restaurant sales, an increase in Applebee's revenue we did not recognize due to uncertainty as to collectibility, an increase in closures of Applebee's restaurants, and a decrease in sales of IHOP pancake and waffle dry mix. These unfavorable items were partially offset by new restaurant development by IHOP franchisees.
- Company restaurant revenue declined primarily due to the refranchising of nine IHOP company-operated restaurants as noted above under "Events Impacting Comparability of Financial Information."
- Rental and financing revenues decreased primarily due to the progressive decline in interest income as financed receivables were repaid.

Our 2016 total revenue declined $47.1 million compared to 2015, of which $13.8 million was due to a 53rd calendar week in 2015. Other components of the total change are as follows:

- Company restaurant revenue declined primarily due to the refranchising of 23 Applebee's restaurants as noted under "Events Impacting Comparability of Financial Information."
- Rental and financing revenues decreased primarily due to the progressive decline in interest income as financed receivables were repaid.
- Increased franchise revenues due to IHOP restaurant development and sales of pancake and waffle dry mix were offset by a decrease in Applebee's franchise royalties primarily due to a 5.0% decline in same-restaurant sales and to lower franchise, extension and termination fees from both brands.

Gross Profit (Loss)	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
Franchise operations	$ 303.4	*$ (36.3)*	$ 339.7	*$ (16.0)*	$ 355.7
Rental operations	30.8	*(0.7)*	31.5	*(1.6)*	33.1
Company restaurant operations	(0.3)	*0.5*	(0.8)	*(0.7)*	(0.1)
Financing operations	7.7	*(1.3)*	9.0	*(1.3)*	10.3
Total gross profit	$ 341.6	*$ (37.8)*	$ 379.4	*$ (19.6)*	$ 399.0
Change vs. prior year	(10.0)%		(4.9)%		6.4%

Our 2017 gross profit decreased $37.8 million compared to 2016. Primary components of the total change are as follows:

- Franchise gross profit declined primarily due to the decrease in revenue described above, an increase in Applebee's bad debt expense and an increase in franchisor contributions to the Applebee's NAF.
- Rental and financing gross profit was adversely impacted by the progressive decline in interest income as financed receivables were repaid.
- Company-operated restaurant gross profit improved slightly due to the refranchising of nine IHOP company-operated restaurants noted above.

Our 2016 gross profit decreased $19.6 million compared to 2015, of which $9.4 million was due to a 53rd calendar week in 2015. Other components of the total change are as follows:

- Franchise gross profit declined primarily due to a 5.0% decrease in Applebee's domestic franchise same-restaurant sales as well as lower franchise, extension and termination fees from both brands. These unfavorable items were partially offset by IHOP restaurant development and favorability in pancake and waffle dry mix.
- Rental and financing gross profit was adversely impacted by the progressive decline in interest income as financed receivables were repaid.
- Company-operated restaurant gross profit declined primarily due to the refranchising of 23 Applebee's company-operated restaurants noted above.

Franchise Operations	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions, except number of restaurants)		
Global Effective Franchise Restaurants:[(1)]					
Applebee’s	1,970	*(57)*	2,027	*23*	2,004
IHOP	1,740	*57*	1,683	*36*	1,647
Franchise revenues:					
Applebee's	$ 168.9	*$ (19.4)*	$ 188.3	*$ (14.0)*	202.3
IHOP	185.4	*0.6*	184.8	*0.5*	184.3
Advertising	113.2	*1.9*	111.3	*3.2*	108.1
Total franchise revenues	467.5	*(16.9)*	484.4	*(10.3)*	494.7
Franchise Expenses:					
Applebee’s	28.8	*(18.7)*	10.2	*(4.6)*	5.6
IHOP	22.1	*1.2*	23.2	*2.1*	25.3
Advertising	113.2	*(1.9)*	111.3	*(3.2)*	108.1
Total franchise expenses	164.1	*(19.5)*	144.6	*(5.7)*	139.0
Franchise Segment Profit:					
Applebee’s	140.1	*(38.1)*	178.2	*(18.5)*	196.7
IHOP	163.3	*1.7*	161.6	*2.6*	159.0
Total franchise segment profit	$ 303.4	*$ (36.4)*	$ 339.7	*$ (15.9)*	$ 355.7
Gross profit as % revenue	64.9%		70.1%		71.9%

[(1)] Global Effective Franchise Restaurants are the weighted average number of franchise restaurants open in a given fiscal period, adjusted to account for franchise restaurants open for only a portion of the period.

Our 2017 total franchise revenue declined $16.9 million compared to 2016. The significant components of the total change are as follows:

- Applebee's franchise revenue decreased almost $20 million. A 5.3% decrease in Applebee's domestic same-restaurant sales reduced revenue by $8.3 million and there was a decrease of $6.2 million of royalty revenue due to uncertainty as to its collectibility. Restaurant closures reduced revenue by $4.1 million. Lower franchise termination and transfer fees also contributed to the decrease.
- IHOP franchise revenues improved primarily due to increases in effective franchise restaurants due to franchisee development and an increase in international sales. These favorable items were primarily offset by a $1.6 million decrease in sales of pancake and waffle dry mix and a 1.9% decrease in IHOP's domestic same-restaurant sales.
- Advertising revenues increased due to the IHOP restaurant development noted above.

Our 2017 total franchise expenses increased $19.5 million compared to 2016. The significant components of the total change are as follows:

- Applebee's franchise expenses increased primarily because of an $11.5 million increase in bad debt expense and an increase in franchisor marketing contributions. We contributed $9.5 million to the Applebee's NAF in 2017 to mitigate the decline in franchisee contributions that are based on a percentage of restaurant sales as compared to a $2.5 million contribution in 2016.
- IHOP franchise expenses improved due primarily to favorability in pancake and waffle dry mix purchases partially offset by a $0.8 million franchisor contribution to the IHOP national advertising fund.
- Advertising expenses increased concurrently with the increase in advertising revenues.

Our 2016 total franchise revenue declined $10.3 million compared to 2015, most of which was due to a 53rd calendar week in 2015 as discussed above under “Events Impacting Comparability of Financial Information.” Other components of the total change are as follows:

- Applebee's franchise revenue decreased approximately $8 million due to a 5.0% decrease in Applebee's domestic same-restaurant sales. Lower franchise termination and transfer fees and an increase in the amount of royalties we did not recognize due to uncertainty as to collectibility also contributed to the decrease. These unfavorable items were partially offset by an increase of approximately $0.9 million from a full year of royalty revenues in 2016 from 23 refranchised restaurants compared to six months of royalty revenue in 2015.
- IHOP franchise revenues improved due to increases in effective franchise restaurants due to franchisee development and an increase in sales of pancake and waffle dry mix. These favorable items were primarily offset by a $1.4 million decrease in franchise termination, transfer and extension fees. The 0.1% decrease in IHOP's domestic same-restaurant sales did not have a significant impact on the change in 2016 IHOP franchise revenues compared to 2015.
- Advertising revenues increased due to the IHOP restaurant development noted above and an increase in the number of international restaurants of both brands participating in advertising funds.

Our 2016 total franchise expenses increased $5.7 million compared to 2015, which included $2.9 million of favorability because of a 53rd calendar week in 2015. Other components of the total change are as follows:

- Applebee's franchise expenses increased primarily because of a $2.5 million franchisor contribution to the Applebee's NAF and a $1.4 million increase in bad debt expense.
- IHOP franchise expenses improved due to favorability in pancake and dry mix purchases.
- Advertising expenses increased concurrently with the increase in advertising revenues.

Advertising contributions designated for IHOP’s national advertising fund and local marketing and advertising cooperatives, as well as advertising contributions from international franchise restaurants of both brands, are recognized as revenue and expense of franchise operations. Because we have less contractual control over Applebee’s domestic advertising expenditures, Applebee's domestic national advertising fund activity is not recognized as franchise revenue and expense. However, effective with the January 1, 2018, adoption of accounting guidance promulgated by the Financial Accounting Standards Board with respect to revenue recognition, we will include contributions to and expenditures from the Applebee's NAF as revenue and expense of franchise operations, as is currently done with contributions to and expenditures from the IHOP NAF. See Note 2 - Basis of Presentation and Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements.

Gross profit as a percentage of revenue declined in 2017 compared to 2016 primarily because of the increase in Applebee's bad debt and franchisor contributions to the Applebee's NAF. Gross profit as a percentage of revenue declined in 2016 compared to 2015 primarily because of the increase in Applebee's franchise expenses as well as the increases in advertising revenue which generated no incremental gross profit, partially offset by favorability in pancake and waffle dry mix.

Rental Operations	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
Rental revenues	$ 121.4	*$ (1.6)*	$ 123.0	*$ (4.7)*	$ 127.7
Rental expenses	90.6	*0.9*	91.5	*3.1*	94.6
Rental operations segment profit	$ 30.8	*$ (0.7)*	$ 31.5	*$ (1.6)*	$ 33.1
Gross profit as % revenue	25.4%		25.6%		25.9%

(1) Favorable (unfavorable) variance in comparing 2016 and 2014 results with 2015 results that exclude the 53rd calendar week of 2015.

Rental operations relate primarily to IHOP franchise restaurants that were developed under the Previous IHOP Business Model described under Item 1. - Business. Rental income includes revenue from operating leases and interest income from direct financing leases. Rental expenses are costs of prime operating leases and interest expense on prime capital leases on certain franchise restaurants.

Rental revenue declined $1.6 million in 2017 compared to 2016 primarily due to a $1.4 million decrease in rental income based on a percentage of franchisees' retail sales and the expected progressive decline of $1.2 million in interest income as direct financing leases are repaid. These unfavorable items were partially offset by contractual increases in base sublease rentals revenue. Rental expenses decreased $0.9 million in 2017 compared to 2016 primarily because of a $1.3 million decline in interest expense as capital lease obligations are repaid and a decline in depreciation expense, partially offset by contractual increases in prime lease expenses.

Rental revenue declined $4.7 million in 2016 compared to 2015, of which $2.5 million was due to a 53rd calendar week in 2015 and $1.3 million was due to the expected progressive decline as direct financing leases are repaid. There was also a decrease in rental income based on a percentage of franchisees' retail sales. Rental expenses decreased $3.1 million in 2016 compared to 2015 due primarily to a $1.7 million decline in interest expense as capital lease obligations are repaid and additional expenses of $1.2 million due to the 53rd week of 2015.

Financing Operations	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
Financing revenues	$ 8.4	*$ (0.8)*	$ 9.2	*$ (1.7)*	$ 10.8
Financing expenses	0.6	*(0.4)*	0.2	*0.4*	0.5
Financing operations segment profit	$ 7.7	*$ (1.3)*	$ 9.0	*$ (1.3)*	$ 10.3
Gross profit as % revenue	92.8%		98.3%		95.2%

Financing operations relate primarily to IHOP franchise restaurants that were developed under the Previous IHOP Business Model described under Item 1. - Business. Financing operations revenue primarily consists of interest income from the financing of franchise fees and equipment leases. We also sell equipment associated with IHOP franchise restaurants we have reacquired when those restaurants are subsequently refranchised to a new franchisee. Financing expenses are primarily the cost of the restaurant equipment sold.

There is a progressive decline in interest income from the financing of franchise fees and equipment leases as note balances are repaid. As a result of this decline, interest income decreased by $1.2 million between 2017 and 2016 and by $1.1 million between 2016 and 2015. The remaining minor variances in financing revenues and expenses are due to changes in sales and cost of sales of equipment associated with reacquired IHOP franchise restaurants subsequently refranchised to new franchisees. Sales of equipment associated with reacquired IHOP restaurants are, by nature, unpredictable and variable in any given year. The 53rd calendar week in 2015 did not have a significant impact on the comparisons of financing revenues, expenses and gross profit between 2016 and 2015.

Company Operations	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
	(In millions, except number of restaurants)				
Effective Company Restaurants:[1]					
Applebee's	—	—	—	*(13)*	13
IHOP	5	*(5)*	10	*(2)*	12
Company restaurant sales	$ 7.5	*$ (9.8)*	$ 17.4	*$ (30.5)*	$ 47.9
Company restaurant expenses	7.8	*10.4*	18.2	*29.8*	48.0
Company restaurant segment (loss) profit	$ (0.3)	*$ 0.5*	$ (0.8)	*$ (0.8)*	$ (0.1)
Gross loss as % revenue	(4.3)%		(4.9)%		(0.2)%

[1] Effective Company Restaurants are the weighted average number of company-operated restaurants open in a given fiscal period, adjusted to account for company-operated restaurants open for only a portion of the period.

As discussed above under "Events Impacting Comparability of Financial Information," over the past two years we have refranchised the last company-operated restaurants of both brands. As of December 31, 2017, we do not operate any restaurants. From time to time, we have operated IHOP restaurants reacquired from franchisees on a temporary basis until those restaurants are refranchised and we may reacquire both IHOP and Applebee's restaurants on a temporary basis in the future. There were no restaurants under temporary operation at December 31, 2017. The 53rd calendar week in 2015 did not have a significant impact on the comparisons of restaurant sales, expenses and gross profit between 2016 and 2015.

General and Administrative Expenses	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
	$ 165.7	*$ (16.7)*	$ 148.9	*$ 6.5*	$ 155.4

G&A expenses increased $16.7 million in 2017 compared to 2016, primarily due to charges of $8.8 million related to the executive separation costs discussed above under "Events Impacting Comparability of Financial Information." Additionally, we incurred $8.6 million of costs related to Applebee's stabilization initiatives, primarily costs of third-party consultants engaged to assess the decline in Applebee's traffic and same-restaurant sales, to provide actionable recommendations to stabilize the decline and to assist with franchisee health initiatives. These recommendations were implemented and, in large part, drove an increase in Applebee's domestic same-restaurant sales in the fourth quarter of 2017. All other G&A expenses declined $0.6 million, due primarily to a $1.5 million decrease in recruiting and relocation costs, a $1.1 million decrease in professional services and a $1.1 million decrease in conference and travel costs, partially offset by a $3.2 million increase in personnel-related costs. The increase in personnel-related costs was primarily due to salary and benefit costs for open management positions that were filled during 2016, partially offset by lower costs of incentive compensation.

G&A expenses decreased $6.5 million in 2016 compared to 2015, primarily due to decreases in personnel-related costs of $6.7 million, in occupancy costs of $1.6 million and in consumer research costs of $0.7 million. Additionally, $1.5 million of the decline was due to additional expenses incurred in the 53rd week of 2015, primarily salaries, benefits and depreciation. The decrease in personnel-related costs is due primarily to lower incentive compensation costs of $7.2 million and lower costs of $1.8 million related to the consolidation of the Kansas City restaurant support center, partially offset by higher full-year costs of stock-based compensation, salary and benefits for several senior management positions that were filled during 2015. The decrease in occupancy costs was primarily due to the consolidation of the Kansas City restaurant support center. These favorable items were offset by higher costs of $3.0 million for professional services and $1.0 million for franchisee conferences.

Impairment of Goodwill and Intangible Assets	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
Impairment of goodwill	$ 358.2	*$ (358.2)*	$ —	$ —	$ —
Impairment of tradename	173.4	*(173.4)*	—	—	—
Total	$ 531.6	*$ (531.6)*	$ —	$ —	$ —

We performed a quantitative test for impairment of Applebee's goodwill and tradename as of October 31, 2016, the annual testing date. We identified no impairments as a result of performing these quantitative assessments, however, we did note that the fair value of the Applebee's Franchise Reporting Unit exceeded the carrying value of the unit by 9% and therefore considered the unit to be at risk of impairment.

In the third quarter of 2017, we noted that the decline in the market price of our common stock since December 31, 2016, which we had believed to be temporary, persisted throughout the first eight months of 2017 and that the favorable trend in Applebee's domestic same-restaurant sales experienced in the second quarter of 2017 did not continue into the first two months of the third quarter of 2017. We also noted a continuing increase in Applebee's bad debt expense and in royalties not recognized in income due to uncertainty as to collectibility. Additionally, we also determined an increasing shortfall in franchisee contributions to the Applebee's national advertising fund could require a larger amount of future subsidization in the form of additional franchisor contributions to the fund than previously estimated. Based on these unfavorable developments, we determined that indicators of impairment existed and that an interim test of goodwill and indefinite-lived intangible assets for impairment should be performed.

In determining the fair value of the Applebee's franchise reporting unit, we used the income approach method of valuation that includes the discounted cash flow method and the market approach that includes the guideline public company method to determine the fair value of goodwill and intangible assets. Significant assumptions made by management in estimating fair value under the discounted cash flow model include future trends in sales, operating expenses, overhead expenses, depreciation, capital expenditures and changes in working capital, along with an appropriate discount rate based on our estimated cost of equity capital and after-tax cost of debt. Significant assumptions used to determine fair value under the guideline public company method include the selection of guideline companies and the valuation multiples applied. In determining the fair value of the Applebee's tradename, we used the relief of royalty method under the income approach method of valuation. Significant assumptions used to determine fair value under the relief of royalty method include future trends in sales, a royalty rate and a discount rate to be applied to the forecast revenue stream.

The assumptions used in both the discounted cash flow method and the relief of royalty method are determined by the Company based on historical results, trends and anticipated growth resulting from specific development initiatives planned to be implemented over the time horizon covered by the Company's projections. The most impactful assumptions are the discount rate and the forecasted change in system-wide sales (due to a combination of changes in same-restaurant sales and in net restaurant development) that impact our royalty revenues.

There is an inherent degree of uncertainty in preparing any forecast of future results. The projections used in performing the impairment tests reflected an increase in system-wide sales from estimated full-year 2017 amounts, in progressively larger increments, over the time period covered by the projections. System-wide sales are dependent to a significant extent on national, regional and local economic conditions, and, to a lesser extent, on global economic conditions, particularly those conditions affecting the demographics of the guests that frequently patronize Applebee's restaurants. Accordingly, there are a number of potential events that could reasonably be expected to negatively affect the forecast of system-wide sales, including a decrease in customers' disposable income available for discretionary spending (because of circumstances such as job losses, credit constraints, higher housing costs, changes to tax regulations, energy costs, interest rates or other costs) or a decrease in the perceived wealth of customers (because of circumstances such as lower residential real estate values, increased foreclosure rates, increased tax rates or other economic disruptions). As a result, our business could experience a decline in sales and/or customer traffic as potential customers choose lower-cost alternatives (such as quick-service restaurants) or other alternatives to dining out. Additionally, negative trends in the availability of credit and in expenses such as interest rates and the cost of construction materials could affect our franchisees' ability to maintain and remodel existing restaurants. Any decreases in customer traffic or average customer check due to these or other reasons could reduce gross sales at franchise restaurants, resulting in lower royalty and other payments from franchisees. This could reduce the profitability of franchise restaurants, potentially impacting the ability of franchisees to make royalty payments owed to us when due (which could adversely impact our current cash flow from franchise operations) and negatively impacting franchisees’ ability to develop new restaurants (which could adversely impact our future cash flows from franchise operations).

As a result of performing the interim quantitative test, we recognized an impairment of Applebee's goodwill of $358.2 million and an impairment of Applebee's tradename of $173.4 million. After the impairments, the balances of goodwill and the tradename intangible asset allocated to the Applebee's franchise unit as of September 30, 2017 were $328.5 million and $479.0 million, respectively. We adopted the guidance in FASB Accounting Standards Update 2017-04 on January 1, 2017; accordingly, the amount of the goodwill impairment was determined as the amount by which the carrying amount of the goodwill exceeded the fair value of the Applebee's franchise reporting unit that was estimated in the quantitative test. These assets are at risk of additional impairment in the future in the event of sustained downward movement in the Company's stock price, downward revisions of long-term performance assumptions or increases in the assumed long-term discount rate.

(Gain) Loss on Disposition of Assets	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
	$ (6.2)	*$ 7.0*	$ 0.8	*$ (1.7)*	$ (0.9)

In June 2017, we completed the refranchising and sale of related restaurant assets of nine company-operated IHOP restaurants in the Cincinnati, Ohio market area. As part of the transaction, we entered into an asset purchase agreement, nine franchise agreements and nine sublease agreements for land and buildings. The Company compared the stated rent under the sublease agreements with comparable market rents and recorded net favorable lease assets of $2.3 million in related to the transaction. The Company also received cash of $1.1 million and a note receivable for $4.8 million. After allocating a portion of the consideration to franchise fees and derecognition of the assets sold, we recognized a gain of $6.2 million on the refranchising and sale of the nine restaurants.

In July 2015, we completed the refranchising and sale of related restaurant assets of 23 company-operated Applebee's restaurants in the Kansas City, Missouri market area and we recognized a gain of $2 million on the transaction. There were no other individually significant gains or losses on dispositions of assets during fiscal 2017, 2016 and 2015.

Other Income and Expense Items	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
Interest expense	$ 62.0	*$ (0.5)*	$ 61.5	*$ 1.8*	$ 63.3
Amortization of intangible assets	10.0	*(0.0)*	10.0	*0.0*	10.0
Closure and other impairment charges	4.0	*1.1*	5.1	*(2.5)*	2.6
Total	$ 76.0	*$ 0.6*	$ 76.6	*$ (0.7)*	$ 75.9

Interest Expense

The decrease in interest expense in 2016 compared to 2015 was primarily due to $1.2 million of additional expense because of the 53rd calendar week in 2015.

Amortization of Intangible Assets

Amortization of intangible assets primarily relates to franchising rights arising from the November 2007 acquisition of Applebee's. See Note 6 - Other Intangible Assets, of the Notes to the Consolidated Financial Statements for additional information.

Closure and Other Impairment Charges	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
Closure charges	$ 3.9	*$ (2.7)*	$ 1.2	*$ 0.7*	$ 1.4
Kansas City lease exit costs	—	*2.9*	2.9	*(2.9)*	—
Long-lived tangible asset impairments	0.1	*0.9*	1.0	*0.2*	1.2
Total closure and impairment charges	$ 4.0	*$ 1.1*	$ 5.1	*$ (2.5)*	$ 2.6

Closure Charges

Approximately $2.2 million of closure charges for the year ended December 31, 2017 related to one IHOP company-operated restaurant closed during 2017, with the remainder primarily related to adjustments to the estimated reserve for IHOP and Applebee's restaurants closed prior to 2017. Approximately $0.7 million of closure charges for the year ended December 31, 2016 related to one IHOP franchise restaurant and one Applebee's restaurant closed during 2016, with the remainder related to adjustments to the estimated reserve for IHOP and Applebee's restaurants closed prior to 2016. The substantial majority of closure charges for the year ended December 31, 2015 related to two IHOP franchise restaurants closed during 2015, partially offset by minor adjustments to the estimated reserve for IHOP and Applebee's restaurants closed prior to 2015.

Kansas City Lease Exit Costs

The Company incurred costs of $2.9 million during the year ended December 31, 2016 to exit a facility in connection with the consolidation of the Applebee's Kansas City restaurant support center. Of that total, $2.5 million related to the termination of our involvement in a lease covering two floors of the facility and $0.4 million was accrued as the present value of future lease payments, net of assumed sublease rentals, of a portion of one floor of the facility.

Long-lived Tangible Asset Impairments

Long-lived tangible asset impairment charges for the year ended December 31, 2017 were insignificant. Long-lived tangible asset impairment charges for the year ended December 31, 2016 comprised a charge of $0.6 million for one IHOP company-operated restaurant and charges totaling $0.4 million of individually insignificant charges at eight IHOP company-operated restaurants. Long-lived tangible asset impairment charges for the year ended December 31, 2015 primarily related to $1.1 million of individually insignificant charges at eight IHOP company-operated restaurants and four Applebee's company-operated restaurants. The Company evaluated the causal factors of all impairments of long-lived assets as they were recorded in each year and concluded they were based on factors specific to each asset and not potential indicators of an impairment of other long-lived assets.

Income Tax Benefit (Provision)	**2017**	***Favorable (Unfavorable) Variance***	**2016**	***Favorable (Unfavorable) Variance***	**2015**
			(In millions)		
Income tax benefit (provision)	$ 94.8	*$ 149.9*	$ (55.1)	*$ 8.6*	$ (63.7)
Effective tax rate	22.3%	*13.7%*	36.0%	*1.8%*	37.8%

The income tax provision will vary from period to period for two primary reasons: a change in pretax book income and a change in the effective tax rate. Changes in our pretax book income between 2017 and 2016 and between 2016 and 2015 are addressed in the preceding sections of "Results of Operations - Fiscal 2017, 2016 and 2015."

On December 22, 2017, the President of the United States of America signed into law the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act contains significant changes to corporate taxes, including a permanent reduction of the corporate tax rate from 35% to 21% effective January 1, 2018. The reduction in the corporate rate requires a one-time revaluation of certain tax-related assets and liabilities. As a result of the revaluation of our deferred tax assets and liabilities at December 31, 2017, we recorded a one-time tax benefit of approximately $77.5 million. The Securities and Exchange Commission issued guidance that allows entities to record provisional amounts during a measurement period not to extend beyond one year of the enactment date of the Tax Act. Where we were able to make reasonable estimates of the effects of the Tax Act for which our analysis is not yet complete, we recorded provisional amounts in accordance with the guidance. Where we have not yet been able to make reasonable estimates of the impact of certain elements of the Tax Act, we have not recorded any amounts related to those elements and have continued accounting for them in accordance with the tax laws in effect immediately prior to the enactment of the Tax Act.

The 2017 effective tax rate of 22.3% applied to pretax book loss was lower than the statutory Federal tax rate of 35% primarily due to the non-deductibility of the impairment of Applebee's goodwill for federal income tax purposes, which partially offsets with the income tax benefit resulted from the revaluation of our deferred taxes at the federal tax rate of 21% in accordance with the Tax Cuts and Jobs Act. See Note 15 - Income Taxes, of the Notes to Consolidated Financial Statements for additional information on differences between our effective tax rate and the statutory Federal tax rate.

The 2016 effective tax rate of 36.0% applied to pretax book income was higher than the statutory Federal tax rate of 35% primarily due to state and local income taxes, offset by applying a lower state tax rate to the deferred tax balances. The 2015 effective tax rate of 37.8% applied to pretax book income was higher than the statutory Federal tax rate of 35% primarily due to state and local income taxes.

As of each reporting date, we consider new evidence, both positive and negative, that could impact our view with regards to future realization of deferred tax assets. As of December 31, 2016 and 2015, we determined that, based on available evidence, the $1.1 million valuation allowance recorded against deferred tax assets was warranted due to Massachusetts enacted legislation requiring unitary businesses to file combined reports. As of December 31, 2017, management determined that sufficient positive evidence exists as of the reporting date to conclude that it is more likely than not the deferred taxes of $1.1 million are realizable, and therefore, reduced the valuation allowance accordingly.

Liquidity and Capital Resources of the Company

Long-Term Debt

On September 30, 2014, Applebee's Funding LLC and IHOP Funding LLC (each a "Co-Issuer"), each a special purpose, wholly-owned indirect subsidiary of the Company, issued $1.3 billion of Series 2014-1 4.277% Fixed Rate Senior Notes, Class A-2 (the "Class A-2 Notes") in an offering exempt from registration under the Securities Act. The Co-Issuers also entered into a revolving financing facility of Series 2014-1 Variable Funding Senior Notes Class A-1 (the "Variable Funding Notes"), which allows for drawings of up to $100 million of Variable Funding Notes and the issuance of letters of credit. The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the "Notes." The Notes were issued in a securitization transaction pursuant to which substantially all of our domestic revenue-generating assets and our domestic intellectual property, are held by the Co-Issuers and certain other special-purpose, wholly-owned indirect subsidiaries of the Company (the "Guarantors") that act as guarantors of the Notes and that have pledged substantially all of their assets to secure the Notes.

Class A-2 Notes

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

While the Notes are outstanding, payment of principal and interest is required to be made on the Class A-2 Notes on a quarterly basis. The quarterly principal payment of $3.25 million on the Class A-2 Notes may be suspended when the leverage ratio for the Company and its subsidiaries is less than or equal to 5.25x. In general, the leverage ratio is our indebtedness divided by adjusted EBITDA for the four preceding quarterly periods. The complete definitions of all calculation elements of the leverage ratio are contained in the Base Indenture filed as Exhibit 4.1 to our Form 8-K filed with the SEC on October 3, 2014 ("Base Indenture"). Exceeding the leverage ratio of 5.25x does not violate any covenant related to the Notes. As of December 31, 2017, our leverage ratio was 5.70x (See Exhibit 12.1). We made one principal payment of $3.25 million in the fourth quarter of 2017 and anticipate we will be required to make four quarterly principal payments during 2018.

We may voluntarily repay the Class A-2 Notes at any time; however, if we voluntarily repay the Class A-2 Notes prior to September 2018, we would be required to pay a make-whole premium. As of December 31, 2017, the make-whole payment for voluntary repayment was approximately $18 million; this amount declines ratably to zero in September 2018. We would also be subject to a make-whole premium in the event of a mandatory prepayment occurring prior to September 2018 following a Rapid Amortization Event or certain asset dispositions. The make-whole premium requirements are considered derivatives embedded in the Class A-2 Notes that must be bifurcated for separate valuation. We estimated the fair value of these derivatives to be immaterial as of December 31, 2017, based on the probability-weighted discounted cash flows associated with either event.

The legal final maturity of the Class A-2 Notes is in September 2044, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the Class A-2 Notes will be repaid in September 2021 (the "Class A-2 Anticipated Repayment Date"). If the Co-Issuers have not repaid or refinanced the Class A-2 Notes prior to the Class A-2 Anticipated Repayment Date, the interest rate on the Class A-2 Notes will increase significantly. Specifically, additional interest will accrue on the Class A-2 Notes equal to the greater of (i) 5.00% per annum and (ii) a per annum interest rate equal to the amount, if any, by which the sum of the following exceeds the Class A-2 Note interest rate: (A) the yield to maturity (adjusted to a quarterly bond-equivalent basis) on the Class A-2 Anticipated Repayment Date of the United States Treasury Security having a term closest to 10 years plus (B) 5.00% plus (C) 2.150%. Additionally, the Company's cash flow would become subject to a rapid amortization event as described below under "Covenants and Restrictions."

The Notes are secured by the collateral described below under "Guarantees and Collateral."

Variable Funding Notes

In connection with the issuance of the Class A-2 Notes, the Co-Issuers also entered into a revolving financing facility that allows for the drawings of up to $100 million of Variable Funding Notes and the issuance of letters of credit. The Variable Funding Notes were issued under the Indenture and allow for drawings on a revolving basis. Drawings and certain additional terms related to the Variable Funding Notes are governed by the Class A-1 Note Purchase Agreement dated as of September 30, 2014 (the “Variable Funding Note Purchase Agreement”), among the Co-Issuers, the Guarantors, certain conduit investors, financial institutions and funding agents, and Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A. (“Rabobank Nederdland”), New York Branch, as provider of letters of credit, as swingline lender and as administrative agent.

The Variable Funding Notes will be governed, in part, by the Variable Funding Note Purchase Agreement and by certain generally applicable terms contained in the Indenture. Depending on the type of borrowing by the Co-Issuers, the applicable interest rate under the Variable Funding Notes is calculated at a per annum rate equal to (a) LIBOR plus 2.50%, (b) (i) the greatest of (x) the prime rate, (y) the federal funds effective rate plus 0.50% or (z) a daily rate equal to one-month LIBOR plus 0.5% plus (ii) 2.00% or (c) the lenders’ commercial paper funding rate plus 2.50%. There is a scaled commitment fee based on the unused portion of the Variable Funding Notes facility of between 50 to 100 basis points. It is anticipated that the principal and interest on the Variable Funding Notes will be repaid in full on or prior to September 2019 (the “VFN Anticipated Repayment Date”), subject to two additional one-year extensions at the option of the Company, which acts as the manager (as described below), upon the satisfaction of certain conditions. Following the VFN Anticipated Repayment Date (and any extensions thereof), additional interest will accrue on the Variable Funding Notes equal to 5.00% per annum. The Variable Funding Notes and other credit instruments issued under the Variable Funding Note Purchase Agreement are secured by the collateral described below under “Guarantees and Collateral.”

The Variable Funding Notes were undrawn upon issuance on September 30, 2014 and we have not drawn on them since issuance. At December 31, 2017, approximately $3.1 million was pledged against the Variable Funding Notes for outstanding letters of credit, leaving $96.9 million of Variable Funding Notes available for borrowings. The letters of credit are used primarily to satisfy insurance-related collateral requirements.

Guarantees and Collateral

Under the Guarantee and Collateral Agreement dated September 30, 2014 (the “Guarantee and Collateral Agreement”), among the Guarantors in favor of the Trustee, the Guarantors guarantee the obligations of the Co-Issuers under the Indenture and related documents and secure the guarantee by granting a security interest in substantially all of their assets.

The Notes are secured by a security interest in substantially all of the assets of the Co-Issuers and the Guarantors (collectively, the “Securitization Entities”). As of September 30, 2014, these assets (the “Securitized Assets”) generally included substantially all of the domestic revenue-generating assets of the Company and its subsidiaries, which principally consist of franchise agreements, area license agreements, development agreements, franchisee fee notes, equipment leases, agreements related to the production and sale of pancake and waffle dry-mixes, owned and leased real property and intellectual property.

The Notes are obligations only of the Co-Issuers pursuant to the Indenture and are unconditionally and irrevocably guaranteed by the Guarantors pursuant to the Guarantee and Collateral Agreement. Except as described below, neither we nor any of our subsidiaries, other than the Securitization Entities, guarantee or in any way are liable for the obligations of the Co-Issuers under the Indenture or the Notes.

Covenants and Restrictions

The Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Co-Issuers maintain specified reserve accounts to be used to make required payments in respect of the Notes, (ii) provisions relating to optional and mandatory prepayments, and the related payment of specified amounts, including specified make-whole payments in the case of the Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the transfers of the assets pledged as collateral for the Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure of the Securitization Entities to maintain the stated debt service coverage (“DSCR”) ratio, the trailing-twelve-month sum of domestic retail sales for all restaurants being below $3.5 billion on quarterly measurement dates, certain manager termination events, certain events of default and the failure to repay or refinance the Notes on the Class A-2 Anticipated Repayment Date. The Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal or other amounts due on or with respect to the Notes, failure of the Securitization Entities to maintain the stated debt service coverage ratio, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties and certain judgments.

The DSCR ratio is Net Cash Flow for the four quarters preceding the calculation date divided by the total debt service payments of the preceding four quarters. The complete definitions of the DSCR and all calculation elements are contained in the Base Indenture. Failure to maintain a prescribed DSCR ratio can trigger a Cash Trapping Event, A Rapid Amortization Event, a Manager Termination Event or a Default Event as described below. In a Cash Trapping Event, the Trustee is required to retain a certain percentage of cash flow in a restricted account. In a Rapid Amortization Event, all excess Cash Flow is retained and used to retire principal amounts of debt. Key DSCR ratios are as follows:

- DSCR less than 1.75x but equal to or greater than 1.50x - Cash Trapping Event, 50% of Net Cash Flow
- DSCR less than 1.50x - Cash Trapping Event, 100% of Net Cash Flow
- DSCR less than 1.30x - Rapid Amortization Event
- DSCR less than 1.20x - Manager Termination Event
- DSCR less than 1.10x - Default Event

Our DSCR for the reporting period ended December 31, 2017 was 4.01x (see Exhibit 12.1).

Based on our current level of operations, we believe that our cash flow from operations, available cash and available borrowings under our Variable Funding Notes will be adequate to meet our liquidity needs during 2018.

Cash Flows

	2017	*Favorable (Unfavorable) Variance*	2016	*Favorable (Unfavorable) Variance*	2015
			(In millions)		
Net cash provided by operating activities	$ 65.7	*$ (52.4)*	$ 118.1	*$ (17.4)*	$ 135.5
Net cash provided by investing activities	7.7	*(4.8)*	12.5	*(12.7)*	25.2
Net cash used in financing activities	(95.8)	*41.4*	(137.2)	*2.5*	(139.7)
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (22.4)	*$ (15.8)*	$ (6.6)	*$ (27.6)*	$ 21.0

Operating Activities

Cash provided by operating activities is primarily driven by revenues earned and collected from our franchisees, and profit from our rental operations and financing operations. Franchise revenues primarily consist of royalties and franchise fees from Applebee's and IHOP franchised restaurants, IHOP advertising fees and sales of proprietary products by IHOP, each of which fluctuates with increases or decreases in franchise retail sales. Franchise retail sales are impacted by the development of IHOP and Applebee's restaurants by our franchisees and by fluctuations in same-restaurant sales. Rental operations profit is rental income less rental expenses. Rental income includes revenues from operating leases and interest income from direct financing leases. Rental income is impacted by fluctuations in same-restaurant sales as some operating leases include a provision for contingent rent based on retail sales and by a progressive decline in rental income as leases expire. Rental expenses are costs of prime operating leases and interest expense on prime capital leases on franchisee-operated restaurants. Interest expense on prime capital leases also declines progressively as lease obligations are repaid. Financing operations revenue consists of interest income from the financing of franchise fees and equipment leases as well as periodic sales of restaurant equipment. Financing income is impacted by a progressive decline in interest revenue as the obligations financed are repaid. Financing expenses are primarily the cost of restaurant equipment.

Cash provided by operating activities decreased $52.4 million in 2017 compared to 2016. Our net income plus the non-cash reconciling items shown in our statements of cash flows (primarily impairment charges, depreciation, deferred taxes and stock-based compensation) decreased $37.3 million from 2016. This decrease was primarily due to a decline in gross profit from Applebee's franchise operations and the increase in G&A expenses discussed in preceding sections of the MD&A. Additionally, net changes in working capital used cash of $27.5 million during 2017 compared to using cash of $12.4 million during 2016. This unfavorable change of $15.1 million primarily resulted from an increase in accounts receivable of $12 million, an increase in current tax assets and liabilities of $8 million and the prepayment of approximately $8 million in rent, partially offset by a decrease in payments of incentive compensation (smaller payments in the first quarter of 2017 of 2016 bonuses compared to first quarter 2016 payments of 2015 bonuses). The increase in accounts receivable was due in part slow payment of receivables by certain Applebee's franchisees.

Cash provided by operating activities decreased $17.4 million in 2016 compared to 2015. Our net income plus the non-cash reconciling items shown in our statements of cash flows (primarily depreciation, deferred taxes and stock-based compensation) was essentially unchanged from 2015. However, net changes in working capital used cash of $12.4 million during 2016 as opposed to providing cash of $4.3 million during 2015. This unfavorable change of $16.8 million primarily resulted from two items unique to 2015 that did not recur in 2016: an increase in collections of gift card receivables due to the 53rd calendar week in fiscal 2015, partially offset by a $10.4 million reduction of interest payable because of payment of an additional two months of interest in 2015 due to our 2014 refinancing of debt.

Investing Activities

Net cash provided by investing activities in 2017 was primarily attributable to $20.5 million of principal receipts from notes, equipment contracts and other long-term receivables partially offset by $13.3 million of capital expenditures. The increase in capital expenditures compared to 2016 was primarily due to spending in information technology infrastructure projects. We expect capital expenditures to be approximately $16 million in fiscal 2018.

Net cash provided by investing activities in 2016 was primarily attributable to $18.7 million of principal receipts from notes, equipment contracts and other long-term receivables partially offset by $5.6 million of capital expenditures.

The following table represents the timing of principal receipts on various long-term receivables due from our franchisees as of December 31, 2017:

	Principal Receipts Due By Period						
	2018	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
				(In millions)			
Equipment leases[1]	$ 8.3	$ 8.5	$ 14.0	$ 8.9	$ 8.7	$ 30.9	$ 79.3
Direct financing leases[2]	10.8	11.2	11.2	9.6	7.2	5.7	55.7
Franchise notes[3]	0.1	0.1	0.0	0.0	0.0	0.1	0.3
Total	$ 19.2	$ 19.8	$ 25.2	$ 18.5	$ 15.9	$ 36.7	$ 135.3

(1) Equipment lease receivables extend through the year 2029.
(2) Direct financing lease receivables extend through the year 2036.
(3) Franchise note receivables extend through the year 2024.

Financing Activities

Financing activities used net cash of $95.8 million during 2017. The primary uses of cash in financing activities consisted of cash dividends paid to stockholders totaling $69.8 million, repayments of capital lease obligations of $12.9 million, repurchases of our common stock totaling $10.0 million and a repayment of long-term debt of $3.25 million. These outflows were partially offset by a net cash inflow of $0.2 million related to equity awards. As discussed above under “Class A-2 Notes,” we must make a principal payment on long-term debt of $3.25 million each quarter if our leverage ratio is greater than 5.25x. We expect we will be required to make four such payments in 2018.

Financing activities used net cash of $137.2 million during 2016. The primary uses of cash in financing activities consisted of cash dividends paid to stockholders totaling $67.4 million, repurchases of our common stock totaling $55.3 million, repayments of capital lease and financing obligations of $14.0 million and a net cash outflow of $0.4 million related to equity awards.

Adjusted Free Cash Flow

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

Adjusted free cash flow is considered to be a non-U.S. GAAP measure. Reconciliation of the cash provided by operating activities to adjusted free cash flow is as follows:

	2017	***Favorable (Unfavorable) Variance***	**2016**	***Favorable (Unfavorable) Variance***	**2015**
			(In millions)		
Cash flows provided by operating activities	$ 65.7	$ (52.4)	$ 118.1	*$ (17.4)*	$ 135.5
Net receipts from notes and equipment receivables	10.6	0.6	10.0	*(3.4)*	13.4
Additions to property and equipment	(13.3)	(7.7)	(5.6)	*1.0*	(6.6)
Adjusted free cash flow	$ 63.0	$ (59.5)	$ 122.5	*$ (19.8)*	$ 142.3

This non-U.S. GAAP measure is not defined in the same manner by all companies and may not be comparable to other similarly titled measures of other companies. Non-U.S. GAAP measures should be considered in addition to, and not as a substitute for, the U.S. GAAP information contained within our financial statements.

The decrease in adjusted free cash flow in 2017 compared to 2016 was primarily due to the decrease in cash provided by operating activities discussed above and an increase in capital expenditures. The decrease in adjusted free cash flow in 2016 compared to 2015 was primarily due to the decrease in cash provided by operating activities discussed above as well as a decrease in net receipts from notes and equipment receivables as the early payoff of several equipment notes in 2015 did not recur in 2016.

At December 31, 2017, our cash and cash equivalents totaled $117.0 million, including $57.1 million of cash held for gift card programs and IHOP advertising funds.

Capital Allocation

Dividends

During the fiscal years ended December 31, 2017, 2016 and 2015, we declared and paid dividends on common stock as shown in Note 11 - Stockholders' Equity, of the Notes to the Consolidated Financial Statements included in this report.

On February 14, 2018, our Board of Directors approved payment of a cash dividend of $0.63 per share of common stock, payable at the close of business on April 6, 2018 to the stockholders of record as of the close of business on March 19, 2018.

Share Repurchases

In October 2015, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to $150 million of the Company's common stock (the “2015 Repurchase Program”) on an opportunistic basis from time to time in open market transactions and in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The 2015 Repurchase Program, as approved by the Board of Directors, does not require the repurchase of a specific number of shares and can be terminated at any time. A summary of shares repurchased under the 2015 Repurchase Program, during the year ended December 31, 2017 and cumulatively, is as follows:

2015 Repurchase Program	**Shares**	**Cost of shares**
		(In millions)
Repurchased during the year ended December 31, 2017	145,786	$ 10.0
Cumulative repurchases as of December 31, 2017	1,000,657	$ 82.9
Remaining dollar value of shares that may be repurchased	n/a	$ 67.1

Please refer to Note 11 - Stockholders' Equity, of the Notes to the Consolidated Financial Statements for a summary of shares repurchased during the year ended December 31, 2017.

We evaluate dividend payments on common stock and repurchases of common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors. There can be no assurance that we will continue to pay such dividends or the amount of such dividends.

From time to time, we also repurchase shares owned and tendered by employees to satisfy tax withholding obligations on the vesting of restricted stock awards. Shares are deemed purchased at the closing price of our common stock on the vesting date. See Part II, Item 5 for detail on all share repurchase activity during the fourth quarter of 2017.

Off-Balance Sheet Arrangements

We have obligations for guarantees on certain franchisee lease agreements, as disclosed below in “Contractual Obligations and Commitments” and Note 10 - Commitments and Contingencies, of the Notes to Consolidated Financial Statements. Other than such guarantees, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4) of SEC Regulation S-K as of December 31, 2017.

Contractual Obligations and Commitments

The following are our significant contractual obligations and commitments as of December 31, 2017:

Contractual Obligations	Payments Due By Period				
	1 Year	2 - 3 Years	4 - 5 Years	More than 5 Years	Total
	(In millions)				
Debt[1]	$ 68.2	$ 109.8	$ 1,324.9	$ —	$ 1,502.9
Operating leases	80.3	151.7	109.4	173.9	515.3
Capital leases[1]	20.7	33.2	23.2	25.5	102.6
Financing obligations[1]	4.9	10.7	10.3	55.4	81.3
Purchase commitments	103.6	12.3	—	—	115.9
Unrecognized income tax benefits[2]	2.9	1.9	0.7	0.4	5.9
Total minimum payments	280.6	319.6	1,468.5	255.2	2,323.9
Less interest	(66.6)	(128.9)	(55.4)	(23.9)	(274.8)
Total	$ 214.0	$ 190.7	$ 1,413.1	$ 231.3	$ 2,049.1

(1) Includes interest calculated on balances as of December 31, 2017 using interest rates in effect as of December 31, 2017.

(2) There is no contractual obligation to pay a specific amount at a specific time. The amounts shown above represent our current best estimate of the timing as to settlement with a taxing authority or lapse of statutes of limitation.

Commitments	Expiration By Period				
	1 Year	2 - 3 Years	4 - 5 Years	More than 5 Years	Total
	(In millions)				
Lease guarantees[3]	$ 17.7	$ 32.9	$ 30.7	$ 232.6	$ 313.9
Letters of credit[4]	3.1	—	—	—	3.1
Food purchases[5]	29.8	—	—	—	29.8
Total	$ 50.6	$ 32.9	$ 30.7	$ 232.6	$ 346.8

(3) This amount represents the maximum potential liability for future payment guarantees under leases that have been assigned to third-party buyers of Applebee's company-operated restaurants and expire at the end of the respective lease terms, which range from 2018 through 2048. See Note 10 - Commitments and Contingencies, of the Notes to Consolidated Financial Statements for additional information.

(4) Primarily used to satisfy insurance-related collateral requirements. These letters of credit expire annually, but are typically renewed in the same amount each year unless collateral requirements change.

(5) In some instances, IHOP and Applebee's may be required to guarantee their purchase of any remaining inventory of certain food and other items purchased by CSCS.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with GAAP. Our significant accounting policies are comprehensively described in Note 2 - Basis of Presentation and Significant Accounting Policies, of the Notes to the Consolidated Financial Statements. We believe the accounting policies discussed below are particularly important to the understanding of our consolidated financial statements and require higher degree of judgment and/or complexity in the preparation of those consolidated financial statements. In exercising those judgments, we make estimates and assumptions that affect the carrying values of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting periods covered by the financial statements. On an ongoing basis, we evaluate our estimates based on historical experience, current conditions and various other assumptions that we believe to be reasonable under the circumstances. We adjust such estimates and assumptions when facts and circumstances dictate. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates. Changes in estimates and judgments could significantly affect our results of operations, financial condition and cash flow in the future.

Goodwill and Intangible Assets

Goodwill and intangible assets considered to have an indefinite life (primarily the Applebee's tradename) are evaluated throughout the year to determine if indicators of impairment exist. Such indicators include, but are not limited to, events or circumstances such as a significant adverse change in our business, in the business overall climate, unanticipated competition, a loss of key personnel, adverse legal or regulatory developments or a significant decline in the market price of our common stock.

If no indicators of impairment have been noted during these preliminary assessments, we perform an assessment of goodwill and intangible assets annually in the fourth fiscal quarter. We first assess qualitatively whether it is more-likely-than-not that an impairment does not exist. Significant factors considered in this assessment include, but are not limited to, macro-economic conditions, market and industry conditions, cost considerations, the competitive environment, share price fluctuations, overall financial performance and results of past impairment tests. If we do not qualitatively determine that it is more-likely-than-not that an impairment does not exist, we perform a quantitative impairment test.

In determining the fair value of the Applebee's franchise reporting unit, we used the income approach method of valuation that includes the discounted cash flow method and the market approach that includes the guideline public company method to determine the fair value of goodwill and intangible assets. Significant assumptions made by management in estimating fair value under the discounted cash flow model include future trends in sales, operating expenses, overhead expenses, depreciation, capital expenditures and changes in working capital, along with an appropriate discount rate based on our estimated cost of equity capital and after-tax cost of debt. Significant assumptions used to determine fair value under the guideline public company method include the selection of guideline companies and the valuation multiples applied.

In the process of a quantitative test, if necessary, of the Applebee's tradename, we primarily use the relief of royalty method under the income approach method of valuation. Significant assumptions used to determine fair value under the relief of royalty method include future trends in sales, a royalty rate and a discount rate to be applied to the forecast revenue stream.

There is an inherent degree of uncertainty in preparing any forecast of future results. The projections used in performing the impairment tests reflected an increase in system-wide sales from estimated full-year 2017 amounts, in progressively larger increments, over the time period covered by the projections. System-wide sales are dependent to a significant extent on national, regional and local economic conditions, and, to a lesser extent, on global economic conditions, particularly those conditions affecting the demographics of the guests that frequently patronize Applebee's restaurants. Accordingly, there are a number of potential events that could reasonably be expected to negatively affect the forecast of system-wide sales, including a decrease in customers' disposable income available for discretionary spending (because of circumstances such as job losses, credit constraints, higher housing costs, increased tax rates, energy costs, interest rates or other costs) or a decrease in the perceived wealth of customers (because of circumstances such as lower residential real estate values, increased foreclosure rates, increased tax rates or other economic disruptions). As a result, our business could experience a decline in sales and/or customer traffic as potential customers choose lower-cost alternatives (such as quick-service restaurants) or other alternatives to dining out. Additionally, negative trends in the availability of credit and in expenses such as interest rates and the cost of construction materials could affect our franchisees' ability to maintain and remodel existing restaurants. Any decreases in customer traffic or average customer check due to these or other reasons could reduce gross sales at franchise restaurants, resulting in lower royalty and other payments from franchisees. This could reduce the profitability of franchise restaurants, potentially impacting the ability of franchisees to make royalty payments owed to us when due (which could adversely impact our current cash flow from franchise operations) and negatively impacting franchisees’ ability to develop new restaurants (which could adversely impact our future cash flows from franchise operations).

Long-Lived Assets

On a regular basis, we assess whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets (primarily assets related to properties and equipment leased or subleased to franchisees) may not be recoverable. We test impairment using historical cash flows and other relevant facts and circumstances as the primary basis for our estimates of future cash flows. Significant factors considered include, but are not limited to, current and forecast sales, current and forecast cash flows, the number of years the franchisee's restaurant has been in operation, its remaining lease life, and other factors which apply on a case-by-case basis. The analysis is performed at the individual restaurant level for indicators of permanent impairment. Recoverability of the Company's assets is measured by comparing the assets' carrying value to the undiscounted cash flows expected to be generated over the assets' remaining useful life or remaining lease term, whichever is less. This process requires the use of estimates and assumptions, which are subject to a high degree of judgment. If these assumptions change in the future, we may be required to record impairment charges for these assets.

On a regular basis, we assess whether events or changes in circumstances have occurred that potentially indicate the carrying value of intangible assets with finite lives, primarily assets related to Applebee's franchise rights. Recoverability of the asset is measured by comparing the assets' carrying value to the discounted future cash flows expected to be generated over the asset's remaining useful life. Significant factors considered include, but are not limited to, current and forecast sales, current and forecast cash flows and a discount rate to be applied to the forecast revenue stream.

Revenue Recognition

We make judgments as to whether uncertainty as to collectibility of the consideration that we are owed precludes recognition of the revenue on an accrual basis. These judgments are based on the facts specific to each circumstance. Primary factors considered include past payment history and our subjective assessment of the likelihood of receiving payment in the future.

Allowance for Credit Losses

The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing receivables; however, changes in circumstances relating to receivables may result in additional allowances in the future. We determine the allowance based on historical experience, current payment patterns, future obligations and our assessment of the ability to pay outstanding balances. The primary indicator of credit quality is delinquency, which is considered to be a receivable balance greater than 90 days past due. We continually review our allowance for doubtful accounts. Past due balances and future obligations are reviewed individually for collectability. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote.

Leases

Our restaurants are located on (i) sites owned by us, (ii) sites leased by us from third parties and (iii) sites owned or leased by franchisees. For sites owned by or leased by us from third parties, we, in turn, sublease to our franchisees. At the inception of the lease, each property is evaluated to determine whether the lease will be accounted for as an operating or capital lease in accordance with the provisions of U.S. GAAP governing the accounting for leases.

Management makes judgments regarding the probable term for each restaurant property lease, which can impact the classification and accounting for a lease as capital or operating, the rent holiday and/or escalations in payment that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each restaurant are amortized. These judgments may produce materially different amounts of depreciation, amortization and rent expense than would be reported if different assumed lease terms were used.

Stock-Based Compensation

We account for stock-based compensation in accordance with U.S. GAAP governing share-based payments. Accordingly, we measure stock-based compensation expense at the grant date, based on the fair value of the award, and recognize the expense over the employee's requisite service period using the straight-line method. The fair value of each employee stock option and restricted stock award is estimated on the date of grant using an option pricing model that meets certain requirements. We currently use the Black-Scholes option pricing model to estimate the fair value of our stock-based compensation. The Black-Scholes model meets the requirements of U.S. GAAP. The measurement of stock-based compensation expense is based on several criteria including, but not limited to, the valuation model used and associated input factors, such as expected term of the award, stock price volatility, risk free interest rate and forfeiture rate. These inputs are subjective and are determined using management's judgment. If differences arise between the assumptions used in determining stock-based compensation expense and the actual factors which become known over time, we may change the input factors used in determining future stock-based compensation expense. Any such changes could materially impact our operations in the period in which the changes are made and in subsequent periods.

Income Taxes

We provide for income taxes based on our estimate of federal and state income tax liabilities. We make certain estimates and judgments in the calculation of tax expense and the resulting tax liabilities and in the recoverability of deferred tax assets that arise from temporary differences between the tax and financial statement recognition of revenue and expense. Tax laws are complex and subject to different interpretations by the taxpayers and respective governmental authorities. We review our tax positions quarterly and adjust the balances as new information becomes available.

We recognize deferred tax assets and liabilities using the enacted tax rates for the effect of temporary differences between the financial reporting basis and the tax basis of recorded assets and liabilities. Deferred tax accounting requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portions or all of the net deferred tax assets will not be realized. This test requires projection of our taxable income into future years to determine if there will be taxable income sufficient to realize the tax assets. The preparation of the projections requires considerable judgment and is subject to change to reflect future events and changes in the tax laws. When we establish or reduce the valuation allowance against our deferred tax assets, our income tax expense will increase or decrease, respectively, in the period such determination is made.

FASB ASC Topic 740-10, requires that a position taken or expected to be taken in a tax return be recognized in the financial statement when it is more likely than not (i.e. a likelihood of more than 50 percent) that the position would be sustained upon examination by taxing authorities including all appeals or litigation processes, based on its technical merits. A recognized tax position is then measured on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. For each reporting period, management applies a consistent methodology to measure and adjust all uncertain tax positions based on the available information.

Legal Contingencies

We are subject to various lawsuits, administrative proceedings, audits, and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. The outcomes of legal proceedings and claims brought against us are subject to significant uncertainty. An estimated loss from a loss contingency such as a legal proceeding or claim is accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. In determining whether a loss should be accrued we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially impact our consolidated financial statements.

Accounting Standards Adopted in the Current Fiscal Year

See Note 2 - Basis of Presentation and Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements included in this report for a description of accounting standards we adopted in fiscal 2017.

New Accounting Pronouncements

See Note 2 - Basis of Presentation and Summary of Significant Accounting Policies, of the Notes to the Consolidated Financial Statements included in this report, for a description of newly issued accounting standards that may impact us in the future.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk.

We are exposed to financial market risk, including interest rates and commodity prices. We address these risks through controlled risk management that may include the use of derivative financial instruments to economically hedge or reduce these exposures. We do not enter into financial instruments for trading or speculative purposes.

Interest Rate Risk

All of our long-term debt outstanding at December 31, 2017 was issued at a fixed interest rate (see Note 7 - Long-Term Debt, of the Notes to Consolidated Financial Statements). We are only exposed to interest rate risk on borrowings under our Class A-1 Variable Funding Notes (the “Class A-1 Notes”). We did not borrow under the Class A-1 Notes during fiscal 2017, and as of December 31, 2017, we had no outstanding borrowings under the Class A-1 Notes. We do not engage in speculative transactions nor do we hold or issue financial instruments for trading purposes. We had no material amounts of derivative instruments at December 31, 2017 and did not hold any material amount of derivative instruments during the year ended December 31, 2017.

Investments in instruments earning a fixed rate of interest carry a degree of interest rate risk. Fixed rate securities may have their fair market value adversely impacted due to a rise in interest rates. We currently do not hold any fixed rate investments.

Based on our cash and cash equivalents and restricted cash, as of 2017, a 1% increase in interest rates would increase our annual interest income by approximately $0.4 million. A 1% decline in interest rates would decrease our annual interest income by less than $0.4 million as the majority of our cash and cash equivalents and restricted cash are currently yielding less than 1%.

Commodity Prices

Many of the food products purchased by our franchisees and area licensees are affected by commodity pricing and are, therefore, subject to unpredictable price volatility. Extreme increases in commodity prices and/or long-term changes could affect our franchisees, area licensees and company-operated restaurants adversely. We expect that, in most cases, the IHOP and Applebee's systems would be able to pass increased commodity prices through to their customers via increases in menu prices. From time to time, competitive circumstances could limit short-term menu price flexibility, and in those cases, franchisees' margins would be negatively impacted by increased commodity prices. Since all of our restaurants are franchised, we believe that any changes in commodity pricing that cannot be adjusted for by changes in menu pricing or other strategies would not be material to our financial condition, results of operations or cash flows.

The Company and owners of Applebee's and IHOP franchise restaurants are members of CSCS, a Co-op that manages procurement activities for the Applebee's and IHOP restaurants that belong to the Co-op. We believe the larger scale created by combining the supply chain requirements of both brands under one organization can provide cost savings and efficiency in the purchasing function. As of December 31, 2017, 100% of Applebee's domestic franchise restaurants and 99% of IHOP domestic franchise restaurants are members of CSCS. In some instances, IHOP and Applebee's may be required to guarantee their purchase of any remaining inventory of certain food and other items purchased by CSCS for the purpose of supplying limited time promotions on behalf of the Applebee's and IHOP systems as a whole. None of these food product guarantees is a derivative instrument. At December 31, 2017, our outstanding guarantees for food product purchases were $29.8 million.

International Currency Exchange Rate Risk

We have minimal exposure to international currency exchange rate fluctuations. Revenue derived from all international country operations comprised approximately 3% of total consolidated revenue for the year ended December 31, 2017, such that a hypothetical concurrent 10% adverse change in the currency of every international country in which our franchisees operate restaurants would have a negative impact of approximately 0.3% of our consolidated revenue.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Dine Brands Global, Inc. (formerly known as DineEquity, Inc.) and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dine Brands Global, Inc. and Subsidiaries (the Company) as of December 31, 2017 and January 1, 2017, the related consolidated statements of comprehensive (loss) income, stockholders' (deficit) equity and cash flows for each of the three years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017 and January 1, 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Company's auditor since 2004.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 20, 2018

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

	December 31,	
	2017	**2016**
Assets		
Current assets:		
Cash and cash equivalents	$ 117,010	$ 140,535
Receivables, net	150,174	141,389
Restricted cash	31,436	30,256
Prepaid gift card costs	40,725	47,115
Prepaid income taxes	43,654	2,483
Other current assets	12,615	4,370
Total current assets	395,614	366,148
Long-term receivables, net	131,212	141,152
Other intangible assets, net	582,787	763,431
Goodwill	339,236	697,470
Property and equipment, net	199,585	205,055
Deferred rent receivable	82,971	86,981
Other non-current assets, net	18,835	18,346
Total assets	$ 1,750,240	$ 2,278,583
Liabilities and Stockholders' (Deficit) Equity		
Current liabilities:		
Current maturities of long-term debt	$ 12,965	$ —
Accounts payable	55,028	50,503
Gift card liability	164,441	170,812
Dividends payable	17,748	17,465
Current maturities of capital lease and financing obligations	14,193	13,144
Accrued employee compensation and benefits	13,547	14,609
Other accrued expenses	17,780	19,779
Total current liabilities	295,702	286,312
Long-term debt, net, less current maturities	1,269,849	1,282,691
Capital lease obligations, less current maturities	61,895	74,665
Financing obligations, less current maturities	39,200	39,499
Deferred income taxes, net	138,177	253,898
Deferred rent payable	69,112	69,572
Other non-current liabilities	23,003	19,174
Total liabilities	1,896,938	2,025,811
Commitments and contingencies		
Stockholders' (deficit) equity:		
Common stock, $0.01 par value; shares: 40,000,000 authorized; 2017 - 25,022,312 issued, 17,993,124 outstanding; 2016 - 25,134,223 issued, 17,969,636 outstanding	250	251
Additional paid-in-capital	276,408	292,809
(Accumulated deficit) retained earnings	(1,098)	382,082
Accumulated other comprehensive loss	(105)	(107)
Treasury stock, at cost; shares: 2017 - 7,029,188; 2016 - 7,164,587	(422,153)	(422,263)
Total stockholders' (deficit) equity	(146,698)	252,772
Total liabilities and stockholders' (deficit) equity	$ 1,750,240	$ 2,278,583

See the accompanying notes to the consolidated financial statements.

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

	Year Ended December 31, 2017	2016	2015
Revenues:			
Franchise and restaurant revenues	$ 475,030	$ 501,745	$ 542,606
Rental revenues	121,437	123,037	127,650
Financing revenues	8,352	9,191	10,844
Total revenues	604,819	633,973	681,100
Cost of revenues:			
Franchise and restaurant expenses	171,983	162,860	186,986
Rental expenses	90,592	91,540	94,588
Financing expenses	598	155	520
Total cost of revenues	263,173	254,555	282,094
Gross profit	341,646	379,418	399,006
Impairment of goodwill and intangible assets	531,634	—	—
General and administrative expenses	165,679	148,935	155,428
Interest expense	61,979	61,479	63,254
Amortization of intangible assets	10,009	9,981	10,000
Closure and other impairment charges	3,968	5,092	2,576
(Gain) loss on disposition of assets	(6,249)	809	(901)
(Loss) income before income tax benefit (provision)	(425,374)	153,122	168,649
Income tax benefit (provision)	94,835	(55,130)	(63,726)
Net (loss) income	(330,539)	97,992	104,923
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	2	—	(34)
Total comprehensive (loss) income	$ (330,537)	$ 97,992	$ 104,889
Net (loss) income available to common stockholders:			
Net (loss) income	$ (330,539)	$ 97,992	$ 104,923
Less: net loss (income) allocated to unvested participating restricted stock	6,519	(1,387)	(1,400)
Net (loss) income available to common stockholders	$ (324,020)	$ 96,605	$ 103,523
Net (loss) income available to common stockholders per share:			
Basic	$ (18.28)	$ 5.36	$ 5.55
Diluted	$ (18.28)	$ 5.33	$ 5.52
Weighted average shares outstanding:			
Basic	17,725	18,030	18,637
Diluted	17,740	18,125	18,768
Dividends declared per common share	$ 3.88	$ 3.73	$ 3.545
Dividends paid per common share	$ 3.88	$ 3.68	$ 3.50

See the accompanying notes to the consolidated financial statements.

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

	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Shares	Cost	Total
Balance at December 31, 2014	18,954	$ 252	$ 279,946	$ 313,644	$ (73)	6,286	$ (314,696)	$ 279,073
Net income	—	—	—	104,923	—	—	—	104,923
Other comprehensive loss	—	—	—	—	(34)	—	—	(34)
Purchase of Company common stock	(722)	—	—	—	—	722	(70,014)	(70,014)
Reissuance of treasury stock	357	—	(3,377)	—	—	(357)	12,913	9,536
Net issuance of shares for stock plans	(21)	(0)	0	—	—	—	—	—
Repurchase of restricted shares for taxes	(33)		(3,499)	—	—	—	—	(3,499)
Stock-based compensation	—	—	8,892	—	—	—	—	8,892
Tax benefit from stock-based compensation	—	—	4,862	—	—	—	—	4,862
Dividends on common stock	—	—	128	(66,644)	—	—	—	(66,516)
Balance at December 31, 2015	18,535	252	286,952	351,923	(107)	6,651	(371,797)	267,223
Net income	—	—	—	97,992	—	—	—	97,992
Purchase of Company common stock	(650)	—	—	—	—	650	(55,343)	(55,343)
Reissuance of treasury stock	137	—	(3,468)	—	—	(137)	4,877	1,409
Net issuance of shares for stock plans	(19)	(1)	1	—	—	—	—	—
Repurchase of restricted shares for taxes	(33)	—	(2,859)	—	—	—	—	(2,859)
Stock-based compensation	—	—	10,926	—	—	—	—	10,926
Tax benefit from stock-based compensation	—	—	1,132	—	—	—	—	1,132
Dividends on common stock	—	—	125	(67,833)	—	—	—	(67,708)
Balance at December 31, 2016	17,970	251	292,809	382,082	(107)	7,165	(422,263)	252,772
Net loss	—	—	—	(330,539)	—	—	—	(330,539)
Other comprehensive gain	—	—	—	—	2	—	—	2
Purchase of Company common stock	(146)	—	—	—	—	146	(10,003)	(10,003)
Reissuance of treasury stock	281	—	(7,478)	—	—	(281)	10,113	2,635
Net issuance of shares for stock plans	(71)	(1)	1	—	—	—	—	—
Repurchase of restricted shares for taxes	(41)	—	(2,396)	—	—	—	—	(2,396)
Stock-based compensation	—	—	10,783	—	—	—	—	10,783
Dividends on common stock	—	—	407	(52,641)	—	—	—	(52,234)
Dividends on common stock in excess of retained earnings	—	—	(17,718)	—	—	—	—	(17,718)
Balance at December 31, 2017	17,993	$ 250	$ 276,408	$ (1,098)	$ (105)	7,029	$ (422,153)	$ (146,698)

See the accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2017	2016	2015
Cash flows from operating activities			
Net (loss) income	$ (330,539)	$ 97,992	$ 104,923
Adjustments to reconcile net (loss) income to cash flows provided by operating activities:			
Impairment of goodwill and intangible assets	531,634	—	—
Deferred income taxes	(145,402)	(14,434)	(13,987)
Depreciation and amortization	30,648	30,606	32,840
Non-cash interest expense	3,364	3,218	3,074
Closure and other impairment charges	3,834	2,621	2,576
Non-cash stock-based compensation expense	10,783	10,926	8,892
Tax benefit from stock-based compensation	—	1,132	4,862
Excess tax benefit from stock options exercised	—	(1,019)	(4,794)
(Gain) loss on disposition of assets	(6,249)	809	(901)
Other	(4,796)	(1,302)	(6,323)
Changes in operating assets and liabilities:			
Accounts receivable, net	(8,908)	3,178	(5,239)
Current income tax receivables and payables	(8,491)	(909)	2,073
Gift card receivables and payables	(3,322)	(4,288)	21,735
Prepaid expenses and other current assets	(8,247)	(156)	(1,995)
Accounts payable	7,208	89	4,546
Accrued employee compensation and benefits	(1,126)	(10,476)	(594)
Accrued interest payable	717	51	(9,869)
Other current liabilities	(5,375)	72	(6,310)
Cash flows provided by operating activities	65,733	118,110	135,509
Cash flows from investing activities			
Principal receipts from notes, equipment contracts and other long-term receivables	20,486	18,689	21,328
Proceeds from sale of property and equipment	1,100	—	10,782
Additions to property and equipment	(13,370)	(5,637)	(6,642)
Other	(541)	(503)	(267)
Cash flows provided by investing activities	7,675	12,549	25,201
Cash flows from financing activities			
Repayment of long-term debt	(3,250)	—	—
Dividends paid on common stock	(69,790)	(67,429)	(66,164)
Repurchase of Dine Brands Global common stock	(10,003)	(55,343)	(70,014)
Principal payments on capital lease and financing obligations	(12,949)	(13,978)	(14,226)
Proceeds from stock options exercised	2,635	1,409	9,536
Tax payments for restricted stock upon vesting	(2,396)	(2,859)	(3,499)
Excess tax benefit from stock options exercised	—	1,019	4,794
Other	—	—	(89)
Cash flows used in financing activities	(95,753)	(137,181)	(139,662)
Net change in cash, cash equivalents and restricted cash	(22,345)	(6,522)	21,048
Cash, cash equivalents and restricted cash at beginning of year	185,491	192,013	170,965
Cash, cash equivalents and restricted cash at end of year	$ 163,146	$ 185,491	$ 192,013
Supplemental disclosures			
Interest paid	$ 67,522	$ 69,051	$ 81,809
Income taxes paid	$ 59,528	$ 69,812	$ 70,694

See the accompanying notes to the consolidated financial statements.

1. The Company

The first International House of Pancakes® ("IHOP") restaurant opened in 1958 in Toluca Lake, California. Shortly thereafter, the Company began developing and franchising additional restaurants. The Company was incorporated as IHOP Corp. under the laws of the State of Delaware in 1976. In November 2007, the Company acquired Applebee's International, Inc., which became a wholly-owned subsidiary of the Company. Effective June 2, 2008, the name of the Company was changed to DineEquity, Inc. and on February 20, 2018, the name of the Company was changed to Dine Brands Global, Inc.℠ ("Dine Brands Global"). The Company owns and franchises two restaurant concepts: Applebee's Neighborhood Grill and Bar® ("Applebee's"), in the bar and grill segment within the casual dining category of the restaurant industry, and IHOP in the family dining category of the restaurant industry.

As of December 31, 2017, there were 1,786 IHOP® restaurants, of which 1,622 were subject to franchise agreements and 164 were subject to area license agreements. These IHOP restaurants were located in all 50 states of the United States, the District of Columbia, three United States territories and 13 countries outside of the United States. As of December 31, 2017, there were 1,936 Applebee's® restaurants, all of which were subject to franchise agreements. These Applebee's restaurants were located in all 50 states of the United States, two United States territories and 15 countries outside of the United States.

References herein to Applebee's and IHOP restaurants are to these restaurant concepts, whether operated by franchisees, area licensees or the Company. Retail sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company.

2. Basis of Presentation and Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Dine Brands Global, Inc. and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Fiscal Periods

The Company has a 52/53 week fiscal year that ends on the Sunday nearest to December 31 of each year. In a 52-week fiscal year, each fiscal quarter contains 13 weeks, comprised of two, four-week fiscal months followed by a five-week fiscal month. In a 53-week fiscal year, the last month of the fourth fiscal quarter contains six weeks. For convenience, the Company refers to its fiscal years as ending on December 31 and its fiscal quarters as ending on March 31, June 30 and September 30. The 2017 fiscal year ended December 31, 2017 and contained 52 weeks. The 2016 fiscal year ended January 1, 2017 and contained 52 weeks; the 2015 fiscal year began on December 29, 2014, ended January 3, 2016 and contained 53 weeks.

Use of Estimates

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

Concentration of Credit Risk

The Company's cash, cash equivalents and accounts receivable are potentially subject to concentration of credit risk. Cash and cash equivalents are placed with financial institutions that management believes are creditworthy. The Company does not believe that it is exposed to any significant credit risk on cash and cash equivalents. At times, cash and cash equivalent balances may be in excess of FDIC insurance limits.

Accounts receivable are derived from revenues earned from franchisees and area licensees located primarily in the United States. Financing receivables arise from the financing of restaurant equipment, leases or franchise fees with the Company by IHOP franchisees. The Company is subject to a concentration of credit risk with respect to receivables from franchisees that own a large number of Applebee's or IHOP restaurants. As of December 31, 2017, there were two franchisees that owned 400

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

or more restaurants each (one Applebee's franchisee and one franchisee with cross-brand ownership). These franchisees operated 892 Applebee's and IHOP restaurants in the United States, which comprised 26% of the total Applebee's and IHOP franchise and area license restaurants in the United States. Revenues from these franchisees represented 15.8%, 15.6%, and 15.1% of total consolidated revenue for the years ended December 31, 2017, 2016 and 2015, respectively, with no single franchisee representing more than 10% of total consolidated revenue in any year. Receivables from these franchisees totaled $24.0 million and $20.1 million at December 31, 2017 and 2016, respectively.

Cash and Cash Equivalents

The Company considers all highly liquid investment securities with remaining maturities at the date of purchase of three months or less to be cash equivalents. These cash equivalents are stated at cost which approximates market value. Cash held related to IHOP advertising funds and the Company's gift card programs is not considered to be restricted cash as there are no restrictions on the use of these funds. Total cash balances related to the IHOP advertising funds and the Company's gift card programs were $57.1 million and $63.3 million as of December 31, 2017 and 2016, respectively.

Restricted Cash

Current

Current restricted cash of $31.4 million at December 31, 2017 consisted of $29.3 million of funds required to be held in trust in connection with the Company's securitized debt and $2.1 million of funds from Applebee's franchisees pursuant to franchise agreements, usage of which was restricted to advertising activities. Current restricted cash of $30.3 million at December 31, 2016 primarily consisted of $25.7 million of funds required to be held in trust in connection with the Company's securitized debt and $4.3 million of funds from Applebee's franchisees pursuant to franchise agreements, usage of which was restricted to advertising activities.

Non-current

Non-current restricted cash of $14.7 million as of December 31, 2017 and 2016 represents interest reserves required to be set aside for the duration of the securitized debt and is included in other non-current assets, net in the Consolidated Balance Sheets.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Properties under capital leases are stated at the present value of the minimum lease payments. Depreciation is computed using the straight-line method over the estimated useful lives of the assets or remaining useful lives. Leasehold improvements and properties under capital leases are amortized on a straight-line basis over their estimated useful lives or the lease term, if less. The Company has capitalized certain costs incurred in connection with the development of internal-use software which are included in equipment and fixtures in Note 4 - Property and Equipment, of the Notes to the Consolidated Financial Statements and are amortized over the expected useful life of the asset. The general ranges of depreciable and amortizable lives are as follows:

Category	Depreciable Life
Buildings and improvements	25 - 40 years
Leaseholds and improvements	Shorter of primary lease term or between three to 40 years
Equipment and fixtures	Three to five years
Internal-use software	Three to 10 years
Properties under capital leases	Primary lease term or remaining primary lease term

Long-Lived Assets

On a regular basis, the Company assesses whether events or changes in circumstances have occurred that potentially indicate the carrying value of long-lived assets (primarily assets related to property and equipment leased or subleased to franchisees) may not be recoverable. The Company tests impairment using historical cash flows and other relevant facts and circumstances as the primary basis for estimates of future cash flows. The Company considers factors such as the number of years the franchisee's restaurant has been in operation, sales trends, cash flow trends, remaining lease life and other factors which apply on a case-by-case basis. The analysis is performed at the individual restaurant level for indicators of permanent impairment.

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Recoverability of the Company's assets is measured by comparing the assets' carrying value to the undiscounted future cash flows expected to be generated over the assets' remaining useful life or remaining lease term, whichever is less. If the total expected undiscounted future cash flows are less than the carrying amount of the assets, this may be an indicator of impairment. If it is decided that there has been an impairment, the carrying amount of the asset is written down to the estimated fair value as determined in accordance with U.S. GAAP governing fair value measurements. The primary method of estimating fair value is based on a discounted cash flow analysis. Any loss resulting from impairment is recognized as a charge against operations.

See Note 12 - Closure and Other Impairment Charges, of the Notes to the Consolidated Financial Statements for additional information.

Goodwill and Intangible Assets

Goodwill is recorded when the aggregate purchase price of an acquisition exceeds the estimated fair value of the net identified tangible and intangible assets acquired. Intangible assets resulting from an acquisition are accounted for using the purchase method of accounting and are estimated by management based on the fair value of the assets received. The Company's identifiable intangible assets are comprised primarily of the Applebee's tradename and Applebee's franchise agreements. Identifiable intangible assets with finite lives (franchise agreements) are amortized over the period of estimated benefit using the straight-line method and estimated useful lives. Goodwill and intangible assets considered to have an indefinite life (primarily the Applebee's tradename) are not subject to amortization. The determination of indefinite life is subject to reassessment if changes in facts and circumstances indicate the period of benefit has become finite.

Goodwill has been allocated to two reporting units, the Applebee's franchised restaurants unit (“Applebee's franchise unit”) and the IHOP franchised restaurants unit (“IHOP franchise unit”), in accordance with U.S. GAAP. The significant majority of the Company's goodwill resulted from the November 29, 2007 acquisition of Applebee's.

The Company evaluates the goodwill of the Applebee's franchise unit and the indefinite-lived Applebee's tradename for impairment as of October 31 of each year. The Company evaluates the goodwill of the IHOP franchise unit for impairment as of December 31 of each year. In addition to the annual evaluation for impairment, goodwill and indefinite-lived intangible assets are evaluated more frequently if the Company believes indicators of impairment exist.

When evaluating goodwill and indefinite-lived intangible assets for impairment, under U.S. GAAP, the Company may first perform an assessment of qualitative factors to determine if the fair value of the reporting unit or the intangible asset is more-likely-than-not greater than the carrying amount. Such qualitative factors include, but are not limited to, macro-economic conditions, market and industry conditions, cost considerations, the competitive environment, share price fluctuations, overall financial performance and results of past impairment tests. If, based on a review of the qualitative factors, the Company determines it is more-likely-than-not that the fair value is greater than the carrying value, the Company may bypass a quantitative test for impairment.

In performing the quantitative test for impairment of goodwill, the Company primarily uses the income approach method of valuation that includes the discounted cash flow method and the market approach that includes the guideline public company method. Significant assumptions used to determine fair value under the discounted cash flow method include expected future trends in sales, operating expenses, overhead expenses, capital expenditures and changes in working capital, along with an appropriate discount rate based on the Company's estimated cost of equity capital and after-tax cost of debt. Significant assumptions used to determine fair value under the guideline public company method include the selection of guideline companies and the valuation multiples applied. The Company has adopted the guidance in Accounting Standards Update 2017-04 effective January 1, 2017; accordingly, the Company measures impairment as the excess of a reporting unit's carrying amount over its fair value as determined by the quantitative test described above.

In the process of performing its impairment review of intangible assets considered to have an indefinite life, the Company primarily uses the relief of royalty method under the income approach method of valuation. Significant assumptions used to determine fair value under the relief of royalty method include future trends in sales, a royalty rate and an appropriate discount rate based on the Company's estimated cost of equity capital and after-tax cost of debt to be applied to the forecast revenue stream.

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Company's revenues are recorded in four categories: franchise operations, rental operations, financing operations and company restaurant operations.

Franchise operations revenue consists primarily of royalty revenues, sales of proprietary IHOP products, IHOP advertising fees and franchise fees. Rental operations revenue includes revenue from operating leases and interest income from direct financing leases. Financing operations revenue consists primarily of interest income from the financing of franchise fees and equipment leases, as well as sales of equipment associated with refranchised IHOP restaurants. Company restaurant sales are retail sales at company-operated restaurants.

Revenues from franchised and area licensed restaurants include royalties, continuing rent and service fees and initial franchise fees. Royalties are recognized in the period in which the sales are reported to have been earned, which occurs at the franchisees' point of sale. Continuing rent and fees are recognized in the period earned. Initial franchise fees are recognized upon the opening of a restaurant, which is when the Company has performed substantially all initial services required by the franchise agreement. Fees from development agreements are deferred and recorded into income as restaurants under the development agreement are opened. Sales by company-operated restaurants are recognized when food and beverage items are sold. Company restaurant sales are reported net of sales taxes collected from guests that are remitted to the appropriate taxing authorities.

The Company administers gift card programs for Applebee's and IHOP. The Company records a liability in the period in which a gift card is sold and recognizes costs associated with its administration of the gift card programs as prepaid assets when the costs are incurred. The liability and prepaid asset recorded on the Company's books are relieved when gift cards are redeemed at a franchisee-operated restaurant and the gift card revenue, net of costs, is remitted to the franchisee. The Company's gift card breakage revenue from gift cards redeemed at company-operated restaurants for the years ended December 31, 2017, 2016 and 2015 was not material.

Allowance for Credit Losses

The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing receivables; however, changes in circumstances relating to receivables may result in changes to the allowance in the future. The Company determines the allowance based on historical experience, current payment patterns, future obligations and the Company's assessment of the franchisee's or area licensee's ability to pay outstanding balances. The primary indicator of credit quality is delinquency, which is considered to be a receivable balance greater than 90 days past due. The Company continually reviews the allowance for doubtful accounts. Past due balances and future obligations are reviewed individually for collectability. Account balances are charged against the allowance after all collection efforts have been exhausted and the potential for recovery is considered remote. Credit losses historically have been within management's estimates.

Leases

The Company is the lessor or sub-lessor of the properties on which 693 IHOP restaurants and two Applebee's restaurants are located. The restaurants are subleased to franchisees or, in a few instances, were operated by the Company. The Company's IHOP leases generally provide for an initial term of 20 to 25 years, with most having one or more five-year renewal options at the Company's option. The rental payments or receipts on leases that meet the operating lease criteria are recorded as rental expense or rental income, respectively. Rental expense and rental income for these operating leases are recognized on the straight-line basis over the original terms of the leases. Any difference between straight-line rent expense or income and actual amounts paid or received represents deferred rent and is included in the consolidated balance sheets as other assets or other liabilities, as appropriate.

The rental payments or receipts on those property leases that meet the capital lease criteria result in the recognition of interest expense or interest income and a reduction of capital lease obligation or financing lease receivable, respectively. Capital lease obligations are amortized based on the Company's incremental borrowing rate and direct financing leases are amortized using the implicit interest rate.

The lease term used for straight-line rent expense is calculated from the date the Company obtains possession of the leased premises through the lease termination date. The Company records rent from the possession date through restaurant open date as expense. Once a restaurant opens for business, the Company records straight-line rent over the lease term plus contingent rent to the extent it exceeded the minimum rent obligation per the lease agreement. The Company uses a consistent lease term when calculating depreciation of leasehold improvements, when determining straight-line rent expense and when determining classification of its leases as either operating or capital. For leases that contain rent escalations, the Company records the total

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

rent payable during the lease term, as determined above, on the straight-line basis over the term of the lease (including the rent holiday period beginning upon our possession of the premises), and records the difference between the minimum rents paid and the straight-line rent as a lease obligation. Certain leases contain provisions that require additional rental payments based upon restaurant sales volume (“contingent rent”). Contingent rentals are accrued each period as the liabilities are incurred, in addition to the straight-line rent expense noted above.

There is potential for variability in the rent holiday period, which begins on the possession date and ends on the restaurant open date, during which no cash rent payments are typically due under the terms of the lease. Factors that may affect the length of the rent holiday period generally relate to construction related delays. Extension of the rent holiday period due to delays in restaurant openings will result in greater preopening rent expense recognized during the rent holiday period and lesser occupancy expense during the rest of the lease term (post-opening).

For leases that contain rent escalations, we record the total rent payable or receivable during the lease term, as determined above, on the straight-line basis over the term of the lease (including the rent holiday period beginning upon our possession of the premises, if applicable), and record the difference between the minimum rent paid or received and the straight-line rent as a lease obligation or receivable, respectively. Certain leases contain provisions that require additional rental payments or receipts based upon restaurant sales volume (“contingent rent”). Contingent rentals are accrued each period as the liabilities are incurred or receivables are earned, in addition to the straight-line rent expense or revenue, respectively, noted above.

Certain lease agreements contain tenant improvement allowances, rent holidays and lease premiums, which are amortized over the shorter of the estimated useful life or lease term. For tenant improvement allowances, the Company also records a deferred rent liability or an obligation in non-current liabilities on the consolidated balance sheets and amortizes the deferred rent over the term of the lease as a reduction to company restaurant expenses in the consolidated statements of comprehensive income.

Pre-opening Expenses

Expenditures related to the opening of new or relocated restaurants are charged to expense when incurred.

Advertising

Franchise fees designated for IHOP's national advertising fund and local marketing and advertising cooperatives, as well as advertising contributions from international franchise restaurants of both IHOP and Applebee's, are recognized as revenue as the fees are earned and become receivables from the franchisee in accordance with U.S. GAAP governing the accounting for franchise fee revenue. In accordance with U.S. GAAP governing advertising costs, related advertising obligations are accrued and the costs expensed at the same time the related revenue is recognized. Due to different contractual terms in Applebee's marketing agreements, franchise fees designated for Applebee's national advertising fund and local advertising cooperatives constitute agency transactions and are not recognized as revenues and expenses. Applebee's advertising fees are recorded as a liability against which specific costs are charged. Advertising fees included as franchise revenue and expense for the years ended December 31, 2017, 2016 and 2015 were $113.2 million, $111.3 million and $108.1 million, respectively. See “Newly Issued Accounting Standards Not Yet Adopted.”

Advertising expense reflected in the Consolidated Statements of Comprehensive (Loss) Income includes local marketing advertising costs incurred by company-operated restaurants, contributions to the national advertising fund made by Applebee's and IHOP and certain advertising costs incurred by the Company to benefit future franchise operations. Costs of advertising are expensed either as incurred or the first time the advertising takes place. Advertising expense included in company restaurant operations for the years ended December 31, 2017, 2016 and 2015 was $0.3 million, $0.8 million, and $1.9 million, respectively.

Fair Value Measurements

The Company determines the fair market values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the fair value hierarchy established in U.S. GAAP. As necessary, the Company measures its financial assets and liabilities using inputs from the following three levels of the fair value hierarchy:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices in active markets for similar assets or liabilities.
- Level 3 inputs are unobservable and reflect the Company's own assumptions.

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

The Company does not have a material amount of financial assets or liabilities that are required under U.S. GAAP to be measured at fair value on either a recurring or non-recurring basis. None of the Company's non-financial assets or non-financial liabilities is required to be measured at fair value on a recurring basis. The Company has not elected to use fair value measurement for any assets or liabilities for which fair value measurement is not presently required.

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

The fair values of non-current financial instruments, determined based on Level 2 inputs, are shown in the following table:

	December 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In millions)			
Long-term debt, net of debt issuance costs	$ 1,282.8	$ 1,265.5	$ 1,282.7	$ 1,286.2

Income Taxes

The Company utilizes the liability method of accounting for income taxes. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates. A valuation allowance is recorded when it is more likely than not that some or all of the deferred tax assets will not be realized. The Company also determines its tax contingencies in accordance with U.S. GAAP governing the accounting for contingencies. The Company records estimated tax liabilities to the extent the contingencies are probable and can be reasonably estimated. The Company recognizes interest accrued related to unrecognizable tax benefits and penalties as a component of the income tax provision recognized in the Consolidated Statements of Comprehensive Income.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by taxing authorities including all appeals or litigation processes, based on its technical merits. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate resolution. For each reporting period, management applies a consistent methodology to measure and adjust all uncertain tax positions based on the available information.

Stock-Based Compensation

Members of the Board of Directors and certain employees are eligible to receive stock options, restricted stock, restricted stock units and performance units pursuant to the DineEquity, Inc. 2016 Stock Incentive Plan. Shares of unvested restricted stock are subject to restrictions on transfer and forfeiture under certain circumstances. The holder of unvested restricted stock has the right to vote and receive regular cash dividends with respect to the shares of unvested restricted stock.

The Company accounts for all stock-based payments to employees and non-employee directors, including grants of stock options, restricted stock and restricted stock units to be recognized in the financial statements, based on their respective grant date fair values. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service periods. The Company reports the benefits of tax deductions in excess of recognized compensation cost as a financing cash flow.

The grant date fair value of restricted stock and stock-settled restricted stock units is determined based on the Company's stock price on the grant date. The Company estimates the grant date fair value of stock option awards using the Black-Scholes option pricing model, which considers, among other factors, a risk-free interest rate, the expected life of the award and the historical volatility of the Company's stock price. Cash-settled awards are classified as liabilities with the liability and compensation expense related to cash-settled awards adjusted to fair value at each balance sheet date.

Net (Loss) Income Per Share

Net (loss) income per share is calculated using the two-class method prescribed in U.S. GAAP. Basic net (loss) income per share is computed by dividing the net income available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net (loss) income per share is computed by dividing the net income available to common stockholders for the period by the weighted average number of common shares and potential shares of

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

common stock outstanding during the period if their effect is dilutive. The Company uses the treasury stock method to calculate the weighted average shares used in the diluted earnings per share calculation. Potentially dilutive common shares include the assumed exercise of stock options and assumed vesting of restricted stock.

Other Comprehensive Income (Loss)

For the years ended December 31, 2017, 2016 and 2015, the income tax benefit or provision allocated to items of other comprehensive income (loss) was not significant.

Treasury Stock

The Company may from time to time utilize treasury stock when vested stock options are exercised, when restricted stock awards are granted and when restricted stock units settle in stock upon vesting. The cost of treasury stock re-issued is determined using the first-in, first-out method.

Dividends

Dividends declared on common stock are recorded as a reduction of retained earnings to the extent retained earnings are available at the close of the period prior to the date of the declared dividend. Dividends in excess of retained earnings are recorded as a reduction of additional paid-in capital.

Reporting Segments

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

Franchise Segment

As of December 31, 2017, the franchise operations reportable segment consisted of 1,936 restaurants operated by Applebee's franchisees in the United States, two United States territories and 15 countries outside of the United States and 1,786 restaurants operated by IHOP franchisees and area licensees in the United States, three United States territories and 13 countries outside of the United States. Franchise operations revenue consists primarily of franchise royalty revenues, sales of proprietary products (primarily IHOP pancake and waffle dry-mixes) and franchise fees. Additionally, franchise fees designated for IHOP's national advertising fund and local marketing and advertising cooperatives are recognized as revenue and expense of franchise operations; however, due to different contractual terms in Applebee's marketing agreements, Applebee's national advertising fund activity constitutes agency transactions and therefore is not recognized as franchise revenue and expense.

Franchise operations expenses include IHOP advertising expense, the cost of proprietary products, pre-opening training expenses and other franchise-related costs.

Rental Segment

Rental operations revenue includes revenue from operating leases and interest income from direct financing leases. Rental operations expenses are costs of operating leases and interest expense of capital leases on franchisee-operated restaurants. The rental operations revenue and expenses are primarily generated by IHOP. Applebee's has an insignificant amount of rental activity related to one property that was retained after refranchising a company-operated restaurant.

Financing Segment

Financing operations revenue primarily consists of interest income from the financing of IHOP franchise fees and equipment leases, as well as sales of equipment associated with refranchised IHOP restaurants. Financing expenses are the cost of restaurant equipment.

Company Segment

As of December 31, 2017, the Company did not operate any restaurants. The company restaurant operations segment presented in these financial statements consisted of 10 IHOP restaurants operated until June 2017 and 23 Applebee's restaurants

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

operated until July 2015. All company-operated restaurants were located in the United States. Company restaurant sales are retail sales at company-operated restaurants. Company restaurant expenses are operating expenses at company-operated restaurants and include food, beverage, labor, benefits, utilities, rent and other operating costs.

Accounting Standards Adopted Effective January 2, 2017

In March 2016, the Financial Accounting Standards Board ("FASB") issued new guidance that addresses accounting for certain aspects of share-based payments, including excess tax benefits or deficiencies, forfeiture estimates, statutory tax withholding and cash flow classification of certain share-based payment activity. The Company applied the prospective transition method in adopting the new guidance and prior period amounts have not been restated. Because of the adoption, the Company recognized an excess tax deficiency from stock-based compensation as a discrete item, increasing the income tax provision for the year ended December 31, 2017 by $2.0 million, or $0.11 per share. Historically, excess tax benefits or deficiencies were recorded as additional paid-in capital. The Company applied the prospective transition method with respect to the cash flow classification of certain share-based payment activity; accordingly, the cash flows for the twelve months ended December 31, 2016 have not been restated. The Company has elected to maintain its practice of estimating forfeitures when recognizing expense for share-based payment awards. Amendments to the accounting for minimum statutory withholding requirements had no impact on the Company's Consolidated Financial Statements.

In November 2016, the FASB issued new guidance to reduce diversity in practice in the classification and presentation of changes in restricted cash in the statement of cash flows. The new guidance requires amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period total amounts to the end-of-period total amounts shown on the statement of cash flows. Calendar year public entities will be required to adopt the new guidance beginning with the first fiscal quarter of 2018. The Company elected to adopt the new guidance retrospectively effective January 2, 2017 and the cash flows for the years ended December 31, 2016 and 2015 were restated. Adoption of the new guidance did not impact the Company's Consolidated Balance Sheets or Consolidated Statements of Comprehensive (Loss) Income.

In January 2017, the FASB issued new guidance simplifying the test of goodwill for impairment. The new guidance requires a single-step quantitative test to measure potential impairment based on the excess of a reporting unit's carrying amount over its fair value. Calendar year public entities will be required to adopt the new guidance beginning with the first fiscal quarter of 2020. The Company has elected early adoption of the new guidance, as is permitted for interim or annual tests of goodwill performed after January 1, 2017.

Newly Issued Accounting Standards Not Yet Adopted

In August 2016, the FASB issued new guidance on the classification of certain cash receipts and payments in the statement of cash flows. The new guidance is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. The Company will be required to adopt the new guidance beginning with its first fiscal quarter of 2018. Early adoption is permitted. The Company believes adoption of the new guidance will have no significant impact on its Consolidated Statements of Cash Flows.

In June 2016, the FASB issued new guidance on the measurement of credit losses on financial instruments. The new guidance will replace the incurred loss methodology of recognizing credit losses on financial instruments that is currently required with a methodology that estimates the expected credit loss on financial instruments and reflects the net amount expected to be collected on the financial instrument. Application of the new guidance may result in the earlier recognition of credit losses as the new methodology will require entities to consider forward-looking information in addition to historical and current information used in assessing incurred losses. The Company will be required to adopt the new guidance on a modified retrospective basis beginning with its first fiscal quarter of 2020, with early adoption permitted in its first fiscal quarter of 2019. The Company is currently evaluating the impact of the new guidance on its consolidated financial statements and related disclosures and whether early adoption will be elected.

In February 2016, the FASB issued new guidance with respect to the accounting for leases. The new guidance will require lessees to recognize a right-of-use asset and a lease liability for virtually all leases, other than leases with a term of 12 months or less, and to provide additional disclosures about leasing arrangements. Accounting by lessors is largely unchanged from existing accounting guidance. The Company will be required to adopt the new guidance beginning with its first fiscal quarter of 2019. Early adoption is permitted. Currently, the new guidance is required to be applied on a modified retrospective basis.

While the Company is still in the process of evaluating the impact of the new guidance on its consolidated financial statements and disclosures, the Company expects adoption of the new guidance will have a material impact on its Consolidated Balance Sheets due to recognition of the right-of-use asset and lease liability related to its operating leases. While the new

2. Basis of Presentation and Summary of Significant Accounting Policies (Continued)

guidance is also expected to impact the measurement and presentation of elements of expenses and cash flows related to leasing arrangements, the Company does not presently believe there will be a material impact on its Consolidated Statements of Comprehensive (Loss) Income or Consolidated Statements of Cash Flows. Recognition of a lease liability related to operating leases will not impact any covenants related to the Company's long-term debt because the debt agreements specify that covenant ratios be calculated using U.S. GAAP in effect at the time the debt agreements were entered into.

In January 2016, the FASB issued guidance on the recognition and measurement of financial instruments. The guidance modifies how entities measure certain equity investments and present changes in the fair value of those investments, as well as changes how fair value of financial instruments is measured for disclosure purposes. The amendment is effective commencing with the Company's first fiscal quarter of 2018. The Company does not believe adoption of the new guidance will have a significant impact on its Consolidated Financial Statements and disclosures.

In May 2014, the FASB issued new accounting guidance on revenue recognition, which provides for a single, five-step model to be applied to all revenue contracts with customers. The new standard also requires additional financial statement disclosures that will enable users to understand the nature, amount, timing and uncertainty of revenue and cash flows relating to customer contracts. Companies have an option to use either a retrospective approach or cumulative effect adjustment approach to implement the standard. In August 2015, the FASB deferred the effective date of the new revenue guidance by one year such that the Company will be required to adopt the new guidance beginning with its first fiscal quarter of 2018. During 2016, the FASB issued four clarifications on specific topics within the new revenue recognition guidance that did not change the core principles of the guidance originally issued in May 2014.

This new revenue guidance supersedes nearly all of the existing general revenue recognition guidance under U.S. GAAP as well as most industry-specific revenue recognition guidance, including guidance with respect to revenue recognition by franchisors. The Company believes the recognition of the majority of its revenues, including franchise royalty revenues, sales of IHOP pancake and waffle dry mix and retail sales at company-operated restaurants will not be affected by the new guidance. Additionally, lease rental revenues are not within the scope of the new guidance.

The Company has determined the new revenue guidance will impact the timing of recognition of franchise and development fees. Under existing guidance, these fees are typically recognized upon the opening of restaurants. Under the new guidance, the Company has determined the fees will have to be deferred and recognized as revenue over the term of the individual franchise agreements. However, the effect of the required deferral of fees received in a given year will be mitigated by the recognition of revenue from fees retrospectively deferred from prior years. The Company presently expects to use the retrospective method of adoption when the new guidance is adopted in the first fiscal quarter of 2018. Upon adoption, the Company will recognize the deferral on its balance sheet of approximately $85 million in revenue from franchise and development fees and will reduce its receivables by approximately $7 million. As a result of adoption, the Company's accumulated deficit will increase by $60 million, net of deferred taxes of $32 million.

The Company also has determined the new revenue guidance will impact the accounting for transactions related to the Applebee's National Advertising Fund (the “Applebee's NAF”). Currently, domestic franchisee contributions to and expenditures of the Applebee's NAF are not included in the Consolidated Statements of Comprehensive (Loss) Income. Under the new guidance, the Company will include contributions to and expenditures from the domestic Applebee's advertising fund within the Consolidated Statements of Comprehensive (Loss) Income as is currently done with contributions to and expenditures from the IHOP national advertising fund and with international restaurants of both brands. While this change will materially impact the gross amount of reported franchise revenues and expenses, the impact will be an increase to both revenue and expense that, for the most part will offset, such that the impact on gross profit and net income, if any, would not be material.

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

3. Receivables

	2017	2016
	(In millions)	
Accounts receivable	$ 94.2	$ 69.3
Gift card receivables	51.6	51.2
Notes receivable	11.3	1.8
Financing receivables:		
Equipment leases receivable	79.3	87.2
Direct financing leases receivable	55.7	65.6
Franchise fee notes receivable	0.3	0.4
Other	11.2	10.2
	303.6	285.7
Less: allowance for doubtful accounts	(22.2)	(3.1)
	281.4	282.6
Less: current portion	(150.2)	(141.4)
Long-term receivables	$ 131.2	$ 141.2

Accounts receivable primarily includes receivables due from franchisees and distributors. Gift card receivables consist primarily of amounts due from third-party vendors. Interest is not charged on gift card receivables.

Financing receivables primarily relate to IHOP franchise development activity prior to 2003 when IHOP typically leased or purchased the restaurant site, built and equipped the restaurant then franchised the restaurant to a franchisee. IHOP provided the financing for the franchise fee, leasing of the equipment and the leasing or subleasing of the site. Equipment lease contracts are due in equal weekly installments, primarily bear interest averaging 9.7% and 9.8% per annum at December 31, 2017 and 2016, respectively, and are collateralized by the equipment. The term of an equipment lease contract coincides with the term of the corresponding restaurant building lease. The IHOP franchise fee notes have a term of five to eight years and are due in equal weekly installments, primarily bear interest averaging 5.9% and 6.1% per annum at December 31, 2017 and 2016, respectively, and are collateralized by the franchise. Where applicable, franchise fee notes, equipment contracts and building leases contain cross-default provisions wherein a default under one constitutes a default under all. There is not a disproportionate concentration of credit risk in any geographic area.

The primary indicator of the credit quality of financing receivables is delinquency. As of December 31, 2017 and 2016, approximately $0.1 million and $0.1 million, respectively, of financing receivables were delinquent more than 90 days.

The following table summarizes the activity in the allowance for doubtful accounts:

Allowance for Doubtful Accounts	(In millions)
Balance at December 31, 2014	$ 2.9
Provision	0.6
Charge-offs	(2.4)
Balance at December 31, 2015	1.2
Provision	2.8
Charge-offs	(0.9)
Balance at December 31, 2016	3.1
Provision	20.3
Charge-offs	(1.2)
Balance at December 31, 2017	$ 22.2

As of December 31, 2017 and 2016, approximately $0.1 million and $0.1 million, respectively, of the allowance for doubtful accounts related to financing receivables.

4. Property and Equipment

Property and equipment by category is as follows:

	2017	2016
	(In millions)	
Leaseholds and improvements	$ 252.2	$ 255.4
Equipment and fixtures	90.1	83.4
Properties under capital lease	61.4	59.8
Buildings and improvements	57.9	57.9
Land	56.4	56.4
Construction in progress	1.8	2.2
Property and equipment, gross	519.8	515.1
Less: accumulated depreciation and amortization	(320.2)	(310.0)
Property and equipment, net	$ 199.6	$ 205.1

The Company recorded depreciation expense on property and equipment of $20.6 million, $20.6 million and $22.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

Accumulated depreciation and amortization includes accumulated amortization for properties under capital lease in the amount of $43.2 million and $41.0 million at December 31, 2017 and 2016, respectively.

5. Goodwill

The significant majority of the Company's goodwill arose from the November 29, 2007 acquisition of Applebee's. Changes in the carrying amount of goodwill for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Applebee's Franchise Unit	IHOP Franchise Unit	Total
		(In millions)	
Balance at December 31, 2015:			
Goodwill, gross	$ 686.7	$ 10.8	$ 697.5
Accumulated impairment loss	—	—	—
Goodwill	686.7	10.8	697.5
2016 impairment loss	—	—	—
Balance at December 31, 2016:			
Goodwill, gross	$ 686.7	$ 10.8	$ 697.5
Accumulated impairment loss	—	—	—
Goodwill	686.7	10.8	697.5
2017 impairment loss	(358.2)	—	(358.2)
Balance at December 31, 2017:			
Goodwill, gross	686.7	10.8	697.5
Accumulated impairment loss	(358.2)	—	(358.2)
Goodwill	$ 328.5	$ 10.8	$ 339.2

The Company assessed goodwill for impairment in accordance with its policy described in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies. In the third quarter of 2017, the Company noted that the decline in the market price of the Company's common stock since December 31, 2016, which the Company had believed to be temporary, persisted throughout the first eight months of 2017 and that the favorable trend in Applebee's domestic same-restaurant sales experienced in the second quarter of 2017 did not continue into the first two months of the third quarter of 2017. The Company also noted a continuing increase in Applebee's bad debt expense and in royalties not recognized in income until paid in cash. Additionally, the Company also determined an increasing shortfall in franchisee contributions to the Applebee's national advertising fund could require a larger amount of future subsidization in the form of additional franchisor contributions to the fund than

5. Goodwill (Continued)

previously estimated. Based on these unfavorable developments, the Company determined that indicators of impairment existed and that an interim test of goodwill for impairment should be performed in the third quarter of 2017.

In performing the quantitative test of goodwill, the Company primarily used the income approach method of valuation that included the discounted cash flow method and the market approach that included the guideline public company method to determine the fair value of goodwill and intangible assets. Significant assumptions used to determine fair value under the discounted cash flow model included expected future trends in sales, operating expenses, overhead expenses, capital expenditures and changes in working capital, along with an appropriate discount rate based on the Company's estimated cost of equity capital and after-tax cost of debt.

As a result of performing the quantitative test of impairment, the Company recognized an impairment of Applebee's goodwill of $358.2 million. The Company adopted the guidance in FASB Accounting Standards Update 2017-04 on January 1, 2017; accordingly, the amount of the goodwill impairment was determined as the amount by which the carrying amount of the goodwill exceeded the fair value of the Applebee's franchise reporting unit as estimated in the impairment test. The impairment of goodwill is not deductible for federal income tax purposes and therefore had no associated tax benefit.

In the fourth quarter of fiscal 2017, the Company performed a qualitative assessment of the goodwill of the Applebee's franchise unit and the IHOP franchise unit and concluded it was more-likely-than-not that the fair values exceeded the respective carrying amounts.

In the fourth quarter of fiscal 2016, the Company performed a quantitative test of the goodwill of the Applebee's franchise reporting unit and a qualitative test of the goodwill of the IHOP franchise unit. The Company considers a reporting unit at risk when its fair value is not higher than its carrying amount by more than 10%. Since the fair value of the Applebee's Franchise Reporting Unit exceeded the carrying value of the unit by 9%, the goodwill of the Applebee's Franchise Reporting Unit was considered at risk as of December 31, 2016.

6. Other Intangible Assets

The significant majority of the Company's other intangible assets arose from the November 29, 2007 acquisition of Applebee's. Changes in the carrying amount of intangible assets for the years ended December 31, 2017, 2016 and 2015 are as follows:

	Not Subject to Amortization		Subject to Amortization		
	Tradename	Other	Franchising Rights	Leaseholds[1]	Total
			(In millions)		
Balance at December 31, 2014	$ 652.4	$ 0.9	$ 129.0	$ —	$ 782.3
Amortization expense	—	—	(10.0)	—	(10.0)
Additions	—	0.6	—	—	0.6
Balance at December 31, 2015	652.4	1.5	119.0	—	772.9
Amortization expense	—	—	(10.0)	—	(10.0)
Additions	—	0.5	—	—	0.5
Balance at December 31, 2016	652.4	2.0	109.0	—	763.4
Impairment	(173.4)	—	—	—	(173.4)
Amortization expense	—	—	(10.0)	(0.0)	(10.0)
Additions	—	0.5	—	2.3	2.8
Balance at December 31, 2017	$ 479.0	$ 2.5	$ 99.0	$ 2.3	$ 582.8

[1] See Note 19 - Refranchising of Company-operated Restaurants, of Notes to the Consolidated Financial Statements for additional information.

Annual amortization expense for the next five fiscal years is estimated to be approximately $10.0 million per year. The weighted average life of the intangible assets subject to amortization was 20 years at December 31, 2017 and 2016.

Gross and net carrying amounts of intangible assets subject to amortization at December 31, 2017 and 2016 are as follows:

6. Other Intangible Assets (Continued)

	December 31, 2017			December 31, 2016		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In millions)					
Franchising rights	$ 200.0	$ (101.0)	$ 99.0	$ 200.0	$ (91.0)	$ 109.0
Leaseholds	2.3	(0.0)	2.3	—	—	—
Total	$ 202.3	$ (101.0)	$ 101.3	$ 200.0	$ (91.0)	$ 109.0

The Company assessed the Applebee's tradename for impairment in accordance with its policy described in Note 2 - Basis of Presentation and Summary of Significant Accounting Policies. As discussed in Note 5 - Goodwill, the Company determined that indicators of impairment existed prior to the annual test for impairment and performed an interim quantitative test for impairment of Applebee's tradename in the third quarter of 2017. In performing the impairment test of the tradename, the Company used the relief of royalty method under the income approach method of valuation. Significant assumptions used to determine fair value under the relief of royalty method include future trends in sales, a royalty rate and a discount rate applied to the forecast revenue stream.

As a result of performing this quantitative test, the Company recognized an impairment of Applebee's tradename of $173.4 million. The Company recognized a tax benefit of $65.1 million related to the impairment.

In the fourth quarter of fiscal 2016, the Company performed a quantitative assessment of the Applebee's tradename and concluded the fair value exceeded the carrying amount. The Company considers an intangible asset at risk when its fair value is not higher than its carrying amount by more than 10%. The Applebee's tradename was not considered at risk as of December 31, 2016.

7. Long-Term Debt

Long-term debt consists of the following components:

	2017	2016
	(In millions)	
Series 2014-1 Class A-2, 4.277% Fixed Rate Senior Secured Notes	$ 1,296.8	$ 1,300.0
Debt issuance costs	(13.9)	(17.3)
Long-term debt, net of debt issuance costs	1,282.8	1,282.7
Current portion of long-term debt	(13.0)	—
Long-term debt	$ 1,269.8	$ 1,282.7

On September 30, 2014, Applebee’s Funding LLC and IHOP Funding LLC (each a “Co-Issuer”), each a special purpose, wholly-owned indirect subsidiary of the Company issued $1.3 billion of Series 2014-1 4.277% Fixed Rate Senior Notes, Class A-2 (the “Class A-2 Notes”) in an offering exempt from registration under the Securities Act of 1933, as amended. The Co-Issuers also entered into a revolving financing facility of Series 2014-1 Variable Funding Senior Notes Class A-1 (the “Variable Funding Notes”), which allows for drawings of up to $100 million of Variable Funding Notes and the issuance of letters of credit. The Class A-2 Notes and the Variable Funding Notes are referred to collectively as the “Notes.” The Notes were issued in a securitization transaction pursuant to which substantially all of our domestic revenue-generating assets and our domestic intellectual property, are held by the Co-Issuers and certain other special-purpose, wholly-owned indirect subsidiaries of the Company (the “Guarantors”) that act as guarantors of the Notes and that have pledged substantially all of their assets to secure the Notes.

7. Long-Term Debt (Continued)

Class A-2 Notes

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

While the Notes are outstanding, payment of principal and interest is required to be made on the Class A-2 Notes on a quarterly basis. The quarterly principal payment of $3.25 million on the Class A-2 Notes may be suspended when the leverage ratio for the Company and its subsidiaries is less than or equal to 5.25x. In general, the leverage ratio is our indebtedness divided by adjusted EBITDA for the four preceding quarterly periods. As of December 31, 2017, the Company's leverage ratio was 5.70x; accordingly, quarterly principal payments on the Class A-2 Notes are required until such time that the leverage ratio is less than or equal to 5.25x. The Company made one principal payment of $3.25 million in the fourth quarter of 2017.

The Company may voluntarily repay the Class A-2 Notes at any time; however, if the Company voluntarily repays the Class A-2 Notes prior to September 2018 it would be required to pay a make-whole premium. As of December 31, 2018, the make-whole payment for voluntary repayment was approximately $18 million; this amount declines ratably to zero in September 2018. The Company would also be subject to a make-whole premium in the event of a mandatory prepayment occurring prior to September 2018 following a Rapid Amortization Event or certain asset dispositions. The make-whole premium requirements are considered derivatives embedded in the Class A-2 Notes that must be bifurcated for separate valuation. The Company estimated the fair value of these derivatives to be insignificant of December 31, 2017, based on the probability-weighted discounted cash flows associated with either event.

The legal final maturity of the Class A-2 Notes is in September 2044, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the Class A-2 Notes will be repaid in September 2021 (the “Class A-2 Anticipated Repayment Date”). If the Co-Issuers have not repaid or refinanced the Class A-2 Notes prior to the Class A-2 Anticipated Repayment Date, additional interest will accrue on the Class A-2 Notes equal to the greater of (i) 5.00% per annum and (ii) a per annum interest rate equal to the amount, if any, by which the sum of the following exceeds the Class A-2 Note interest rate: (A) the yield to maturity (adjusted to a quarterly bond-equivalent basis) on the Class A-2 Anticipated Repayment Date of the United States Treasury Security having a term closest to 10 years plus (B) 5.00% plus (C) 2.150%. Additionally, the Company's cash flow would become subject to a rapid amortization event as described below under “Covenants and Restrictions.”

The Notes are secured by the collateral described below under “Guarantees and Collateral.”

Variable Funding Notes

In connection with the issuance of the Class A-2 Notes, the Co-Issuers also entered into a revolving financing facility that allows for the drawings of up to $100 million of Variable Funding Notes and the issuance of letters of credit. The Variable Funding Notes were issued under the Indenture and allow for drawings on a revolving basis. Drawings and certain additional terms related to the Variable Funding Notes are governed by the Class A-1 Note Purchase Agreement dated as of September 30, 2014 (the “Variable Funding Note Purchase Agreement”), among the Co-Issuers, the Guarantors, certain conduit investors, financial institutions and funding agents, and Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A. (“Rabobank Nederdland”), New York Branch, as provider of letters of credit, as swingline lender and as administrative agent.

The Variable Funding Notes will be governed, in part, by the Variable Funding Note Purchase Agreement and by certain generally applicable terms contained in the Indenture. Depending on the type of borrowing by the Co-Issuers, the applicable interest rate under the Variable Funding Notes is calculated at a per annum rate equal to (a) LIBOR plus 2.50%, (b) (i) the greatest of (x) the prime rate, (y) the federal funds effective rate plus 0.50% or (z) a daily rate equal to one-month LIBOR plus 0.5% plus (ii) 2.00% or (c) the lenders’ commercial paper funding rate plus 2.50%. There is a scaled commitment fee based on the unused portion of the Variable Funding Notes facility of between 50 to 100 basis points. It is anticipated that the principal and interest on the Variable Funding Notes will be repaid in full on or prior to September 2019 (the “VFN Anticipated Repayment Date”), subject to two additional one-year extensions at the option of the Company, which acts as the manager (as described below), upon the satisfaction of certain conditions. Following the VFN Anticipated Repayment Date (and any extensions thereof), additional interest will accrue on the Variable Funding Notes equal to 5.00% per annum. The Variable Funding Notes and other credit instruments issued under the Variable Funding Note Purchase Agreement are secured by the

7. Long-Term Debt (Continued)

collateral described below under “Guarantees and Collateral.”

The Company has not drawn on the Variable Funding Notes since their issuance. As of December 31, 2017, there were no amounts outstanding under the Revolving Facility; however, available borrowing capacity under the Variable Funding Notes was reduced by $3.1 million of letters of credit outstanding as of December 31, 2017.

Guarantees and Collateral

Under the Guarantee and Collateral Agreement dated September 30, 2014 (the “Guarantee and Collateral Agreement”), among the Guarantors in favor of the Trustee, the Guarantors guarantee the obligations of the Co-Issuers under the Indenture and related documents and secure the guarantee by granting a security interest in substantially all of their assets.

The Notes are secured by a security interest in substantially all of the assets of the Co-Issuers and the Guarantors (collectively, the “Securitization Entities”). On September 30, 2014, these assets (the “Securitized Assets”) generally included substantially all of the domestic revenue-generating assets of the Corporation and its subsidiaries, which principally consist of franchise agreements, area license agreements, development agreements, franchisee fee notes, equipment leases, agreements related to the production and sale of pancake and waffle dry-mixes, owned and leased real property and intellectual property.

The Notes are obligations only of the Co-Issuers pursuant to the Indenture and are unconditionally and irrevocably guaranteed by the Guarantors pursuant to the Guarantee and Collateral Agreement. Except as described below, neither we nor any of our subsidiaries, other than the Securitization Entities, will guarantee or in any way be liable for the obligations of the Co-Issuers under the Indenture or the Notes.

Covenants and Restrictions

The Notes are subject to a series of covenants and restrictions customary for transactions of this type, including (i) that the Co-Issuers maintain specified reserve accounts to be used to make required payments in respect of the Notes, (ii) provisions relating to optional and mandatory prepayments, and the related payment of specified amounts, including specified make-whole payments in the case of the Class A-2 Notes under certain circumstances, (iii) certain indemnification payments in the event, among other things, the transfers of the assets pledged as collateral for the Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The Notes are also subject to customary rapid amortization events provided for in the Indenture, including events tied to failure of the Securitization Entities to maintain the stated debt service coverage (“DSCR”) ratio, the sum of domestic retail sales during the trailing twelve months for all restaurants being below $3.5 billion on quarterly measurement dates, certain manager termination events, certain events of default and the failure to repay or refinance the Notes on the Class A-2 Anticipated Repayment Date. The Notes are also subject to certain customary events of default, including events relating to non-payment of required interest, principal or other amounts due on or with respect to the Notes, failure of the Securitization Entities to maintain the stated debt service coverage ratio, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties and certain judgments.

The DSCR ratio is Net Cash Flow for the four quarters preceding the calculation date divided by the total debt service payments of the preceding four quarters. Failure to maintain a prescribed DSCR ratio can trigger a Cash Trapping Event, A Rapid Amortization Event, a Manager Termination Event or a Default Event as described below. In a Cash Trapping Event, the Trustee is required to retain a certain percentage of cash flow in a restricted account. In a Rapid Amortization Event, all excess Cash Flow is retained and used to retire principal amounts of debt. Key DSCR ratios are as follows:

- DSCR less than 1.75x but equal to or greater than 1.50x - Cash Trapping Event, 50% of Net Cash Flow
- DSCR less than 1.50x - Cash Trapping Event, 100% of Net Cash Flow
- DSCR less than 1.30x - Rapid Amortization Event
- DSCR less than 1.20x - Manager Termination Event
- DSCR less than 1.10x - Default Event

The DSCR for the reporting period ended December 31, 2017 was 4.01x.

7. Long-Term Debt (Continued)

Debt Issuance Costs

The Company incurred costs of approximately $24.3 million in connection with the issuance of the Notes. These debt issuance costs are being amortized using the effective interest method over estimated life of the Notes. Amortization of $3.4 million, $3.2 million and $3.1 million was included in interest expense for the years ended December 31, 2017, 2016 and 2015 respectively. Unamortized debt issuance costs are reported as a direct reduction of the Class A-2 Notes in the Consolidated Balance Sheets.

Maturities of Long-term Debt

The Class A-2 Anticipated Repayment Date is September 2021. Face-value maturities of long-term debt for each of the next five years, assuming the Company's leverage ratio remains greater than 5.25x, are as follows:

	(In millions)
2018	$ 13.0
2019	13.0
2020	13.0
2021	1,257.8
2022	—
Total	$ 1,296.8

8. Financing Obligations

On May 19, 2008, the Company entered into a Purchase and Sale Agreement relating to the sale and leaseback of 181 parcels of real property (the “Sale-Leaseback Transaction”), each of which is improved with a restaurant operating as an Applebee's Neighborhood Grill and Bar (the “Properties”). On June 13, 2008, the closing date of the Sale-Leaseback Transaction, the Company entered into a Master Land and Building Lease (“Master Lease”) for the Properties. The proceeds received from the transaction were $337.2 million. The Master Lease calls for an initial term of twenty years and four, five-year options to extend the term.

The Company has an ongoing obligation related to the Properties until such time as the lease related to each of the Properties is assigned to a qualified franchisee in a transaction meeting certain parameters set forth in the Master Lease. Due to this continuing involvement, the Sale-Leaseback Transaction was recorded under the financing method in accordance with U.S. GAAP. Accordingly, the value of the land and leasehold improvements will remain on the Company's books and the leasehold improvements will continue to be depreciated over their remaining useful lives. The net proceeds received were recorded as a financing obligation. A portion of the lease payments is recorded as a decrease to the financing obligation and a portion is recognized as interest expense. In the event the lease obligation of any individual property or group of properties is assumed by a qualified franchisee, the Company's continuing involvement will cease. At that time, that portion of the transaction related to that property or group of properties is recorded as a sale in accordance with U.S. GAAP and the net book value of those properties will be removed from the Company's books, along with a ratable portion of the remaining financing obligation.

As of December 31, 2017, the Company's continuing involvement with 155 of the 181 Properties ended by assignment of the lease obligation to a qualified franchisee or a release from the lessor. In accordance with the accounting described above, the transactions related to these properties have been recorded as a sale with property and equipment and financing obligations each cumulatively reduced by approximately $280.0 million.

8. Financing Obligations (Continued)

As of December 31, 2017, future minimum lease payments under financing obligations during the initial terms of the leases related to the sale-leaseback transactions are as follows:

Fiscal Years	(In millions)
2018	$ 4.9
2019	5.1
2020[1]	5.6
2021	5.1
2022	5.2
Thereafter	55.4
Total minimum lease payments	81.3
Less: interest	(41.8)
Total financing obligations	39.5
Less: current portion[2]	(0.3)
Long-term financing obligations	$ 39.2

(1) Due to the varying closing date of the Company's fiscal year, 13 monthly payments will be made in 2020.
(2) Included in current maturities of capital lease and financing obligations on the consolidated balance sheet.

9. Leases

The Company is the lessor or sub-lessor of approximately half of all domestic IHOP franchise restaurants. The restaurants are subleased to IHOP franchisees or in a few instances were operated by the Company or an Applebee's franchisee. These noncancelable leases and subleases consist primarily of land, buildings and improvements.

The following is the Company's net investment in direct financing lease receivables:

	December 31,	
	2017	2016
	(In millions)	
Total minimum rents receivable	$ 74.5	$ 92.1
Less: unearned income	(18.8)	(26.5)
Net investment in direct financing leases receivable	55.7	65.6
Less: current portion	(10.8)	(9.9)
Long-term direct financing leases receivable	$ 44.9	$ 55.7

Contingent rental income, which is the amount above and beyond base rent, for the years ended December 31, 2017, 2016 and 2015 was $14.0 million, $15.4 million and $16.7 million, respectively.

The following is the Company's net investment in equipment leases receivable:

	December 31,	
	2017	2016
	(In millions)	
Total minimum leases receivable	$ 106.4	$ 122.5
Less: unearned income	(27.1)	(35.3)
Net investment in equipment leases receivable	79.3	87.2
Less: current portion	(8.2)	(7.9)
Long-term equipment leases receivable	$ 71.1	$ 79.3

9. Leases (Continued)

The following are minimum future lease payments on noncancelable leases as lessee at December 31, 2017:

	Capital Leases	Operating Leases
	(In millions)	
2018	$ 20.7	$ 80.3
2019	17.6	76.7
2020[1]	15.6	75.0
2021	12.6	58.8
2022	10.6	50.6
Thereafter	25.5	173.9
Total minimum lease payments	102.6	$ 515.3
Less: interest	(26.8)	
Capital lease obligations	75.8	
Less: current portion[2]	(13.9)	
Long-term capital lease obligations	$ 61.9	

[1] Due to the varying closing date of the Company's fiscal year, 13 monthly payments will be made in fiscal 2020.
[2] Included in current maturities of capital lease and financing obligations on the consolidated balance sheet.

The asset cost and carrying amount on company-owned property leased at December 31, 2017 was $89.0 million and $60.0 million, respectively. The asset cost and carrying amount on company-owned property leased at December 31, 2016, was $89.0 million and $61.3 million, respectively. The asset cost and carrying amounts represent the land and building asset values and net book values on sites leased to franchisees.

The minimum future lease payments shown above have not been reduced by the following future minimum rents to be received on noncancelable subleases and leases of owned property at December 31, 2017:

	Direct Financing Leases	Operating Leases
	(In millions)	
2018	$ 17.2	$ 105.0
2019	16.2	103.4
2020	14.8	103.7
2021	11.7	97.6
2022	8.2	93.7
Thereafter	6.4	356.0
Total minimum rents receivable	$ 74.5	$ 859.4

The Company has noncancelable leases, expiring at various dates through 2036, which require payment of contingent rents based upon a percentage of sales of the related restaurant as well as property taxes, insurance and other charges. Subleases to franchisees of properties under such leases are generally for the full term of the lease obligation at rents that include the Company's obligations for property taxes, insurance, contingent rents and other charges. Generally, the noncancelable leases include renewal options. Contingent rent expense for all noncancelable leases for the years ended December 31, 2017, 2016 and 2015 was $2.6 million, $3.0 million and $3.3 million, respectively. Minimum rent expense for all noncancelable operating leases for the years ended December 31, 2017, 2016 and 2015 was $73.0 million, $76.5 million and $80.9 million, respectively.

10. Commitments and Contingencies

Purchase Commitments

In some instances, the Company enters into commitments to purchase advertising and other items. Most of these agreements are fixed price purchase commitments. At December 31, 2017, the outstanding purchase commitments were $115.9 million, the majority of which related to advertising.

10. Commitments and Contingencies (Continued)

Lease Guarantees

In connection with the sale of Applebee's restaurants to franchisees and other parties, the Company has, in certain cases, guaranteed or had potential continuing liability for lease payments. The Company had outstanding lease guarantees or was contingently liable for approximately $313.9 million and $366.8 million as of December 31, 2017 and 2016 respectively. These amounts represent the maximum potential liability of future payments under these leases. Excluding unexercised option periods, the Company's potential liability for future payments under these leases as of December 31, 2017 was $55.6 million. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from 2018 through 2048. In the event of default, the indemnity and default clauses in our sale or assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities for these guarantees have been recorded as of December 31, 2017.

Litigation, Claims and Disputes

The Company is subject to various lawsuits, governmental inspections, administrative proceedings, audits, and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. The Company is required to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of the Company's litigation are expensed as such fees and expenses are incurred. In the opinion of management, these matters are adequately covered by insurance or, if not so covered, are without merit or are of such a nature or involve amounts that would not have a material adverse impact on the Company's business or consolidated financial statements. Management regularly assesses the Company's insurance deductibles, analyzes litigation information with the Company's attorneys and evaluates its loss experience in connection with pending legal proceedings. While the Company does not presently believe that any of the legal proceedings to which the Company is currently a party will ultimately have a material adverse impact on the Company, there can be no assurance that the Company will prevail in all the proceedings the Company is party to, or that the Company will not incur material losses from them.

Letters of Credit

The Company provides letters of credit, primarily to various insurance carriers to collateralize obligations for outstanding claims. As of December 31, 2017, the Company had approximately $3.1 million of unused letters of credit outstanding that reduce the Company's available borrowing under its Variable Funding Notes. These letters of credit expire on various dates in 2018 and are automatically renewed for an additional year if no cancellation notice is submitted.

11. Stockholders' (Deficit) Equity

Stock Repurchase Programs

On October 1, 2015, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to $150 million of its common stock (the “2015 Repurchase Program”) on an opportunistic basis from time to time in open market transactions and in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The Company has repurchased 1,000,657 shares of stock for $72.9 million under the 2015 Repurchase Program. The Company may repurchase up to an additional $67.1 million of common stock under the 2015 Repurchase Program.

In October 2014, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to $100 million of its common stock (the “2014 Repurchase Program”). The 2014 Repurchase Program was terminated upon approval of the 2015 Repurchase Program. The Company repurchased 537,311 shares of stock for $54.5 million under the 2014 Repurchase Program prior to its termination.

Shares repurchased under the Company's stock repurchase programs during the fiscal years ended December 31, 2017, 2016 and 2015 are summarized as follows:

	2017 repurchases		2016 repurchases		2015 repurchases		Remaining Value that may be Repurchased
Repurchase Program	Shares	$	Shares	$	Shares	$	
	(Dollars in millions)						
2015 Repurchase Program	145,786	$ 10.0	650,384	$ 55.3	204,487	$ 17.5	$ 67.1
2014 Repurchase Program	—	—	—	—	516,976	52.5	n/a
Total	145,786	$ 10.0	650,384	$ 55.3	721,463	$ 70.0	$ 67.1

11. Stockholders' (Deficit) Equity (Continued)

Dividends

During the fiscal years ended December 31, 2017, 2016 and 2015, the Company declared and paid dividends on common stock as follows:

Year ended December 31, 2017	Declaration Date	Payment Date	Dividends declared per share	Dividends paid per share	Total dividends paid[1]
					(In millions)
Payment of prior year declaration	(3)	January 6, 2017	—	$ 0.97	$ 17.5
First quarter	February 22, 2017	April 7, 2017	$ 0.97	0.97	17.5
Second quarter	May 15, 2017	July 7, 2017	0.97	0.97	17.5
Third quarter	August 10, 2017	October 6, 2017	0.97	0.97	17.8
Fourth quarter	October 6, 2017	(2)	0.97	—	—
Total			$ 3.88	$ 3.88	$ 70.3
Year ended December 31, 2016					
Payment of prior year declaration	(4)	January 8, 2016	—	$ 0.920	$ 17.1
First quarter	February 23, 2016	April 8, 2016	$ 0.92	0.920	17.0
Second quarter	May 16, 2016	July 8, 2016	0.92	0.920	16.8
Third quarter	July 28, 2016	October 7, 2016	0.92	0.920	16.7
Fourth quarter	October 31, 2016	(3)	0.97	—	—
Total			$ 3.73	$ 3.68	$ 67.6
Year ended December 31, 2015					
Payment of prior year declaration	(5)	January 9, 2015		$ 0.875	$ 16.6
First quarter	February 24, 2015	April 10, 2015	$ 0.875	0.875	16.7
Second quarter	May 19, 2015	July 10, 2015	0.875	0.875	16.6
Third quarter	July 30, 2015	October 9, 2015	0.875	0.875	16.4
Fourth quarter	October 1, 2015	(4)	0.920	—	—
Total			$ 3.545	$ 3.50	$ 66.3

(1) Includes dividend equivalents paid on restricted stock units

(2) The fourth quarter 2017 dividend of $17.7 million was paid on January 5, 2018.
(3) The fourth quarter 2016 dividend of $17.5 million was paid on January 6, 2017.
(4) The fourth quarter 2015 dividend of $17.1 million was paid on January 8, 2016.
(5) The fourth quarter 2014 dividend of $16.6 million was paid on January 9, 2015.

Dividends declared on common stock are recorded as a reduction of retained earnings to the extent retained earnings are available at the close of the period prior to the date of the declared dividend. Dividends in excess of retained earnings are recorded as a reduction of additional paid-in capital. Dividends recorded during the fiscal years ended December 31, 2017, 2016 and 2015 were as follows:

	Year Ended December 31,		
	2017	2016	2015
	(In millions)		
Dividends declared from retained earnings	(52.6)	(67.8)	(66.6)
Dividends declared from additional paid-in capital	(17.7)	—	—

On February 14, 2018, the Company's Board of Directors approved payment of a cash dividend of $0.63 per share of common stock, payable at the close of business on April 6, 2018 to the stockholders of record as of the close of business on March 19, 2018.

Treasury Stock

Repurchases of the Company's common stock are included in treasury stock at the cost of shares repurchased plus any transaction costs. Treasury stock may be re-issued when vested stock options are exercised, when restricted stock awards are

11. Stockholders' (Deficit) Equity (Continued)

granted and when restricted stock units settle in stock upon vesting. The cost of treasury stock re-issued is determined on the first-in, first-out (“FIFO”) method. The Company re-issued 281,185 shares, 136,818 shares and 356,930 shares, respectively, during the years ended December 31, 2017, 2016 and 2015 at a total FIFO cost of $10.1 million $4.9 million and $12.9 million, respectively.

12. Closure and Other Impairment Charges

Closure and other impairment charges for the years ended December 31, 2017, 2016 and 2015 were as follows:

	Year Ended December 31,		
	2017	2016	2015
	(In millions)		
Closure charges	$ 3.9	$ 1.2	$ 1.4
Kansas City lease exit costs	—	2.9	—
Long-lived tangible asset impairment	0.1	1.0	1.2
Total closure and impairment charges	$ 4.0	$ 5.1	$ 2.6

Closure Charges

Approximately $2.2 million of closure charges for the year ended December 31, 2017 related to one IHOP company-operated restaurant closed during 2017, with the remainder primarily related to adjustments to the estimated reserve for IHOP and Applebee's restaurants closed prior to 2017. Approximately $0.7 million of closure charges for the year ended December 31, 2016 related to one IHOP franchise restaurant closed during 2016, with the rest of the charges related to adjustments to the estimated reserve for IHOP and Applebee's restaurants closed prior to 2016. Approximately $1.4 million of closure charges for the year ended December 31, 2015 related to two IHOP franchise restaurants closed during 2015, partially offset by minor adjustments to the estimated reserve for IHOP and Applebee's restaurants closed prior to 2015.

Kansas City Lease Exit Costs

The Company incurred costs of $2.9 million for the year ended December 31, 2016 to exit a facility in connection with the consolidation action discussed in Note 17 - Facility Exit Costs. Approximately $2.5 million related to the outright termination of a lease covering two floors of the facility and $0.4 million represents the present value of future lease payments, net of assumed sublease rentals, of one floor of the facility.

Long-lived Tangible Asset Impairment

Long-lived tangible asset impairment charges for the year ended December 31, 2017 were not significant. Long-lived tangible asset impairment charges for the year ended December 31, 2016 comprised a charge of $0.6 million for one IHOP company-operated restaurant and charges totaling $0.4 million of individually insignificant charges at eight IHOP company-operated restaurants. Long-lived tangible asset impairment charges for the year ended December 31, 2015 primarily related to $1.1 million of individually insignificant charges at eight IHOP company-operated restaurants and four Applebee's company-operated restaurants.

13. Stock-Based Incentive Plans

General Description

Currently, the Company is authorized to grant stock options, stock appreciation rights, restricted stock, cash-settled and stock-settled restricted stock units and performance units to officers, other employees and non-employee directors under the DineEquity, Inc. 2016 Stock Incentive Plan (the “2016 Plan”). The 2016 Plan was approved by stockholders on May 17, 2016 and permits the issuance of up to 3,750,000 shares of the Company’s common stock for incentive stock awards. The 2016 Plan will expire in May 2026.

The DineEquity, Inc. 2011 Stock Incentive Plan (the “2011 Plan”) was adopted in 2011 to permit the issuance of up to 1,500,000 shares of the Company’s common stock for incentive stock awards. The 2011 Plan was terminated upon adoption of the 2016 Plan, but there are stock options, restricted stock and restricted stock units issued under the 2011 Plan that are outstanding as of December 31, 2017.

13. Stock-Based Incentive Plans (Continued)

The IHOP Corp. 2001 Stock Incentive Plan (the "2001 Plan") was adopted in 2001 and amended and restated in 2005 and 2008 to authorize the issuance of up to 4,200,000 shares of common stock. The 2001 Plan has expired but there are stock options issued under the 2001 Plan outstanding as of December 31, 2017.

The 2016 Plan, the 2011 Plan and the 2001 Plan are collectively referred to as the "Plans."

Stock-Based Compensation Expense

From time to time, the Company has granted nonqualified stock options, restricted stock, cash-settled and stock-settled restricted stock units and performance units to officers, other employees and non-employee directors of the Company under the Plans. The nonqualified stock options generally vest ratably over a three-year period in one-third increments and have a maturity of ten years from the grant date. Options vest immediately upon a change in control of the Company, as defined in the Plans. Option exercise prices equal the closing price of the Company's common stock on the New York Stock Exchange on the date of grant. Restricted stock and restricted stock units are issued at no cost to the holder and vest over terms determined by the Compensation Committee of the Company's Board of Directors, generally three years from the date of grant or immediately upon a change in control of the Company, as defined in the Plans. The Company either utilizes treasury stock or issues new shares from its authorized but unissued share pool when vested stock options are exercised, when restricted stock awards are granted and when restricted stock units settle in stock upon vesting.

The following table summarizes the Company's stock-based compensation expense included as a component of general and administrative expenses in the consolidated financial statements:

	Year Ended December 31,		
	2017	2016	2015
	(In millions)		
Total stock-based compensation expense:			
Equity classified awards expense	$ 10.9	$ 11.0	$ 9.0
Liability classified awards (credit)	(1.0)	(0.5)	(0.4)
Total pretax stock-based compensation expense	9.9	10.5	8.6
Book income tax benefit	(3.8)	(3.9)	(3.3)
Total stock-based compensation expense, net of tax	$ 6.1	$ 6.6	$ 5.3

As of December 31, 2017, total unrecognized compensation cost related to restricted stock and restricted stock units of $15.7 million and $2.9 million related to stock options is expected to be recognized over a weighted average period of approximately 2.0 years for restricted stock and restricted stock units and 1.8 years for stock options.

Equity Classified Awards - Stock Options

The per share fair values of the stock options granted have been estimated as of the date of grant using the Black-Scholes option pricing model. The Black-Scholes model considers, among other factors, the expected life of the option and the historical volatility of the Company's stock price. The Black-Scholes model meets the requirements of U.S. GAAP, but the fair values generated by the model may not be indicative of the actual fair values of the Company's stock-based awards. The following table summarizes the assumptions used to value options granted in the respective periods:

The Company granted 537,030 stock options during the year ended December 31, 2017 for which the fair value was estimated using a Black-Scholes option pricing model. The following summarizes the assumptions used in the Black-Scholes model:

	2017	2016	2015
Risk free interest rate	1.9%	1.1%	1.5%
Weighted average historical volatility	22.9%	27.1%	36.8%
Dividend yield	7.3%	4.0%	3.2%
Expected years until exercise	4.5	4.5	4.5
Weighted average fair value of options granted	$ 4.31	$ 13.55	$ 27.20

The Company granted 350,000 performance-based stock options and 175,000 performance-based restricted stock units during the year ended December 31, 2017 for which the fair value was estimated using a Monte Carlo simulation method. The following summarizes the assumptions used in estimating the fair values:

13. Stock-Based Incentive Plans (Continued)

	2017
Risk free interest rate	1.6%
Weighted average historical volatility	30.0%
Dividend yield	9.6%
Expected years until exercise	3.4
Weighted average fair value of options granted	$ 3.07
Weighted average fair value of restricted stock units granted	$ 10.19

Stock option activity for the years ended December 31, 2017, 2016 and 2015 is summarized as follows:

	Number of Shares Under Option	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in Millions)
Outstanding at December 31, 2014	618,115	$ 53.10		
Granted	133,814	111.54		
Exercised	(218,412)	43.66		
Forfeited	(29,055)	99.97		
Outstanding at December 31, 2015	504,462	69.99		
Granted	255,825	90.90		
Exercised	(48,021)	29.33		
Forfeited	(7,924)	94.30		
Expired	(3,208)	89.17		
Outstanding at December 31, 2016	701,134	80.04		
Granted	887,030	48.35		
Exercised	(64,916)	40.59		
Forfeited	(171,847)	65.82		
Expired	(79,353)	87.02		
Outstanding at December 31, 2017	1,272,048	$ 61.44	7.2	$ 3.6
Vested and Expected to Vest at December 31, 2017	1,109,793	$ 63.69	6.9	$ 2.5
Exercisable at December 31, 2017	435,172	$ 80.72	3.2	$ 0.1

The total intrinsic value of options exercised during the years ended December 31, 2017, 2016 and 2015 was $1.4 million, $2.7 million and $12.6 million, respectively.

Cash received from options exercised under all stock-based payment arrangements for the years ended December 31, 2017, 2016 and 2015 was $2.6 million, $1.4 million and $9.5 million, respectively. The actual tax benefit realized for the tax deduction from option exercises under the stock-based payment arrangements totaled $0.5 million, $1.0 million and $4.9 million, respectively, for the years ended December 31, 2017, 2016 and 2015.

13. Stock-Based Incentive Plans (Continued)

Equity Classified Awards - Restricted Stock and Restricted Stock Units

Activity in equity classified awards of restricted stock and restricted stock units for the years ended December 31, 2017, 2016 and 2015 is as follows:

	Shares of Restricted Stock	Weighted Average Grant-Date Per Share Fair Value	Restricted Stock Units	Weighted Average Grant-Date Per Share Fair Value
Outstanding at December 31, 2014	233,818	$ 70.14	41,622	$ 66.92
Granted	138,518	102.78	10,630	111.72
Released	(77,042)	54.89	(16,567)	52.19
Forfeited	(37,700)	86.77	(569)	101.55
Outstanding at December 31, 2015	257,594	89.99	35,116	86.30
Granted	88,797	88.90	13,053	90.90
Released	(77,712)	78.70	(14,027)	72.01
Forfeited	(33,207)	92.82	(84)	101.25
Outstanding at December 31, 2016	235,472	92.91	34,058	93.95
Granted	216,269	51.89	281,973	22.37
Released	(92,968)	88.62	(12,683)	81.63
Forfeited	(83,582)	79.52	—	—
Outstanding at December 31, 2017	275,191	$ 66.10	303,348	$ 28.39

Liability Classified Awards

The Company has granted cash long-term incentive awards to certain employees (“LTIP awards”). Annual LTIP awards vest over a three-year period and are determined using a multiplier from 0% to 200% of the target award based on the total shareholder return of the Company's common stock compared to the total shareholder returns of a peer group of companies. Though LTIP awards are only paid in cash, since the multiplier is based on the price of the Company's common stock, the awards are considered stock-based compensation in accordance with U.S. GAAP and are classified as liabilities. For the years ended December 31, 2017, 2016 and 2015, credits of $1.0 million, $0.5 million and $0.4 million, respectively, were included in stock-based compensation expense related to the LTIP awards. At December 31, 2017 and 2016, liabilities of $0.2 million and $1.2 million, respectively, were included as accrued employee compensation and benefits in the Consolidated Balance Sheets.

14. Employee Benefit Plans

401(k) Savings and Investment Plan

Effective January 1, 2013, the Company amended the DineEquity, Inc. 401(k) Plan to (i) modify the Company matching formula and (ii) eliminate the one-year completed service requirement that previously had to be met to become eligible for Company matching contributions. As amended, the Company matches 100% of the first four percent of the employee's eligible compensation deferral and 50% of the next two percent of the employee's eligible compensation deferral. All contributions under this plan vest immediately. Company common stock is not an investment option for employees in the 401(k) Plan, other than shares transferred from a prior employee stock ownership plan. Substantially all of the administrative cost of the 401(k) plan is borne by the Company. The Company's matching contribution expense was $2.3 million, $2.2 million and $2.4 million for the years ended December 31, 2017, 2016 and 2015, respectively.

15. Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2017, 2016 and 2015 was as follows:

	Year Ended December 31,		
	2017	2016	2015
(Benefit) provision for income taxes:	(In millions)		
Current			
Federal	$ 42.6	$ 60.8	$ 67.3
State	5.1	6.4	8.0
Foreign	2.9	2.3	2.4
	50.6	69.5	77.7
Deferred			
Federal	(140.7)	(10.6)	(13.6)
State	(4.7)	(3.8)	(0.4)
	(145.4)	(14.4)	(14.0)
(Benefit) provision for income taxes	$ (94.8)	$ 55.1	$ 63.7

The provision (benefit) for income taxes differs from the expected federal income tax rates as follows:

	Year Ended December 31,		
	2017	2016	2015
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %
Non-deductibility of goodwill impairment	(29.5)	—	—
Change in federal tax rate	18.2	—	—
State and other taxes, net of federal tax benefit	0.4	2.7	2.8
Change in unrecognized tax benefits	(0.7)	0.5	0.8
Change in valuation allowance	0.3	—	—
Domestic production activity deduction	0.3	(0.6)	(0.7)
Changes in tax rates and state tax laws	(0.4)	(1.9)	—
Change in accounting for excess tax deficiencies/benefits	(0.5)	—	—
Other	(0.8)	0.3	(0.1)
Effective tax rate	22.3 %	36.0 %	37.8 %

The Company recognized a $358.2 million impairment of goodwill during the third quarter of 2017 that was not deductible for federal income tax purposes and therefore had no associated tax benefit. The impairment of goodwill lowered the 2017 effective tax rate by 29.5%. Additionally, the Company was required to revalue its deferred taxes at the federal tax rate of 21% in accordance with the Tax Cuts and Jobs Act (the “Tax Act”) enacted in December 2017. The change in the federal tax rate applied to the deferred tax balances increased the 2017 effective tax rate by 18.2%. The Securities and Exchange Commission issued guidance that allows entities to record provisional amounts during a measurement period not to extend beyond one year of the enactment date of the Tax Act. Where the Company has been able to make reasonable estimates of the effects of the Tax Act for which its analysis is not yet complete, the Company has recorded provisional amounts in accordance with the guidance. Where the Company has not yet been able to make reasonable estimates of the impact of certain elements of the Tax Act, the Company has not recorded any amounts related to those elements and has continued accounting for them in accordance with the tax laws in effect immediately prior to the enactment of the Tax Act.

The Company applied a lower state tax rate to the deferred tax balances during second quarter of 2016, a result of the consolidating action discussed under Note 17 - Facility Exit Costs. The change in the state tax rates applied to the deferred tax balances lowered the 2016 effective tax rate by 1.9%.

The Company files federal income tax returns and the Company or one of its subsidiaries file income tax returns in various state and international jurisdictions. With few exceptions, the Company is no longer subject to federal, state or non-United States tax examinations by tax authorities for years before 2011. During the third quarter of 2016, the Company resolved its appeal regarding tax years 2008 to 2010. No additional deficiencies resulted. The Internal Revenue Service (“IRS”) commenced examination of the Company’s U.S. federal income tax return for the tax years 2011 to 2013 in fiscal year 2016. Based on recent IRS examination developments, during the fourth quarter of 2017, the Company assessed its available positive evidence and reclassified certain net deferred tax assets in the amount of $30.4 million to a prepaid income tax. The

Note 15. Income Taxes (Continued)

examination is anticipated to conclude during fiscal year 2018. The Company continues to believe that adequate reserves have been provided relating to all matters contained in the tax periods open to examination.

Net deferred tax assets (liabilities) consisted of the following components:

	2017	2016
	(In millions)	
Differences in capitalization and depreciation and amortization of reacquired franchises and equipment	$ —	$ 4.7
Differences in acquisition financing costs	0.1	0.3
Employee compensation	7.6	12.6
Deferred gain on sale of assets	0.7	5.5
Book/tax difference in revenue recognition	14.2	45.8
Other	21.8	35.4
Deferred tax assets	44.4	104.3
Valuation allowance	—	(1.1)
Total deferred tax assets after valuation allowance	44.4	103.2
Differences between financial and tax accounting in the recognition of franchise and equipment sales	(20.7)	(39.1)
Differences in capitalization and depreciation [1]	(147.5)	(281.3)
Book/tax difference in revenue recognition	(2.4)	(7.8)
Differences between book and tax basis of property and equipment	(8.5)	(14.6)
Other	(3.5)	(14.3)
Deferred tax liabilities	(182.6)	(357.1)
Net deferred tax liabilities	$ (138.2)	$ (253.9)

(1) Primarily related to the Applebee's acquisition.

The valuation allowance of $1.1 million as of December 31, 2016 related to the Massachusetts enacted legislation requiring unitary businesses to file combined reports. As of each reporting date, the Company’s management considers new evidence, both positive and negative, that could impact management’s view with regards to future realization of deferred tax assets. As of December 31, 2017, management determined that sufficient positive evidence exists as of the reporting date to conclude that it is more likely than not that additional deferred taxes of $1.1 million are realizable, and therefore, reduced the valuation allowance accordingly.

The Company had gross operating loss carryforwards for state tax purposes of $0.6 million and $10.7 million as of December 31, 2017 and 2016, respectively. The net operating loss carryforwards may begin to expire between 2018 and 2034 for state tax purposes.

The total gross unrecognized tax benefit as of December 31, 2017 and 2016 was $5.9 million and $3.9 million, respectively, excluding interest, penalties and related income tax benefits. If recognized, these amounts would affect the Company's effective income tax rates. The Company estimates the unrecognized tax benefits may decrease over the upcoming 12 months by an amount up to $2.9 million related to settlements with taxing authorities and the lapse of statutes of limitations. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2017	2016	2015
Unrecognized tax benefit as of January 1	$ 3.9	$ 3.9	$ 3.4
Changes for tax positions of prior years	2.8	0.6	1.0
Increases for tax positions related to the current year	0.6	0.1	0.1
Decreases relating to settlements and lapsing of statutes of limitations	(1.4)	(0.7)	(0.6)
Unrecognized tax benefit as of December 31	$ 5.9	$ 3.9	$ 3.9

As of December 31, 2017, the accrued interest was $1.1 million and accrued penalties were less than $0.1 million, excluding any related income tax benefits. As of December 31, 2016, the accrued interest and penalties were $1.0 million and less than $0.1 million, respectively, excluding any related income tax benefits. The increase of $0.1 million of accrued interest primarily related to an increase in unrecognized tax benefits as a result of recent audits, and offset with a decrease in unrecognized tax benefits due to resolution of recent audits by taxing authorities.

Note 15. Income Taxes (Continued)

The Company recognizes interest accrued related to unrecognized tax benefits and penalties as a component of the income tax provision recognized in the Consolidated Statements of Comprehensive (Loss) Income.

16. Net (Loss) Income Per Share

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

	Year Ended December 31,		
	2017	2016	2015
	(In thousands, except per share data)		
Numerator for basic and diluted income per common share:			
Net (loss) income	$ (330,539)	$ 97,992	$ 104,923
Less: Net loss (income) allocated to unvested participating restricted stock	6,519	(1,387)	(1,400)
Net (loss) income available to common stockholders - basic	(324,020)	96,605	103,523
Effect of unvested participating restricted stock	—	2	4
Numerator - net (loss) income available to common shareholders - diluted	$ (324,020)	$ 96,607	$ 103,527
Denominator:			
Weighted average outstanding shares of common stock - basic	17,725	18,030	18,637
Effect of dilutive securities:			
Stock options	15	95	131
Weighted average outstanding shares of common stock - diluted	17,740	18,125	18,768
Net (loss) income per common share:			
Basic	$ (18.28)	$ 5.36	$ 5.55
Diluted	$ (18.28)	$ 5.33	$ 5.52

17. Facility Exit Costs

In September 2015, the Company approved a plan to consolidate many core restaurant and franchisee support functions at its headquarters in Glendale, California and communicated the plan to employees. In conjunction with this action, the Company has exited a significant portion of the Applebee's restaurant support facility in Kansas City, Missouri.

During the year ended December 31, 2016 the Company incurred $1.6 million of employee termination costs, primarily relocation costs associated with the consolidation. These charges were included in general and administrative expenses in the Consolidated Statements of Comprehensive Income. The Company also incurred $2.9 million of facility costs, of which $2.5 million related to the termination of the Company's involvement in a lease covering two floors of the facility; the remaining $0.4 million represents the present value of future lease payments, net of assumed sublease rentals, of one floor of the facility. These costs were included as closure and other impairment charges in the Consolidated Statements of Comprehensive Income.
During the year ended December 31, 2015, the Company incurred $4.6 million of employee termination costs, primarily severance and relocation costs associated with the consolidation. These charges were included in general and administrative expenses in the Consolidated Statements of Comprehensive (Loss) Income.

	Employee Termination Costs	Facility Costs	Total Exit Costs
		(In millions)	
Accrued exit costs at December 31, 2014	$ —	$ —	$ —
Charges	4.6	—	4.6
Payments	(1.1)	—	(1.1)
Accrued exit costs at December 31, 2015	3.5	—	3.5
Charges	1.6	2.9	4.5
Payments	(4.9)	(2.5)	(7.4)
Accrued exit costs at December 31, 2016	0.2	0.4	0.6
Charges	—	—	—
Payments	(0.2)	—	(0.2)
Accrued exit costs at December 31, 2017	$ —	$ 0.4	$ 0.4

At December 31, 2017, the $0.4 million of facility costs was included in other non-current liabilities in the Consolidated Balance Sheet. At December 31, 2016, the $0.2 million of employee termination costs was included in accrued employee compensation and benefits and the $0.4 million of facility costs was included in other non-current liabilities in the Consolidated Balance Sheet.

18. Segment Reporting

Information on segments and a reconciliation of gross profit to income before income tax provision is as follows:

	Year Ended December 31,		
	2017	2016	2015
		(In millions)	
Revenues			
Franchise operations	$ 467.5	$ 484.4	$ 494.7
Rental operations	121.4	123.0	127.7
Company restaurants	7.5	17.4	47.9
Financing operations	8.4	9.2	10.8
Total	$ 604.8	$ 634.0	$ 681.1
Gross profit (loss), by segment			
Franchise operations	$ 303.4	$ 339.7	$ 355.7
Rental operations	30.8	31.5	33.1
Company restaurants	(0.3)	(0.8)	(0.1)
Financing operations	7.7	9.0	10.3
Total gross profit	341.6	379.4	399.0
Corporate and unallocated expenses, net	(767.0)	(226.3)	(230.4)
(Loss) income before income taxes	$ (425.4)	$ 153.1	$ 168.6
Interest expense			
Rental operations	$ 10.5	$ 11.8	$ 13.5
Company restaurants	0.2	0.4	0.4
Corporate	62.0	61.5	63.3
Total	$ 72.7	$ 73.7	$ 77.2
Depreciation and amortization			
Franchise operations	$ 10.8	$ 10.6	$ 10.4
Rental operations	12.0	12.4	12.8
Company restaurants	0.1	0.4	0.6
Corporate	7.7	7.2	9.0
Total	$ 30.6	$ 30.6	$ 32.8
Impairment of goodwill and intangible assets, closure and other impairment charges			
Franchise operations	$ 531.6	$ —	$ —
Company restaurants	4.0	2.2	2.6
Corporate	—	2.9	—
Total	$ 535.6	$ 5.1	$ 2.6
Capital expenditures			
Company restaurants	$ 0.1	$ 0.3	$ 1.6
Corporate	13.3	5.3	5.0
Total	$ 13.4	$ 5.6	$ 6.6
Goodwill (franchise segment)	$ 339.2	$ 697.5	$ 697.5
Total assets			
Franchise operations	$ 1,202.6	$ 1,608.7	$ 1,643.9
Rental operations	278.8	339.5	324.5
Company restaurants	—	126.8	166.1
Financing operations	87.5	88.2	97.4
Corporate	181.3	115.4	100.0
Total	$ 1,750.2	$ 2,278.6	$ 2,331.9

19. Refranchising of Company-operated Restaurants

In June 2017, the Company completed the refranchising and sale of related restaurant assets of nine company-operated IHOP restaurants in the Cincinnati, Ohio market area. As part of the transaction, the Company entered into an asset purchase agreement, nine franchise agreements and nine sublease agreements for land and buildings. The Company compared the stated rent under the sublease agreements with comparable market rents and recorded net favorable lease assets of $2.3 million in connection with the transaction. The Company also received cash of $1.1 million and a note receivable for $4.8 million. After allocating a portion of the consideration to franchise fees and derecognizing the assets sold, the Company recognized a gain of $6.2 million on the refranchising and sale of related restaurant assets during the year ended December 31, 2017.

20. Selected Quarterly Financial Data (Unaudited)

	Revenues	Gross Profit	Net Income (Loss)	Net Income (Loss) Per Share—Basic[2]	Net Income (Loss) Per Share—Diluted[2]
	(In thousands, except per share amounts)				
2017					
1st Quarter	$ 156,174	$ 92,501	$ 14,363	$ 0.80	$ 0.79
2nd Quarter	155,199	91,849	21,280	1.18	1.18
3rd Quarter[1]	144,671	80,104	(451,718)	(24.98)	(24.98)
4th Quarter	148,775	77,192	85,536	4.68	4.67
2016					
1st Quarter	$ 163,524	$ 99,424	$ 25,543	$ 1.38	$ 1.37
2nd Quarter	160,258	97,375	26,829	1.46	1.45
3rd Quarter	156,017	91,684	24,273	1.33	1.33
4th Quarter	154,174	90,935	21,347	1.18	1.18

(1) The Company recognized a pretax charge of $531.6 million for impairment of goodwill and intangible assets in the third quarter of 2017. See Note 5 - Goodwill and Note 6 - Other Intangible Assets, of Notes to the Consolidated Financial Statements.
(2) The quarterly amounts may not add to the full year amount as each quarterly calculation is discrete from the full-year calculation.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as such terms are defined in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act of 1934, as amended, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Based on their assessment as of the end of the period covered by this report, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2017 based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2017.

The effectiveness of our internal control over financial reporting as of December 31, 2017 has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report that appears herein.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Dine Brands Global, Inc. (formerly known as DineEquity, Inc.) and Subsidiaries

Opinion on Internal Control over Financial Reporting

We have audited Dine Brands Global, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Dine Brands Global, Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2017 consolidated financial statements of the Company and our report dated February 20, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP

Los Angeles, California
February 20, 2018

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fourth quarter of fiscal 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item regarding our directors and executive officers is incorporated by reference to our Proxy Statement for the 2018 Annual Meeting of Shareholders (“2018 Proxy Statement”) to be filed with the SEC within 120 days after the end of our fiscal year ended December 31, 2017.

Item 11. Executive Compensation.

The information required by this Item regarding executive compensation is incorporated by reference to the sections entitled “Executive Compensation,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” to be set forth in our 2018 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by Item 12 with respect to securities authorized for issuance under our equity compensation plans is provided under the caption “Equity Compensation Plan Information” in Part II, Item 5 hereof.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item regarding certain relationships and related transactions is incorporated by reference to the sections entitled “Certain Relationships and Related Transactions” and “Director Independence” to be set forth in our 2018 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this Item regarding principal accountant fees and services is incorporated by reference to the section entitled “Independent Auditor Fees” to be set forth in our 2018 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) **Consolidated Financial Statements**

The following documents are contained in Part II, Item 8 of this Annual Report on Form 10-K:

- Reports of Independent Registered Public Accounting Firm.
- Consolidated Balance Sheets as of December 31, 2017 and 2016.
- Consolidated Statements of Comprehensive (Loss) Income for each of the three years in the period ended December 31, 2017.
- Consolidated Statements of Stockholders' (Deficit) Equity for each of the three years in the period ended December 31, 2017.
- Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2017.
- Notes to the Consolidated Financial Statements.

(a)(2) **Financial Statement Schedules**

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(a)(3) **Exhibits**

Exhibits that are not filed herewith have been previously filed with the Securities and Exchange Commission and are incorporated herein by reference.

*3.1	Restated Certificate of Incorporation of Dine Brands Global, Inc.
*3.2	Amended Bylaws of Dine Brands Global, Inc.
4.1	Indenture, dated as of September 30, 2014, among Applebee's Funding LLC and IHOP Funding LLC, each as Co-Issuer, and Citibank, N.A., as Trustee and Securities Intermediary (Exhibit 4.1 to Registrant's Form 8-K filed on October 3, 2014 is incorporated herein by reference).
4.2	Supplemental Indenture, dated as of September 30, 2014, among Applebee's Funding LLC and IHOP Funding LLC, each as Co-Issuer, and Citibank, N.A., as Trustee and Series 2014-1 Securities Intermediary (Exhibit 4.2 to Registrant's Form 8-K filed on October 3, 2014 is incorporated herein by reference).
†#10.1	Employment Agreement dated as of August 9, 2017 by and between the Corporation and Stephen P. Joyce (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended September 30, 2017 is incorporated herein by reference).
†#10.2	DineEquity, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement by and between the Corporation and Stephen P. Joyce (Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended September 30, 2017 is incorporated herein by reference).
†#10.3	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Unit Award Agreement by and between the Corporation and Stephen P. Joyce - Performance-Based (Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended September 30, 2017 is incorporated herein by reference).
†10.4	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Unit Award Agreement by and between the Corporation and Stephen P. Joyce - Time-Based (Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended September 30, 2017 is incorporated herein by reference).
†10.5	Employment Agreement between DineEquity, Inc. and John C. Cywinski dated March 9, 2017 (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended March 31, 2017 is incorporated herein by reference).
†10.6	Employment Agreement between DineEquity, Inc. and Julia A. Stewart dated November 1, 2008 (Exhibit 10.4 to Registrant's Form 10-K for the year ended December 31, 2008 is incorporated herein by reference).
†10.7	Separation Agreement and General Release between DineEquity, Inc. and Julia A. Stewart dated February 16, 2017 (Exhibit 10.1 to Registrant's Form 8-K filed on February 17, 2017 is incorporated herein by reference).
†10.8	Amended and Restated Employment Agreement between DineEquity, Inc. and Thomas W. Emrey dated April 4, 2012 (Exhibit 10.1 to Registrant's Form 8-K filed on April 5, 2012 is incorporated by reference).

†10.9	Employment Agreement between DineEquity, Inc. and Darren M. Rebelez dated April 22, 2015 (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended March 31, 2015 is incorporated herein by reference).
†10.10	DineEquity, Inc. 2016 Stock Incentive Plan (Appendix B to Registrant’s Proxy Statement filed on April 4, 2016 is incorporated herein by reference).
†10.11	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement One-Fourth Annual Vesting - Employees (Exhibit 10.2 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.12	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement One-Third Annual Vesting - Employees (Exhibit 10.3 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.13	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement 25/25/50% Annual Vesting - Employees (Exhibit 10.4 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.14	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Employees (Exhibit 10.5 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference)
†10.15	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Non-Employee Directors (Exhibit 10.6 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.16	DineEquity, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement -Employees (Exhibit 10.7 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.17	DineEquity, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement - Non-Employee Directors (Exhibit 10.8 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.18	DineEquity, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement - International Employees (Exhibit 10.9 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.19	DineEquity, Inc. 2016 Stock Incentive Plan Cash-Settled RSU Agreement - Employees (Exhibit 10.10 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.20	DineEquity, Inc. 2016 Stock Incentive Plan Cash-Settled RSU Agreement - Non-Employee Directors (Exhibit 10.11 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.21	DineEquity, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - Employees (Exhibit 10.12 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.22	DineEquity, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - Non-Employee Directors (Exhibit 10.13 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.23	DineEquity, Inc. 2016 Stock Incentive Plan Performance Award Agreement - Employees (Exhibit 10.14 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.24	DineEquity, Inc. 2016 Stock Incentive Plan Performance Shares Agreement - Employees (Exhibit 10.15 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.25	DineEquity, Inc. 2016 Stock Incentive Plan Performance Shares Agreement 50% stock / 50% cash - Employees (Exhibit 10.16 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.26	DineEquity, Inc. 2016 Stock Incentive Plan SAR Agreement - Employees (Exhibit 10.17 to Registrant’s Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).
†10.27	DineEquity, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement 50/50 Annual Vesting - International Employees (Exhibit 10.2 to Registrant’s Form 10-Q for the quarter ended March 31, 2017 is incorporated herein by reference).
†10.28	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement 50/50 Annual Vesting - Employees (Exhibit 10.3 to Registrant’s Form 10-Q for the quarter ended March 31, 2017 is incorporated herein by reference).
†10.29	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement Annual Vesting - Employees (Exhibit 10.4 to Registrant’s Form 10-Q for the quarter ended March 31, 2017 is incorporated herein by reference).
†10.30	DineEquity, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement Specified Date Vesting - Employees (Exhibit 10.5 to Registrant’s Form 10-Q for the quarter ended March 31, 2017 is incorporated herein by reference).
†10.31	DineEquity, Inc. 2011 Stock Incentive Plan (Annex A to Registrant's Proxy Statement, filed on April 13, 2011 is incorporated herein by reference). .
†10.32	DineEquity, Inc. 2011 Stock Incentive Plan Nonqualified Stock Option Agreement (Employees) (Exhibit 10.10 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

†10.33 DineEquity, Inc. 2011 Stock Incentive Plan Restricted Stock Award Agreement (Non-Employee Directors) (Exhibit 10.11 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

†10.34 DineEquity, Inc. 2011 Stock Incentive Plan Restricted Stock Award Agreement (Employees) (Exhibit 10.12 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

†10.35 DineEquity, Inc. 2011 Stock Incentive Plan Restricted Stock Award Agreement (1/4th Annual Vesting - Employees) (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended June 30, 2015 is incorporated herein by reference).

†10.36 DineEquity, Inc. 2011 Stock Incentive Plan Restricted Stock Award Agreement (Employees) (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended September 30, 2015 is incorporated herein by reference).

†10.37 DineEquity, Inc. 2011 Stock Incentive Plan Stock-Settled Restricted Stock Unit Award Agreement (Employees) (Exhibit 10.15 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

†10.38 DineEquity, Inc. 2011 Stock Incentive Plan Stock-Settled Restricted Stock Unit Award Agreement (Non-Employee Directors) (Exhibit 10.16 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

†10.39 DineEquity, Inc. 2011 Stock Incentive Plan Restricted Stock Award Agreement (Ratable Vesting - Employees) (Exhibit 10.19 to Registrant's Form 10-K for the year ended December 31, 2013 is incorporated herein by reference).

†10.40 DineEquity, Inc. 2011 Stock Incentive Plan Stock-Settled Restricted Stock Unit Award Agreement (International Employees) (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended September 30, 2014 is incorporated herein by reference).

†10.41 IHOP Corp. 2001 Stock Incentive Plan Non-qualified Stock Option Agreement (Exhibit 10.15 to Registrant's 2003 Form 10-K is incorporated herein by reference).

†10.42 IHOP Corp 2001 Stock Incentive Plan as amended and restated (Appendix A to Registrant's Proxy Statement, filed on April 17, 2008 is incorporated herein by reference).

†10.43 DineEquity, Inc. Senior Executive Incentive Plan as amended and restated (Annex A to Registrant's Proxy Statement, filed on April 15, 2012 is incorporated herein by reference).

†10.44 DineEquity, Inc. Amended and Restated Executive Severance and Change in Control Policy (Exhibit 10.26 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

†10.45 Form of DineEquity, Inc. Indemnification Agreement (Exhibit 10.27 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

†10.46 DineEquity, Inc. Nonqualified Deferred Compensation Plan (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended September 30, 2016 is incorporated herein by reference).

†10.47 DineEquity, Inc. 2011 Cash Long Term Incentive Plan (LTIP) for Company Officers (Exhibit 10.30 to Registrant's Form 10-K for the year ended December 31, 2011 is incorporated herein by reference).

10.48 Purchase Agreement, dated August 13, 2014, among the Registrant, certain subsidiaries of the Registrant and Guggenheim Securities, LLC (Exhibit 99.1 to Registrant's Form 8-K filed on August 14, 2014 is incorporated herein by reference).

10.49 Class A-1 Note Purchase Agreement, dated September 30, 2014, among Applebee's Funding LLC and IHOP Funding LLC, each as Co-Issuer, certain special-purpose, wholly-owned indirect subsidiaries of the Registrant, each as a guarantor, the Registrant, as manager, certain conduit investors, financial institutions and funding agents, Cooperatieve Centrale Raiffeisen-Boerenleenbank, B.A., as provider of letters of credit, as swingline lender and as Administrative Agent (Exhibit 10.1 to Registrant's Form 8-K filed on October 3, 2014 is incorporated herein by reference).

10.50 Guarantee and Collateral Agreement, dated September 30, 2014, among certain special-purpose, wholly-owned indirect subsidiaries of the Registrant, each as guarantor, in favor of Citibank, N.A., as Trustee (Exhibit 10.2 to Registrant's Form 8-K filed on October 3, 2014 is incorporated herein by reference.)

10.51 Management Agreement, dated September 30, 2014, among Applebee's Funding LLC and IHOP Funding LLC, each as a Co-Issuer, other securitization entities party thereto from time to time, the Registrant, Applebee's Services, Inc. and International House of Pancakes, LLC, as sub-managers, and Citibank, N.A., as Trustee (Exhibit 10.3 to Registrant's Form 8-K filed on October 3, 2014 is incorporated herein by reference).

*12.1 Computation of Debt Service Coverage Ratio for the Trailing Twelve Months Ended December 31, 2017 and Leverage Ratio as of December 31, 2017.

*21 Subsidiaries of Dine Global Brands, Inc.

*23.1 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.

*31.1 Certification of CEO pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.

*31.2	Certification of CFO pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
*32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith.

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

Portions of this exhibit have been omitted per an Order Granting Confidential Treatment Under the Securities Exchange Act of 1934 issued by the Securities and Exchange Commission on January 3, 2018.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on this 20th day of February, 2018.

DINE BRANDS GLOBAL, INC.

By: /s/ STEPHEN P. JOYCE

Stephen P. Joyce
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant, and in the capacities indicated, on this 20th day of February, 2018.

Name	Title
/s/ STEPHEN P. JOYCE Stephen P. Joyce	Chief Executive Officer (Principal Executive Officer), Director
/s/ GREGGORY H. KALVIN Greggory H. Kalvin	Interim Chief Financial Officer, Senior Vice President, Corporate Controller (Principal Financial Officer)
/s/ RICHARD J. DAHL Richard J. Dahl	Director
/s/ HOWARD M. BERK Howard M. Berk	Director
/s/ DANIEL J. BRESTLE Daniel J. Brestle	Director
/s/ LARRY A. KAY Larry A. Kay	Director
/s/ CAROLINE W. NAHAS Caroline W. Nahas	Director
/s/ DOUGLAS M. PASQUALE Douglas M. Pasquale	Director
/s/ GILBERT T. RAY Gilbert T. Ray	Director
/s/ PATRICK W. ROSE Patrick W. Rose	Director
/s/ LILIAN C. TOMOVICH Lilian C.Tomovich	Director

Exhibit 3.1

RESTATED CERTIFICATE OF INCORPORATION
OF
DINE BRANDS GLOBAL, INC.

Dine Brands Global, Inc., a corporation organized and existing under the laws of the State of Delaware, does hereby certify and by virtue of the General Corporation Law of the State of Delaware does hereby restate the Certificate of Incorporation of the Corporation, which was originally filed on May 7, 1976, under the name “IHOP Corp.”:

FIRST: The name of the Corporation is Dine Brands Global, Inc. (hereinafter the “Corporation”).

SECOND: The address of the registered office of the Corporation in the State of Delaware is 251 Little Falls Drive, Wilmington, Delaware 19808, County of New Castle. The name of its registered agent at that address is Corporation Service Company.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of the State of Delaware as set forth in Title 8 of the Delaware Code (the “DGCL”).

FOURTH: The total number of shares which the Corporation shall have authority to issue is 50,000,000 shares, consisting of (a) 40,000,000 shares of common stock, par value $.01 per share (the “Common Stock”), and (b) 10,000,000 shares of preferred stock, par value $1.00 per share (the “Preferred Stock”).

The Board of Directors of the Corporation (the “Board of Directors”) is expressly authorized, at any time and from time to time, to fix, by resolution or resolutions, the following provisions for shares of any class or classes of Preferred Stock of the Corporation or any series of any class of Preferred Stock:

(a) the designation of such class or series, the number of shares to constitute such class or series and the stated value thereof if different from the par value thereof;

(b) whether the shares of such class or series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may (i) be general or limited, (ii) subject to applicable law or regulation, including without limitation the rules of any securities exchange on which securities of any class of the Corporation may be listed, permit more than one vote per share, or (iii) vary among stockholders of the same class based upon such factors as the Board of Directors may determine including, without limitation, the size of a stockholder’s position and/or the length of time with respect to which such position has been held;

(c) the dividends, if any, payable on such class or series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of stock of any other class or any other series of the same class;

(d) whether the shares of such class or series shall be subject to redemption by the Corporation, and, if so, the times, prices and other conditions of such redemption;

(e) the amount or amounts payable upon shares of such series upon, and the rights of the holders of such class or series in, the voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets, of the Corporation;

(f) whether the shares of such class or series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the shares of such class or series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

(g) whether the shares of such class or series shall be convertible into, or exchangeable for, shares of stock of any other class or any other series of the same class or any other securities (including Common Stock) and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any shares of such class or series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Corporation of, the Common Stock or shares of stock of any other class or any other series of the same class;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Corporation or upon the issue of any additional stock, including additional shares of such class or series or of any other series of the same class or of any other class;

(j) the ranking (be it *pari passu*, junior or senior) of each class or series vis-a-vis any other class or series of any class of Preferred Stock as to the payment of dividends, the distribution of assets and all other matters; and

(k) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof, insofar as they are not inconsistent with the provisions of this Restated Certificate of Incorporation, to the full extent permitted in accordance with the laws of the State of Delaware.

The powers, preferences and relative, participating, optional and other special rights of each class or series of Preferred Stock, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

(a) The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

(b) The directors shall have concurrent power with the stockholders to make, alter, amend, change, add to or repeal the By-Laws of the Corporation.

(c) The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than three nor more than 13 directors, the exact number of directors to be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors then in office. The directors shall be divided into three classes, designated Class I, Class II and Class III. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. Immediately following the adoption by the Corporation of this Restated Certificate of Incorporation, a majority of the Board of Directors shall elect Class I directors for a one-year term, Class II directors for a two-year term and Class III directors for a three-year term. At each annual meeting of stockholders beginning in 1992, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors in such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of Preferred Stock issued by the Corporation, if any, shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of this Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes pursuant to this Article FIFTH unless expressly provided by such terms.

(d) Directors of the Corporation may be removed by stockholders of the Corporation only for cause.

(e) No director shall be personally liable to the Corporation or any of its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL or (iv) for any transaction from which the director derived an improper personal benefit. Any repeal or modification of this Article FIFTH by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of such repeal or modification with respect to acts or omissions occurring prior to such repeal or modification.

(f) In addition to the powers and authority hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, subject, nevertheless, to the provisions of the DGCL, this Restated Certificate of Incorporation, and any By-Laws adopted by the stockholders; provided, however, that no By-Laws hereafter adopted by the stockholders shall invalidate any prior act of the directors which would have been valid if such By-Laws had not been adopted.

SIXTH: Whenever a compromise or arrangement is proposed between the Corporation and its creditors or any class of them and/or between the Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of the Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for the Corporation under the provisions of Section 291 of the DGCL or on the application of trustees in dissolution or of any receiver or receivers appointed for the Corporation under the provisions of Section 279 of the DGCL, order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing seventy-five percent (75%) in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of the Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of the Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of the Corporation, as the case may be, and also on the Corporation.

SEVENTH: Any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders. Special meetings of stockholders of the Corporation may be called only by the Chairman of the Board, if there be one, the President or the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption). Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting.

EIGHTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Restated Certificate of Incorporation or in the By-Laws of the Corporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation, provided, however, that subject to the powers and rights provided for herein with respect to Preferred Stock issued by the Corporation, if any, but notwithstanding anything else contained in this Restated Certificate of Incorporation to the contrary, the affirmative vote of the holders of at least eighty percent (80%) of the combined voting power of all of the then outstanding shares of capital stock entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, rescind or repeal (i) Article FOURTH, Article FIFTH, Article SIXTH, Article SEVENTH or this Article EIGHTH of this Restated Certificate of Incorporation or to adopt any provision inconsistent therewith or (ii) Section 3 or 8 of Article II, Section 1, 2, 3 or 4 of Article III, Article VIII or Article IX of the By-Laws of the Corporation or to adopt any provision inconsistent therewith.

The foregoing Restated Certificate of Incorporation was duly adopted in accordance with the provisions of Section 245 of the DGCL. The foregoing Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Corporation's Restated Certificate of Incorporation as heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation.

IN WITNESS WHEREOF, Dine Brands Global, Inc. has caused this Restated Certificate of Incorporation to be duly executed in its corporate name on February 14, 2018 and this Restated Certificate of Incorporation shall become effective at 12:01 a.m. on February 20, 2018.

DINE BRANDS GLOBAL, INC.

By: /s/ Stephen P. Joyce
Stephen P. Joyce
Chief Executive Officer

11660264

Exhibit 3.2

AMENDED BYLAWS

OF

DINE BRANDS GLOBAL, INC.

(Hereinafter called the “Corporation”)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the Corporation shall be as set forth in the Restated Certificate of Incorporation.

Section 2. Other Offices. The Corporation may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Place of Meetings. Meetings of the stockholders for the election of directors or for any other purpose shall be held at such time and place, either within or without the State of Delaware, as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting or in a duly executed waiver of notice thereof.

Section 2. Annual Meetings. The Annual Meetings of Stockholders shall be held on such date and at such time as shall be designated from time to time by the Board of Directors and stated in the notice of the meeting, at which meetings the stockholders shall elect, in accordance with Section 1 and Section 2 of Article III of these Bylaws, those Directors belonging to the class or classes of directors to be elected at such meeting, and transact such other business as may properly be brought before the meeting. A nominee for director shall be elected to the Board of Directors if the votes cast for such nominee’s election exceed the number of votes cast against such nominee’s election; provided, however, that directors shall be elected by a plurality of the votes cast at any meeting of stockholders for which the Secretary of the Corporation determines that the number of nominees exceeds the number of directors to be elected as of the record date for such meeting. Written notice of the Annual Meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to notice of such meeting not less than 10 nor more than 60 days before the date of the meeting.

Section 3. Special Meetings. Unless otherwise prescribed by law or by the Restated Certificate of Incorporation, Special Meetings of Stockholders may be called only by the Chairman of the Board, if there be one, the Chief Executive Officer or the Board of Directors pursuant to a resolution adopted by a majority of the entire Board of Directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption). Written notice of a Special Meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not less than 10 nor more than 60 days before the date of the meeting to each stockholder entitled to notice of such meeting. Business transacted at all special meetings shall be confined to the purposes stated in the notice of the meeting.

Section 4. Quorum. Except as otherwise required by law, the Restated Certificate of Incorporation or the rules of any stock exchange upon which the Corporation’s securities are listed, the holders of a majority of the voting power of the capital stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business. Whether or not a quorum is present, any meeting may be adjourned by: (i) the affirmative vote of a majority of the voting power of the shares of capital stock present in person or represented by proxy or (ii) the Chairman of the meeting. If the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder entitled to vote at the meeting.

Section 5. Voting. Unless otherwise required by law, the Restated Certificate of Incorporation or these Bylaws, (i) any question brought before any meeting of stockholders shall be decided by the vote of the holders of a majority of the voting power of the stock present or represented by proxy and entitled to vote thereat and (ii) each stockholder represented at a meeting of stockholders shall be entitled to cast one vote for each share of the capital stock entitled to vote thereat held by such stockholder. Such votes may be cast in person or by proxy but no proxy shall be voted on or after three years from its date, unless such proxy provides for a longer period. The Board of Directors, in its discretion, or the officer of the Corporation presiding at a meeting of stockholders, in his discretion, may require that any votes cast at such meeting shall be cast by written ballot.

Section 6. List of Stockholders Entitled to Vote. The officer of the Corporation who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least 10 days prior to the meeting in the manner required by law. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder of the Corporation who is present.

Section 7. Stock Ledger. The stock ledger of the Corporation shall be the only evidence as to who are the stockholders entitled to examine the list required by Section 6 of this Article II or to vote in person or by proxy at any meeting of stockholders.

Section 8. Notice of Business. No business may be transacted at an annual meeting of stockholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 8 of this Article II and on the record date for the determination of stockholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 8 of this Article II.

In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders; *provided*, *however*, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the later of the 10th day following the day on which public disclosure of the date of the annual meeting was first made or the 60th day before such annual meeting. In no event shall an adjournment or postponement of an annual meeting for which notice has been given, commence a new time period for the giving of a stockholder's notice.

To be in proper written form, a stockholder's notice to the Secretary must set forth as to each matter such stockholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting (including the text of any resolutions proposed for consideration and, if such business includes proposed amendments to the Restated Certificate of Incorporation and/or these Bylaws, the text of the proposed amendments) and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such stockholder and any beneficial owner, if any, on whose behalf such proposal is made (each, for purposes of this paragraph, a "party"), (iii) the class or series and number of shares of capital stock of the Corporation which are owned, directly or indirectly, beneficially or of record by each such party, (iv) a description of all proxies, agreements, arrangements or understandings between each such party and any other person or persons (including their names) in connection with the proposal of such business or pursuant to which any such party has the right to vote, directly or indirectly, any shares of any security of the Corporation and any material interest of each such party in such business and (v) a representation that such stockholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of stockholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 8 of this Article II. If the Chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

ARTICLE III

DIRECTORS

Section 1. Number and Election of Directors. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors consisting of not less than 3 nor more than 13 directors, the exact number of directors to be determined from time to time by resolution adopted by the affirmative vote of a majority of the directors then in office. The directors shall be divided into three classes, designated Class I, Class II and Class III as set forth in the Restated Certificate of Incorporation. Each class shall consist, as nearly as may be possible, of one-third of the total number of directors constituting the entire Board of Directors. At each annual meeting of stockholders, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director. A director shall hold office until the annual meeting for the year in which his term expires and until his successor shall be elected and shall qualify, subject, however, to prior death, resignation, retirement, disqualification or removal from office.

Notwithstanding the foregoing, whenever the holders of any one or more classes or series of preferred stock issued by the Corporation, if any, shall have the right, voting separately by class or series, to elect directors at an annual or special meeting of stockholders, the election, term of office, filling of vacancies and other features of such directorships shall be governed by the terms of the Restated Certificate of Incorporation applicable thereto, and such directors so elected shall not be divided into classes unless expressly provided by such terms.

Section 2. Nomination of Directors. Only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation, except as may be otherwise provided in the Restated Certificate of Incorporation of the Corporation with respect to the right of holders of preferred stock of the Corporation to nominate and elect a specified number of directors in certain circumstances. Nominations of persons for election to the Board of Directors may be made at any annual meeting of stockholders, or at any special meeting of stockholders called for the purpose of electing directors, (a) by or at the direction of the Board of Directors (or any duly authorized committee thereof) or (b) by any stockholder of the Corporation (i) who is a stockholder of record on the date of the giving of the notice provided for in this Section 2 of this Article III and on the record date for the determination of stockholders entitled to vote at such meeting and (ii) who complies with the notice procedures set forth in this Section 2 of this Article III.

In addition to any other applicable requirements, for a nomination to be made by a stockholder, such stockholder must have given timely notice thereof in proper written form to the Secretary of the Corporation.

To be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the principal executive offices of the Corporation (a) in the case of an annual meeting, not less than 60 days nor more than 90 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders; *provided*, *however*, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the stockholder in order to be timely must be so received not later than the later of the 10th day following the day on which public disclosure of the date of the annual meeting was first made or the 60th day before such annual meeting; and (b) in the case of a special meeting of stockholders called for the purpose of electing directors, not later than the close of business on the later of the 10th day following the day on which public disclosure of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting was first made or the 60th day before such special meeting. In no event shall an adjournment or postponement of an annual or special meeting for which notice has been given, commence a new time period for the giving of a stockholder's notice.

To be in proper written form, a stockholder's notice to the Secretary must set forth (a) as to each person whom the stockholder proposes to nominate for election as a director (i) the name, age, business address and residence address of the person, (ii) the principal occupation or employment of the person, (iii) the class or series and number of shares of capital stock of the Corporation which are owned beneficially or of record by the person and (iv) any other information relating to the person that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated thereunder; and (b) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf such nomination is made (each, for the purposes of this paragraph, a "party") (i) the name and record address of each such party, (ii) the class or series and number of shares of capital stock of the Corporation which are owned, directly or indirectly, beneficially or of record by each such party, (iii) a description of all proxies, agreements, arrangements or understandings between each such party and each proposed nominee and any other person or persons (including their names) in connection with the nomination(s) to be made by such stockholder or pursuant to which any such party has the right to vote, directly or indirectly, any shares or any security of the Corporation, (iv) a representation that such stockholder intends to appear in person or by proxy at the meeting to nominate the persons named in its notice and (v) any other information relating to such party that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors pursuant to Section 14 of the Exchange Act and the rules and regulations promulgated thereunder. Such notice must be accompanied by a written consent of each proposed nominee to being named as a nominee and to serve as a director if elected.

No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section 2 of this Article III. If the Chairman of the meeting determines that a nomination was not made in accordance with the foregoing procedures, the Chairman shall declare to the meeting that the nomination was defective and such defective nomination shall be disregarded.

Section 3. Removal of Directors. Directors of the Corporation may be removed by stockholders of the Corporation only for cause.

Section 4. Vacancies. Any vacancy on the Board of Directors that results from an increase in the number of directors may be filled by a majority of the Board of Directors then in office, provided that a quorum is present, and any other vacancy occurring in the Board of Directors may be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director. Any director of any class elected to fill a vacancy resulting from an increase in the number of directors in such class shall hold office for a term that shall coincide with the remaining term of that class. Any director elected to fill a vacancy not resulting from an increase in the number of directors shall have the same remaining term as that of his predecessor.

Section 5. Chairman of the Board. The Board of Directors shall elect a Chairman of the Board of Directors from the independent members of the Board of Directors. For purposes of this Section 5 of Article III, "independent" shall have the meaning set forth in the New York Stock Exchange listing standards. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and stockholders at which he or she shall be present and shall have and may exercise such powers as may, from time to time, be assigned to him or her by the Board of Directors, these Bylaws or as may be provided by law.

Section 6. Duties and Powers. The business of the Corporation shall be managed by or under the direction of the Board of Directors which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Restated Certificate of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

Section 7. Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware. Regular meetings of the Board of Directors may be held without notice at such time and at such place as may from time to time be determined by the Board of Directors. Special meetings of the Board of Directors may be called by the Chairman, if there be one, the Chief Executive Officer or any two directors. Notice thereof stating the place, date and hour of the meeting shall be given to each director either by mail not less than 48 hours before the date of the meeting, by telephone, facsimile, telegram or electronic transmission on 24 hours' notice, or on such shorter notice as the person or persons calling such meeting may deem necessary or appropriate in the circumstances.

Section 8. Quorum. Except as may be otherwise specifically required by law, the Restated Certificate of Incorporation or these Bylaws, at all meetings of the Board of Directors, a majority of the entire Board of Directors shall constitute a quorum for the transaction of business, and the affirmative vote of a majority of the directors present at any meeting at which there is a quorum shall be the act of the Board of Directors. If a quorum shall not be present at any meeting of the Board of Directors, a majority of the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present to the fullest extent of the law.

Section 9. Actions of Board. Unless otherwise required by the Restated Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all the members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and the writing or writings or transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee.

Section 10. Meetings by Means of Conference Telephone. Unless otherwise required by the Restated Certificate of Incorporation or these Bylaws, members of the Board of Directors of the Corporation, or any committee designated by the Board of Directors, may participate in a meeting of the Board of Directors or such committee by means of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this Section 10 of this Article III shall constitute presence in person at such meeting.

Section 11. Committees. The Board of Directors may, by resolution passed by a majority of the entire Board of Directors, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee. In the absence or disqualification of a member of a committee, and in the absence of a designation by the Board of Directors of an alternate member to replace the absent or disqualified member, the member or members of the committee thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any absent or disqualified member. Any committee, to the fullest extent allowed by law and provided in the resolution establishing such committee, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation. Each committee shall keep regular minutes and report to the Board of Directors when required.

Section 12. Compensation. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

Section 13. Interested Directors. No contract or transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose if (i) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board of Directors or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to his or their relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or (iii) the contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee thereof or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

ARTICLE IV

OFFICERS

Section 1. General. The officers of the Corporation shall be elected by the Board of Directors and shall include a Chief Executive Officer, a Secretary, a Treasurer and such other officers that may be required by law. The Board of Directors, in its discretion, may also elect one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers. The Chief Executive Officer or any Vice President may appoint Assistant Secretaries and Assistant Treasurers. Any number of offices may be held by the same person, unless otherwise prohibited by law, the Restated Certificate of Incorporation or these Bylaws. The officers of the Corporation need not be stockholders nor directors of the Corporation.

Section 2. Election. The Board of Directors shall elect the officers of the Corporation annually, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors or as set forth in these Bylaws; and all officers of the Corporation shall hold office until their successors are elected and qualified, or until their earlier resignation or removal. Any officer elected by the Board of Directors may be removed at any time by the affirmative vote of a majority of the entire Board of Directors. Any vacancy occurring in any office of the Corporation shall be filled in accordance with Section 1 of Article IV of these Bylaws. The salaries of all officers of the Corporation shall be fixed by, or in the manner provided by, the Board of Directors.

Section 3. Voting Securities Owned by the Corporation. Unless otherwise provided by the Board of Directors, powers of attorney, proxies, waivers of notice of meeting, consents and other instruments relating to securities owned by the Corporation may be executed in the name of and on behalf of the Corporation by the Chief Executive Officer or any Vice President and any such officer may, in the name of and on behalf of the Corporation, take all such action as any such officer may deem advisable to vote in person or by proxy at any meeting of security holders of any corporation (or other entity) in which the Corporation may own securities and at any such meeting shall possess and may exercise any and all rights and powers incident to the ownership of such securities and which, as the owner thereof, the Corporation might have exercised and possessed if present. The Board of Directors may, by resolution, from time to time confer like powers upon any other person or persons.

Section 4. Chief Executive Officer. The Chief Executive Officer shall, subject to the control of the Board of Directors have general supervision of the business of the Corporation and shall see that all orders and resolutions of the Board of Directors are carried into effect. He may execute all bonds, mortgages, contracts and other instruments of the Corporation, including those requiring a seal, except where required or permitted by law to be otherwise signed and executed and except that the other officers of the Corporation may also sign and execute such documents when so authorized by these Bylaws or the Board of Directors. The Chief Executive Officer shall also perform such other duties and may exercise such other powers as from time to time may be assigned to him by these Bylaws or by the Board of Directors.

Section 5. Vice Presidents. At the request of the Chief Executive Officer, or in his absence or in the event of his inability or refusal to act, the Senior Vice President or the Senior Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. Each Senior Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Senior Vice President, the Vice President or the Vice Presidents if there is more than one (in the order designated by the Board of Directors) shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer. Each Vice President shall perform such other duties and have such other powers as the Board of Directors from time to time may prescribe. If there be no Senior Vice President and no Vice President, the Board of Directors shall designate the officer of the Corporation who, in the absence of the Chief Executive Officer or in the event of the inability or refusal of the Chief Executive Officer to act, shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer.

Section 6. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of stockholders and record all the proceedings thereat; the Secretary shall also perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or Chief Executive Officer, under whose supervision he shall be. If the Secretary shall be unable or shall refuse to cause to be given notice of all meetings of the stockholders and special meetings of the Board of Directors, and if there be no Assistant Secretary, then either the Board of Directors or the Chief Executive Officer may choose another officer to cause such notice to be given. The Secretary shall have custody of the seal of the Corporation and the Secretary or any Assistant Secretary, if there be one, shall have authority to affix the same to any instrument requiring it and when so affixed, it may be attested by the signature of the Secretary or by the signature of any such Assistant Secretary. The Board of Directors may give general authority to any other officer or agent to affix the seal of the Corporation and to attest the affixing by his signature. The Secretary shall see that all books, reports, statements, certificates and other documents and records required by law to be kept or filed are properly kept or filed, as the case may be.

Section 7. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation. The Treasurer shall render to the Chief Executive Officer and the Board of Directors, at its regular meetings, or when the Board of Directors so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 8. Assistant Secretaries. Except as may be otherwise provided in these Bylaws, Assistant Secretaries, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President, if there be one, or the Secretary, and in the absence of the Secretary or in the event of his disability or refusal to act, shall perform the duties of the Secretary, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Secretary.

Section 9. Assistant Treasurers. Assistant Treasurers, if there be any, shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors, the Chief Executive Officer, any Vice President, if there be one, or the Treasurer, and in the absence of the Treasurer or in the event of his disability or refusal to act, shall perform the duties of the Treasurer, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Treasurer. If required by the Board of Directors, an Assistant Treasurer shall give the Corporation a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for the faithful performance of the duties of his office and for the restoration to the Corporation, in case of his death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his possession or under his control belonging to the Corporation.

Section 10. Other Officers. Such other officers as the Board of Directors may choose shall perform such duties and have such powers as from time to time may be assigned to them by the Board of Directors. The Board of Directors may delegate to any other officer of the Corporation the power to choose such other officers and to prescribe their respective duties and powers.

Section 11. Delegation. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officers or agents, notwithstanding any provision hereof.

ARTICLE V

STOCK

Section 1. Shares of Stock. The shares of capital stock of the Corporation shall be represented by a certificate, unless and until the Board of Directors of the Corporation adopts a resolution permitting shares to be uncertificated. Notwithstanding the adoption of any such resolution providing for uncertificated shares, every holder of capital stock of the Corporation theretofore represented by certificates and, upon request, every holder of uncertificated shares, shall be entitled to have a certificate for shares of capital stock of the Corporation signed by, or in the name of the Corporation by, (a) the Chairman of the Board or any Senior Vice President, and (b) the Treasurer, the Secretary or an Assistant Secretary, certifying the number of shares owned by such stockholder in the Corporation.

Section 2. Signatures. Any or all of the signatures on a stock certificate may be by facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue.

Section 3. Lost Certificates. The Board of Directors may direct a new certificate to be issued in place of any certificate theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 4. Transfers. Stock of the Corporation shall be transferable in the manner prescribed by applicable law and in these Bylaws. Transfers of stock shall be made on the books of the Corporation, and in the case of certificated shares of stock, only by the person named in the certificate or by such person’s attorney lawfully constituted in writing and upon the surrender of the certificate therefor, properly endorsed for transfer and payment of all necessary transfer taxes; or, in the case of uncertificated shares of stock, upon receipt of proper transfer instructions from the registered holder of the shares or by such person’s attorney lawfully constituted in writing, and upon payment of all necessary transfer taxes and compliance with appropriate procedures for transferring shares in uncertificated form; provided, however, that such surrender and endorsement, compliance or payment of taxes shall not be required in any case in which any appropriate officer of the Corporation shall determine to waive such requirement. No transfer of stock shall be valid as against the Corporation for any purpose until it shall have been entered in the stock records of the Corporation by an entry showing from and to whom transferred.

Section 5. Record Date. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which, except as otherwise required or permitted by law, shall not be more than 60 days nor less than 10 days before the date of such meeting, nor more than 60 days prior to any other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 6. Beneficial Owners. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and to hold liable for calls and assessments a person registered on its books as the owner of shares, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise required by law.

ARTICLE VI

NOTICES

Section 1. Notices. Whenever written notice is required by law, the Restated Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, such notice may be given by mail, addressed to such director, member of a committee or stockholder, at his address as it appears on the records of the Corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Written notice may also be given personally or by facsimile, telegram, telex or cable or electronic transmission (provided, that, with respect to stockholders, any notice by electronic transmission may only be given in the manner provided by Section 232 of the Delaware General Corporation Law).

Section 2. Waivers of Notice. Whenever any notice is required by law, the Restated Certificate of Incorporation or these Bylaws, to be given to any director, member of a committee or stockholder, a waiver thereof in writing, signed by the person or persons entitled to said notice, or waiver by electronic transmission by such person or persons, whether before or after the time stated therein, shall be deemed equivalent thereto. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice except attendance for the express purpose of objecting at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened.

ARTICLE VII

GENERAL PROVISIONS

Section 1. Dividends. Dividends upon the capital stock of the Corporation, subject to the provisions of the Restated Certificate of Incorporation, if any, may be declared by the Board of Directors and may be paid in cash, in property, or in shares of the capital stock.

Section 2. Fiscal Year. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

Section 3. Corporate Seal. The corporate seal shall have inscribed thereon the name of the Corporation, the year of its organization and the words “Corporate Seal, Delaware”. The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE VIII

INDEMNIFICATION

Section 1. Power to Indemnify in Actions, Suits or Proceedings other Than Those by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

Section 2. Power to Indemnify in Actions, Suits or Proceedings by or in the Right of the Corporation. Subject to Section 3 of this Article VIII, the Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation; except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Delaware Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Delaware Court of Chancery or such other court shall deem proper.

Section 3. Authorization of Indemnification. Any indemnification under this Article VIII (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the person is proper in the circumstances because he has met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Such determination shall be made (i) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (ii) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (iv) by the stockholders. To the extent, however, that any indemnitee has been successful on the merits or otherwise in defense of any action, suit or proceeding described above, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith, without the necessity of authorization in the specific case.

Section 4. Good Faith Defined. For purposes of any determination under Section 3 of this Article VIII, to the fullest extent permitted by law, a person shall be deemed to have acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, or, with respect to any criminal action or proceeding, to have had no reasonable cause to believe his conduct was unlawful, if his action is based on the records or books of account of the Corporation or another enterprise, or on information supplied to him by the officers of the Corporation or another enterprise in the course of their duties, or on the advice of legal counsel for the Corporation or another enterprise or on information or records given or reports made to the Corporation or another enterprise by an independent certified public accountant or by an appraiser or other expert selected with reasonable care by the Corporation or another enterprise. The term "another enterprise" as used in this Section 4 of this Article VIII shall mean any other corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise of which such person is or was serving at the request of the Corporation as a director, officer, employee or agent. The provisions of this Section 4 of this Article VIII shall not be deemed to be exclusive or to limit in any way the circumstances in which a person may be deemed to have met the applicable standard of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be.

Section 5. Indemnification by a Court. Notwithstanding any contrary determination in the specific case under Section 3 of this Article VIII, and notwithstanding the absence of any determination thereunder, any indemnitee may apply to any court of competent jurisdiction in the State of Delaware for indemnification to the extent otherwise permissible under Sections 1 and 2 of this Article VIII. The basis of such indemnification by a court shall be a determination by such court that indemnification of the person is proper in the circumstances because he has met the applicable standards of conduct set forth in Section 1 or Section 2 of this Article VIII, as the case may be. Neither a contrary determination in the specific case under Section 3 of this Article VIII nor the absence of any determination thereunder shall be a defense to such application or create a presumption that the person seeking indemnification has not met any applicable standard of conduct. Notice of any application for indemnification pursuant to this Section 5 of this Article VIII shall be given to the Corporation promptly upon the filing of such application. To the fullest extent permitted by law, if successful, in whole or in part, the person seeking indemnification shall also be entitled to be paid the expense of prosecuting such application.

Section 6. Expenses Payable in Advance. Expenses incurred by a present or former director or officer in defending any civil, criminal, administrative or investigative action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon a written request and, if required by applicable law, upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this Article VIII.

Section 7. Nonexclusivity of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by or granted pursuant to this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, contract, vote of stockholders or disinterested directors or pursuant to the direction (howsoever embodied) of any court of competent jurisdiction or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, it being the policy of the Corporation that indemnification of the persons specified in Sections 1 and 2 of this Article VIII shall be made to the fullest extent permitted by law. The provisions of this Article VIII shall not be deemed to preclude the indemnification or advancement of expenses of any person who is not specified in Section 1 or Section 2 of this Article VIII but whom the Corporation has the power or obligation to indemnify or advance expenses under the provisions of the General Corporation Law of the State of Delaware, or otherwise.

Section 8. Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a director or officer of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power or the obligation to indemnify him against such liability under the provisions of this Article VIII.

Section 9. Certain Definitions. For purposes of this Article VIII, references to “the Corporation” shall include, in addition to the surviving or resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors and officers, so that any person who is or was a director or officer of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall stand in the same position under the provisions of this Article VIII with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued. For purposes of this Article VIII, references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the Corporation” shall include any service as a director or officer of the Corporation which imposes duties on, or involves services by, such director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Corporation" as referred to in this Article VIII.

Section 10. Survival of Indemnification and Advancement of Expenses. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VIII shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director or officer of the Corporation and shall inure to the benefit of the heirs, executors and administrators of such a person.

Section 11. Limitation on Indemnification. Notwithstanding anything contained in this Article VIII to the contrary, except for proceedings to enforce rights to indemnification (which shall be governed by Section 5 of this Article VIII), the Corporation shall not be obligated to indemnify any person in connection with a proceeding (or part thereof) initiated by such person unless such proceeding (or part thereof) was authorized or consented to by the Board of Directors of the Corporation.

Section 12. Indemnification of Employees and Agents. The Corporation may, to the extent authorized from time to time by the Board of Directors, provide rights to indemnification and to the advancement of expenses to employees and agents of the Corporation similar to those conferred in this Article VIII to directors and officers of the Corporation.

Section 13. Amendments of Article VIII. Any amendment, alteration or repeal of this Article VIII that adversely affects any right of an indemnitee or its successors shall be prospective only and shall not limit, eliminate, or impair any such right with respect to any proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment or repeal.

ARTICLE IX

AMENDMENTS

Section 1. Except as otherwise provided in the Restated Certificate of Incorporation, these Bylaws may be altered, amended or repealed, in whole or in part, or new Bylaws may be adopted by the stockholders or by the Board of Directors. Except as otherwise provided in the Restated Certificate of Incorporation, all such amendments (a) if adopted by stockholders, must be approved by the holders of at least 80% of the combined voting power of all of the then outstanding capital stock entitled to vote generally in the election of directors, voting together as a single class, or (b) if adopted by the Board of Directors, must be approved by a majority of the entire Board of Directors.

Section 2. Entire Board of Directors. As used in this Article IX and in these Bylaws generally, the term "entire Board of Directors" means the total number of directors which the Corporation would have if there were no vacancies.

ARTICLE X

EXCLUSIVE FORUM

Section 1. Exclusive Forum. Unless the Corporation consents in writing to the selection of an alternative forum, to the fullest extent permitted by law, all Internal Corporate Claims shall be brought solely and exclusively in the Court of Chancery of the State of Delaware (or, if such court does not have jurisdiction, the Superior Court of the State of Delaware, or, if such other court does not have jurisdiction, the United States District Court for the District of Delaware). "***Internal Corporate Claims***" means claims, including claims in the right of the Corporation, brought by a stockholder (including a beneficial owner) (i) that are based upon a violation of a duty by a current or former director or officer or stockholder in such capacity or (ii) as to which the Delaware General Corporation Law confers jurisdiction upon the Court of Chancery of the State of Delaware.

Exhibit 3.2

Effective as of September 12, 2017

Exhibit 12.1

DINEEQUITY, INC.
Computation of Leverage Ratio and Debt Service Coverage Ratio
for the Trailing Twelve Months Ended December 31, 2017

(In thousands, except ratios)

Leverage Ratio Calculation:		
Indebtedness, net [1]	$	1,278,933
Covenant Adjusted EBITDA[1]		224,238
Leverage Ratio		5.70
Debt Service Coverage Ratio (DSCR) Calculation:		
Net Cash Flow [1]	$	253,461
Debt Service [1]		63,146
DSCR		4.01

(1) Definitions of all components used in calculating the above ratios are found in the Base Indenture and the related Series 2014-1 Supplement to the Base Indenture, dated September 30, 2014, filed as Exhibits 4.1 and 4.2, respectively, to our Current Report on Form 8-K filed on October 3, 2014.

Exhibit 21

SUBSIDIARIES OF DINE BRANDS GLOBAL, INC.
As of December 31, 2017

Name of Entity	State or Other Jurisdiction of Incorporation or Organization
Dine Brands Global, Inc.	DE
DineEquity International, Inc.	DE
International House of Pancakes, LLC	DE
III Industries of Canada, LTD.	Canada
IHOP of Canada ULC	Canada
IHOP TPGC, LLC	OH
IHOP SPV Guarantor, LLC	DE
IHOP Funding, LLC	DE
IHOP Restaurants, LLC	DE
IHOP Franchisor, LLC	DE
IHOP Property, LLC	DE
IHOP Leasing, LLC	DE
ACM Cards, Inc.	FL
Applebee's Brazil, LLC	KS
Applebee's Canada Corp.	Canada
Applebee's International, Inc.	DE
Applebee's Investments, LLC	KS
Applebee's Restaurantes De Mexico S.de R.L. de C.V.	Mexico
Applebee's UK, LLC	KS
Applebee's Restaurant Holdings, LLC	DE
Applebee's Restaurants Kansas, LLC	KS
Applebee's Restaurants Mid-Atlantic, LLC	DE
Applebee's Restaurants North, LLC	DE
Applebee's Restaurants Texas, LLC	TX
Applebee's Restaurants Vermont, Inc.	VT
Applebee's Restaurants West, LLC	DE
Applebee's Restaurants, Inc.	KS
Applebee's Services, Inc.	KS
Applebee's SPV Guarantor, LLC	DE
Applebee's Funding, LLC	DE
Applebee's Restaurants LLC	DE
Applebee's Franchisor LLC	DE
Gourmet Systems of Brazil, LLC	KS
Gourmet Systems of Massachusetts, LLC	MA
Gourmet Systems of New York, Inc.	NY
Gourmet Systems of Tennessee, Inc.	TN
Gourmet Systems USA, LLC	KS
Neighborhood Insurance, Inc.	VT
Shanghai Applebee's Restaurant Management Co. LTD.	Xuhui District, Puxi, China
DineEquity Foundation, Inc. (dba The Heidi Fund, Inc.)	KS
DineEquity Philippines Holdings, Inc.	Philippines

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- Form S-8 No. 333-71768 pertaining to the IHOP Corp. 2001 Stock Incentive Plan of DineEquity, Inc. and Subsidiaries
- Form S-8 No. 333-151682 pertaining to the DineEquity, Inc. 2001 Stock Incentive Plan of DineEquity, Inc. and Subsidiaries
- Form S-8 No. 333-174847 pertaining to the DineEquity, Inc. 2011 Stock Incentive Plan
- Form S-8 No. 333- 211429 pertaining to DineEquity, Inc. 2016 Stock Incentive Plan

of our reports dated February 20, 2018, with respect to the consolidated financial statements of Dine Brands Global, Inc. (formerly known as DineEquity, Inc.) and Subsidiaries and the effectiveness of internal control over financial reporting of Dine Brands Global, Inc. and Subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2017.

/s/ Ernst & Young LLP

Los Angeles, California
February 20, 2018

Exhibit 31.1

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

I, Stephen P. Joyce, certify that:

1. I have reviewed this Annual Report on Form 10-K of DineEquity, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: February 20, 2018

/s/ STEPHEN P. JOYCE

Stephen P. Joyce

Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

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

I, Greggory H. Kalvin, certify that:

1. I have reviewed this Annual Report on Form 10-K of DineEquity, Inc.;

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

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

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

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

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

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

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

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

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

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

Date: February 20, 2018

/s/ GREGGORY H. KALVIN

Greggory H. Kalvin

Interim Chief Financial Officer, Senior Vice President, Corporate Controller
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of DineEquity, Inc. (the “Company”) for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Stephen P. Joyce, Chief Executive Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: February 20, 2018

/s/ STEPHEN P. JOYCE

Stephen P. Joyce

Chief Executive Officer (Principal Executive Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of DineEquity, Inc. (the "Company") for the year ended December 31, 2017, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Greggory H. Kalvin, as Chief Financial Officer of the Company, do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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

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

Date: February 20, 2018

/s/ GREGGORY H. KALVIN

Greggory H. Kalvin

Interim Chief Financial Officer, Senior Vice President, Corporate Controller
(Chief Financial Officer)

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.