

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

SCHEDULE 13D  
THE SECURITIES EXCHANGE ACT OF 1934  
(Amendment No. 1)\*

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DineEquity, Inc.  
(Name of Issuer)

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Common Stock, par value \$0.01 per share  
(Title of Class of Securities)

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254423106  
(CUSIP Number)

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Richard T. McGuire III  
c/o Marcato Capital Management LLC  
One Montgomery Street, Suite 3250  
San Francisco, CA 94104  
Telephone Number 415-796-6350  
(Name, Address and Telephone Number of Person Authorized to Receive  
Notices and Communications)

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December 19, 2012  
(Date of Event Which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of ss.240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box .

\* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page.

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1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)  Marcato Capital Management LLC	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  0
	8	SHARED VOTING POWER  1,021,486
	9	SOLE DISPOSITIVE POWER  0
	10	SHARED DISPOSITIVE POWER  1,021,486
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  1,021,486	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  5.5%	
14	TYPE OF REPORTING PERSON  IA	

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)  Richard T. McGuire III	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  AF	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  United States of America	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  0
	8	SHARED VOTING POWER  1,021,486
	9	SOLE DISPOSITIVE POWER  0
	10	SHARED DISPOSITIVE POWER  1,021,486
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  1,021,486	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  5.5%	
14	TYPE OF REPORTING PERSON  IN	

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)  Marcato, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS  WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION  Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER  0
	8	SHARED VOTING POWER  253,254
	9	SOLE DISPOSITIVE POWER  0
	10	SHARED DISPOSITIVE POWER  253,254
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON  253,254	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)  1.4%	
14	TYPE OF REPORTING PERSON  OO	

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)	
	Marcato II, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 35,657
	9	SOLE DISPOSITIVE POWER 0
	10	SHARED DISPOSITIVE POWER 35,657
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 35,657	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 0.2%	
14	TYPE OF REPORTING PERSON OO	

1	NAME OF REPORTING PERSON I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY)	
	Marcato International Master Fund, Ltd.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	SOURCE OF FUNDS WC	
5	CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d) or 2(e) <input type="checkbox"/>	
6	CITIZENSHIP OR PLACE OF ORGANIZATION Cayman Islands	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	7	SOLE VOTING POWER 0
	8	SHARED VOTING POWER 732,575
	9	SOLE DISPOSITIVE POWER 0
	10	SHARED DISPOSITIVE POWER 732,575
11	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 732,575	
12	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
13	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11) 4.0%	
14	TYPE OF REPORTING PERSON OO	

## Item 1. Security and Issuer.

The name of the issuer is DineEquity, Inc., a Delaware corporation (the "Issuer"). The address of the Issuer's principal executive offices is 450 North Brand Boulevard, Glendale, CA, 91203, United States of America. This Schedule 13D relates to the Issuer's Common Stock, par value \$0.01 per share (the "Shares").

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## Item 2. Identity and Background.

- (a), (f) This Schedule 13D is being filed by Marcato Capital Management, LLC, a Delaware limited liability company ("Marcato"), Richard T. McGuire III, a United States citizen, Marcato, L.P., a Delaware limited partnership, Marcato II, L.P., a Delaware limited partnership, and Marcato International Master Fund, Ltd., a Cayman Islands exempted company. Marcato, Mr. McGuire, Marcato, L.P., Marcato II, L.P. and Marcato International Master Fund, Ltd. are each a "Reporting Person" and are collectively referred to herein as the "Reporting Persons".
- (b) The principal business address for each of the Reporting Persons is One Montgomery Street, Suite 3250, San Francisco, CA 94104.
- (c) Mr. McGuire is the managing member of Marcato, an investment adviser that serves as general partner of Marcato, L.P. and Marcato II, L.P. and investment manager of Marcato International Master Fund, Ltd.
- (d) Mr. McGuire has not, during the last five years, been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).
- (e) None of the Reporting Persons have, during the last five years, been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.
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## Item 3. Source and Amount of Funds or Other Consideration.

The net investment costs (including commissions, if any) of the Shares directly owned by the private investment funds advised by Marcato is approximately \$53,766,584.

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## Item 4. Purpose of Transaction.

The acquisitions of these securities were made in the ordinary course of the Reporting Persons' investment activities.

The Reporting Persons have engaged, and expect that in the future they will continue to engage in discussions with and/or meet with management, the Board of Directors of the Issuer, potential acquirers, financing sources and other shareholders and/or formulate plans or proposals regarding the Issuer or its securities. As part of such activities, the Reporting Persons may take positions or make proposals with respect to, among other things, the Issuer's capital structure and policies regarding returning capital to shareholders, operations, management, Board of Directors composition, strategy and future plans, as a means of enhancing shareholder value. Such suggestions or positions may include one or more plans or proposals that relate to or would result in any of the actions required to be reported herein.

On December 19, 2012, Marcato sent a Letter and Discussion Materials to Julia Stewart, Chairman, CEO and President of DineEquity, Inc. A copy of the Letter and Discussion Materials are attached as Exhibits 1 and 2.

Except as set forth in this Item 4, the Reporting Persons currently have no plans or proposals that would relate to or would result in: (a) any extraordinary corporate transaction involving the Issuer; (b) a sale or transfer of a material amount of assets of the Issuer; (c) any change in the present Board of Directors or management of the Issuer; (d) any material change in the present capitalization or dividend policy of the Issuer; (e) any material change in the operating policies or corporate structure of the Issuer; (f) any change in the Issuer's charter or by-laws; (g) the Shares ceasing to be authorized to be quoted in the over-the-counter security markets; or (h) causing a class of equity securities of the Issuer to become eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934.

The Reporting Persons reserve the right, at a later date, to effect one or more of such changes or transactions in the number of Shares they may be deemed to beneficially own.

## Item 5. Interest in Securities of the Issuer.

(a) - (e) As of the date hereof, (i) Marcato and Mr. McGuire may be deemed to be the beneficial owners of 1,021,486 Shares (the "Marcato Shares"), constituting 5.5% of the Shares, (ii) Marcato, L.P. may be deemed to be the beneficial owner of 253,254 Shares, constituting 1.4% of the Shares, (iii) Marcato II, L.P. may be deemed to be the beneficial owner of 35,657 Shares, constituting 0.2% of the Shares and (iii) Marcato International Master Fund, Ltd. may be deemed to be the beneficial owner of 732,575 Shares, constituting 4.0% of the Shares, each based upon 18,429,500 Shares outstanding as of October 26, 2012.

Marcato, L.P. may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) 253,254 Shares. Marcato II, L.P. may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) 35,657 Shares. Marcato International Master Fund, Ltd. may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) 732,575 Shares. Marcato, as the general partner of Marcato, L.P. and Marcato II, L.P. and the investment manager of Marcato International Master Fund, Ltd., may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) the Marcato Shares. By virtue of Mr. McGuire's position as the managing member of Marcato, Mr. McGuire may be deemed to have the shared power to vote or direct the vote of (and the shared power to dispose or direct the disposition of) the Marcato Shares and, therefore, Mr. McGuire may be deemed to be the beneficial owner of the Marcato Shares.

The transactions by the Reporting Persons in the securities of the Issuer during the past sixty days (or since the Reporting Persons' most recent report, if shorter) are set forth in Exhibit 3.



Item 6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

None.

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Item 7. Material to be Filed as Exhibits.

[Exhibit 1](#): Letter to Julia Stewart from Marcato

[Exhibit 2](#): Discussion Materials

[Exhibit 3](#): Schedule of Transactions in Shares

[Exhibit 4](#): Joint Filing Agreement

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## SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

December 20, 2012

(Date)

Marcato Capital Management LLC\*

By: /s/ Richard T. McGuire III

Richard T. McGuire III, Managing Member

/s/ Richard T. McGuire III\*

Richard T. McGuire III

Marcato, L.P.

By: Marcato Capital Management LLC, its Managing Member

By: /s/ Richard T. McGuire III

Richard T. McGuire III, Managing Member

Marcato International Master Fund, Ltd.

By: /s/ Richard T. McGuire III

Richard T. McGuire III, Director

\* This reporting person disclaims beneficial ownership of these reported securities except to the extent of its pecuniary interest therein, and this report shall not be deemed an admission that any such person is the beneficial owner of these securities for purposes of Section 16 of the U.S. Securities Exchange Act of 1934, as amended, or for any other purpose.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

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Marcato Capital Management  
One Montgomery Street, Suite 3250  
San Francisco, CA 94104

E info@marcatollc.com  
P 415.796.6350 F 415.796.6388



December 19, 2012

Julia Stewart  
Chairman, CEO, and President  
DineEquity, Inc.  
450 North Brand Boulevard, 7th Floor  
Glendale, California 91203

cc:  
Richard Dahl, Lead Director  
Howard Berk  
Daniel Brestle  
H. Frederick Christie  
Michael Gordon  
Stephen Joyce  
Larry Kay  
Caroline Nahas  
Gilbert Ray  
Patrick Rose

Dear Julia,

We enjoyed meeting with you and your team in your offices last week. I have reflected on our discussion and wanted to follow up with more detailed thoughts on specific steps that we think can create significant value for the owners of the Company. These are steps that can be readily executed by the Board and management with no disruption to the important task of supporting your franchisees and driving improved performance across the franchise system.

As we discussed with you during our meeting, we believe that the Company is at a very important moment in its strategic life. The refranchising campaign associated with the Company's 2007 acquisition of Applebee's, and the related debt reduction effort, is now complete. The Company has successfully transitioned its business model to that of a pure royalty collector that creates value for its network of franchisees by providing brand and menu management expertise. In our view, this business model is very attractive. It produces a stream of cash flow that is extremely stable and grows without capital as

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franchisees add new units and work to increase same-store-sales. **The critical questions that the Company must now answer are: 1) What is the best way to capitalize the business to maximize equity value; and 2) What is the most appropriate use for the Company's generous and growing free cash flow (again in order to maximize equity value)?**

We have a clear point of view on this and believe that our view, or slight variations of our view, is shared by many of the Company's largest shareholders. Below I summarize the key points that we believe are important for you, the Board, and management to understand and incorporate into your planning for 2013 and beyond. We have also included a series of slides that provide more detail on both our rationale as well as the implications for value.

#### **I. Maintain a target leverage ratio of 5.0x Net Debt / EBITDA**

The Company has reduced its debt levels significantly over the past five years. The current business has high margins, minimal capital requirements, minimal earnings volatility, and moderate growth – fueled primarily through franchisee unit growth and improvements in same-store-sales. This type of business is well-suited to carry a healthy amount of low cost borrowing to minimize the Company's overall cost of capital. Our analysis of the current borrowings shows that coverage ratios are healthy at the current level and further payments to reduce borrowings would only represent a very low return on investment of the Company's free cash flow.

#### **II. Return Free Cash Flow to Shareholders**

The Company generates substantial free cash flow in relation to its market value. With little need to reinvest capital into its operations, and a debt level that is already appropriate, the Company should return these profits to owners. With the stock trading at a 10% free cash flow yield, the repurchase of shares would certainly create more value than further paying down debt. However, in this persistent low-yield environment, we believe that investors will place a significant premium on the Company's shares if it pays out its free cash flow in the form of an ongoing dividend. **We suggest an annual dividend of \$6/share.** This dividend is likely to grow through 1) new franchisee unit growth; 2) improved revenue performance across the franchise system; and 3) reduced interest expense from the refinancing of high-coupon bonds that are callable in late-2014. We expect that a stable and growing dividend will attract many new investors and reward the Company with a much higher valuation, more consistent with that afforded similar high-margin royalty businesses.

#### **III. Amend or Refinance Existing Borrowings To Provide Maximum Capital Flexibility**

The Company has two primary sources of debt, a senior bank facility and bonds. The bonds carry a 9.5% coupon and currently trade at a 4.3% yield. These bonds are callable in October 2014 and we strongly urge the Company to refinance these bonds with lower cost borrowings when they become callable. The potential interest savings and free cash flow growth is substantial. **The bank facility should be an immediate priority for the Company. It is the most important project that the Company can undertake to create shareholder value.** Currently, borrowings under the bank facility represent less than 2.0x run-rate EBITDA, yet the agreement carries terms that require the Company to continue to

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pay down the borrowings by at least 50% of the free cash flow generated during the course of a year. These mandatory payments may have made sense several years ago when the Company's leverage levels were much higher and earnings were more volatile due to the higher level of restaurant ownership. However, with the successful completion of the Company's refranchising initiative, the current picture is much different and the current credit environment has improved as well. Fortunately, the bank facility is pre-payable at any time without penalty. **The Company should immediately embark on a parallel process to refinance the bank facility with new lenders on market terms or reach an agreement with the existing lenders to eliminate the mandatory cash flow sweep.** We have already spoken with financial advisors who feel that this is readily achievable and we would be happy to make those introductions to the Company. We feel that it would be in the Company's and shareholders' best interest if the Company promptly engaged sophisticated financial advisors to help develop, negotiate, and execute this refinancing plan. With a business of this quality, we expect that this could be accomplished in the first quarter of 2013, positioning the Company to declare and begin paying a regular dividend by the third quarter at the latest.

Points I and II, above, represent "what" the Company needs to do in order to receive a full and fair value in the market. Point III is "how" the Company can create the capital flexibility that it deserves and enables it to execute this plan. In the course of our discussions, some shareholders have pointed to low levels of stock ownership by you, the Board, and management as a source of concern as to whether the Company will take the appropriate steps, even simple ones as outlined here, to improve the Company's value in the market. This is an opportunity to demonstrate that your interests are aligned with those of owners.

I recognize that the Company is entering its quiet period and will be limited in its ability to interact with investors. This is the primary reason for sending these materials to you, the Board, and other shareholders. We remain interested in entering into a confidentiality agreement that would allow us to assist the Company and Board in determining the best course of action.

Regards,

/s/ Mick McGuire

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Mick McGuire

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# MARCATO

CAPITAL MANAGEMENT

DECEMBER 2012

## Disclosures

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Figures provided herein are rounded as applicable. Information contained herein is believed to be accurate and/or derived from sources which Marcato believes to be reliable; however Marcato disclaims any and all liability as to the completeness or accuracy of the information contained herein and for any omissions of material facts. Marcato may, at any time, reevaluate its holdings in any such positions.

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- I. Introduction
- II. A Review of DineEquity
- III. Capital Allocation Proposal
- IV. Thoughts on Execution
- V. Summary



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## I. Introduction

## Introduction

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- ▲ We appreciate the opportunity to share our thoughts on DineEquity ("DIN" or "the Company")
- ▲ Marcato has been an investor in DIN for over 2 years (since Marcato's inception, October, 2010)
- ▲ Today Marcato owns 5.5% of DIN's outstanding common shares, making Marcato the Company's fourth largest shareholder



## Overview of Marcato

*Marcato and its investment professionals have significant experience working with management teams to unlock and increase value for shareholders*

- ▲ Value-oriented strategy includes taking large ownership stakes in businesses we believe in
- ▲ Long-term investment horizon typified by multi-year holding periods
- ▲ Concentrated portfolio approach with few investments at any given time allows us to conduct heavy diligence and focus our full energy on each investment
- ▲ Significant experience investing in and actively engaging with restaurant franchising companies to create shareholder value



**▲ Attractive Business**

- ▲ High quality franchised business model results in stable, predictable royalty stream
- ▲ High margins + low capital requirements = significant free cash flow generation

**▲ Undervalued by the Market**

- ▲ Equity trading at significant discount to pure-play franchised peers

**▲ Conservative Capital Structure**

- ▲ Now under 5x leverage target
- ▲ No near-term maturities and opportunity to refinance bonds at lower interest rate in 2014

**▲ How Can the Company Create the Maximum Value from this Opportunity?**

- ▲ Pay out all free cash flow as dividends
- ▲ Stable, predictable annual dividend would attract new investors and be highly prized in persistent low interest rate environment
- ▲ We believe this will lead to significant long-term value creation

## II. A Review of DineEquity



Ticker: "DIN"

Recent Stock Price: \$63.00

▲ DineEquity is the largest full-service restaurant company in the world

- ▲ Operates or franchises 1,565 IHOP restaurants and 2,016 Applebee's restaurants
- ▲ System will be 99% franchised by year-end 2012

▲ Capitalization:

- ▲ Equity market value: \$1.2 billion
- ▲ Enterprise Value: \$2.6 billion

▲ Operating Statistics:

- ▲ 2013E Revenue: \$665 million
- ▲ 2013E EBITDA: \$287 million
- ▲ 2013E CapEx: \$15 million
- ▲ 2013E Free Cash Flow: \$116 million

▲ Valuation Multiples:

- ▲ EV / EBITDA: 8.9x
- ▲ EV / EBITDA – CapEx: 9.4x
- ▲ FCF Yield: 9.7%

Source: Company documents, Marcato estimates



## Dominant Market Position

▲ DineEquity operates and franchises restaurants under two brands:



▲ America's largest Family Dining restaurant chain

### Top U.S. Family Dining Concepts, by System Sales

	Estimated % of Top 100
1. IHOP	11%
2. Denny's	9%
3. Cracker Barrel	8%
4. Bob Evans	6%
5. Waffle House	5%



▲ America's largest Casual Dining restaurant chain

### Top U.S. Casual Dining Concepts, by System Sales

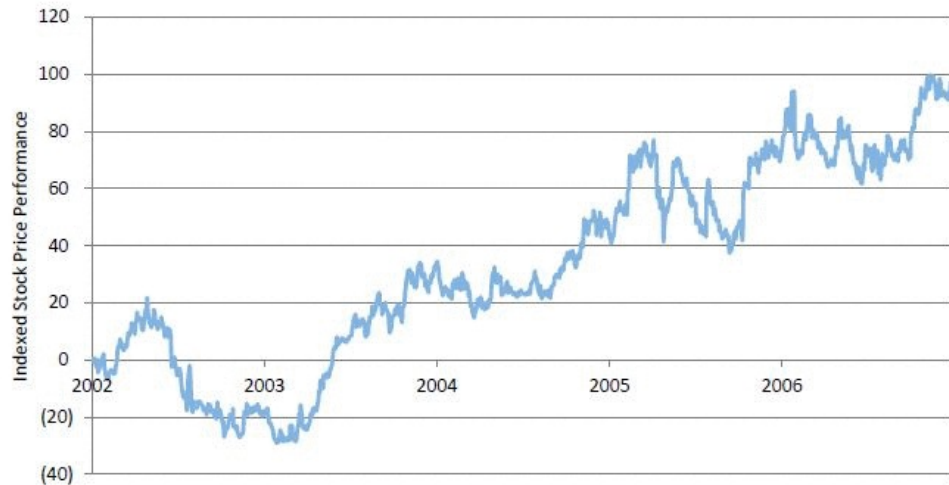
	Estimated % of Top 100
1. Applebee's	11%
2. Chili's	9%
3. Olive Garden	8%
4. Red Lobster	6%
5. Outback Steakhouse	5%

Source: Technomic, Marcato estimates

## Case Study of Old IHOP: Refranchising Creates Value

In January 2003, IHOP announced its strategy to transition to a franchise-only business model

↑ Franchise Mix  
 =  
 ↑ Margin  
 =  
 ↑ ROIC  
 =  
 ↑ Multiple

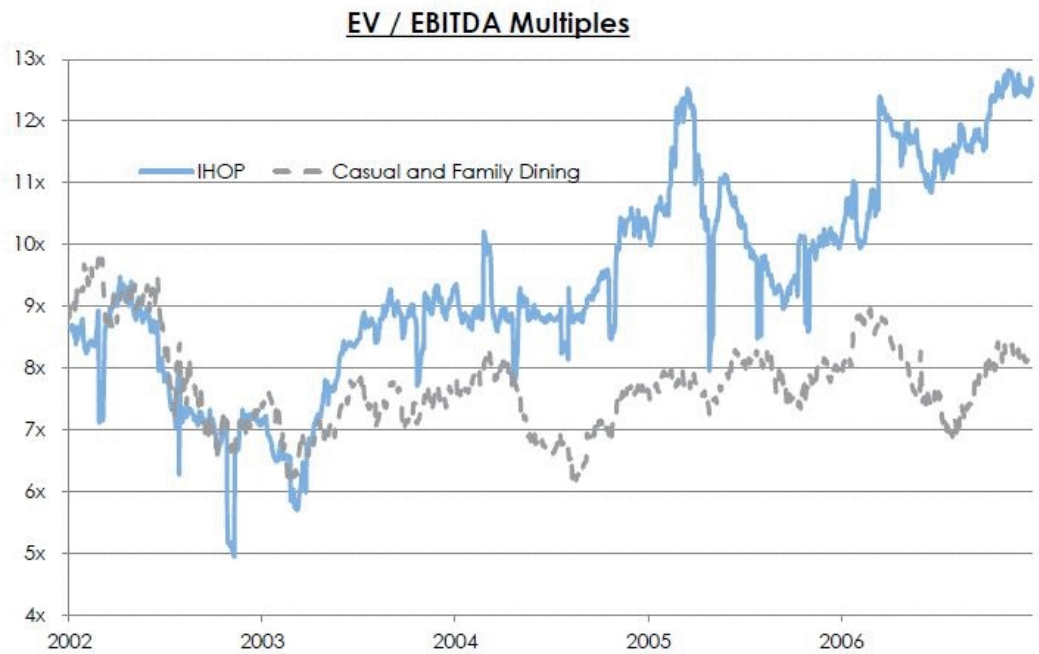


	2002	2003	2004	2005	2006
Company-Operated Stores	76	44	10	7	10
Franchised Stores	1,027	1,121	1,176	1,235	1,292
<b>% Franchised</b>	<b>93.1%</b>	<b>96.2%</b>	<b>99.2%</b>	<b>99.4%</b>	<b>99.2%</b>
Revenue	\$365.9	\$404.8	\$359.0	\$348.0	\$349.6
EBITDA	81.8	88.7	87.0	100.0	100.8
<b>% EBITDA Margin</b>	<b>22.4%</b>	<b>21.9%</b>	<b>24.2%</b>	<b>28.7%</b>	<b>28.8%</b>
CapEx	(141.7)	(80.5)	(16.6)	(7.4)	(9.4)
CapEx % of Sales	38.7%	19.9%	4.6%	2.1%	2.7%
<b>Return on Invested Capital</b>	<b>13.9%</b>	<b>10.6%</b>	<b>14.0%</b>	<b>17.1%</b>	<b>18.1%</b>
EPS	\$1.92	\$1.70	\$1.96	\$2.24	\$2.43
Avg Stock Price	\$28.13	\$30.25	\$37.11	\$44.44	\$48.92
<b>Avg P/E Multiple</b>	<b>14.6x</b>	<b>17.8x</b>	<b>18.9x</b>	<b>19.8x</b>	<b>20.1x</b>



## Case Study of Old IHOP: Refranchising Drives Multiple Expansion

*IHOP's trading multiples expanded more than those of its peers as it completed its refranchising initiative*



Note: Peer group includes EAT, DRI, BOBE, and CBRL

## DineEquity: Applebee's = IHOP (The Sequel)

- ▲ In 2007, IHOP acquired Applebee's (roughly 74% franchised at the time) **with the stated goal of replicating its strategy and transitioning Applebee's to a franchise-only business model**
- ▲ The Company recently completed this refranchising initiative, and based on announced sales, **the Applebee's system will be 99% franchised by the end of this year**

	2007	2008	2009	2010	2011	2012E
Franchised Applebee's	1,465	1,598	1,609	1,701	1,842	2,016
Company-Operated Applebee's	511	406	399	309	177	23
<b>% Franchised</b>	<b>74%</b>	<b>80%</b>	<b>80%</b>	<b>85%</b>	<b>91%</b>	<b>99%</b>
Refranchisings	0	103	7	83	132	154

## High Quality Franchised Business Model

**DineEquity = a high margin royalty stream that grows without capital**

	Restaurant Operator	Restaurant Franchisor
Contribution Margins	Mid-teens	90%+
Earnings Sensitivity to Changes in SSS	High	Minimal
Effect of Cost Inflation	Pressures Margins	↑ Franchise Fees
Maintenance CapEx	High	None
Unit Growth	Capital Intensive	Requires No Capital

## Franchisees are Healthy

*Company-operated Applebee's restaurants are solidly profitable, and franchisee-operated stores have higher unit volumes, higher 4-wall operating margins, and have had consistently better SSS performance*

	Company Stores LTM	Franchisee Stores LTM
Average Unit Volumes	\$2,200	\$2,400
2012E % SSS Guidance	0.5% - 2.5%	0.5% - 2.5%
Food and Beverage	(572)	
% of Sales	26.0%	
Labor	(708)	
% of Sales	32.2%	
Direct and Occupancy	(561)	
% of Sales	25.5%	
Total Restaurant expenses	(1,841)	
% of Sales	83.7%	
<b>4-Wall Restaurant Operating Profit <sup>(1)</sup></b>	<b>\$359</b>	<b>&gt; \$392</b>
<b>% Margin</b>	<b>16.3%</b>	<b>&gt; 16.3%</b>

Note: Dollars in thousands

(1) Analysis shows franchisee profits excluding franchise fees (4% of sales), advertising contributions (3.75% of sales), and overhead

## Growth Opportunities Do Not Require Capital Investment

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- ▲ Improved brand management and execution
- ▲ SSS recovery as economy improves and unemployment declines
  - ▲ Applebee's and IHOP AUVs 10% and 7% below peak, respectively
- ▲ Unit count increases in newly refranchised territories
- ▲ International expansion
- ▲ Royalties from food product sales in national retail outlets



## Undervalued by the Market

- ▲ DineEquity is currently trading at a significant discount to other similar, fully-franchised businesses

	 DineEquity	 Choice Hotels	 Domino's Pizza	 Dunkin' Brands	 Burger King	 Tim Hortons	
% Franchised	99.0%	100.0%	96.1%	99.8%	95.3%	99.4%	
Stock Price	\$63.00	\$32.53	\$41.77	\$31.44	\$17.09	\$46.75	
Market Cap	\$1,206.6	\$1,888.5	\$2,371.2	\$3,318.8	\$5,983.4	\$7,208.6	
Total Enterprise Value	\$2,558.8	\$2,592.4	\$3,903.6	\$5,010.3	\$8,559.1	\$7,541.5	
TEV / 2013E EBITDA	8.9x	12.1x	12.0x	13.5x	12.9x	9.4x	Average 12.0x
TEV / 2013E EBITDA - CapEx	9.4x	13.0x	13.1x	14.2x	14.6x	13.3x	13.6x
2013E FCF Yield %	9.7%	5.6%	6.0%	5.8%	4.9%	4.9%	5.4%
Price / 2013E FCF per Share	10.4x	18.0x	16.8x	17.3x	20.3x	20.4x	18.5x

1) Why?

2) What can be done to narrow this gap?

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### III. Capital Allocation Proposal

## Capital Allocation Alternatives

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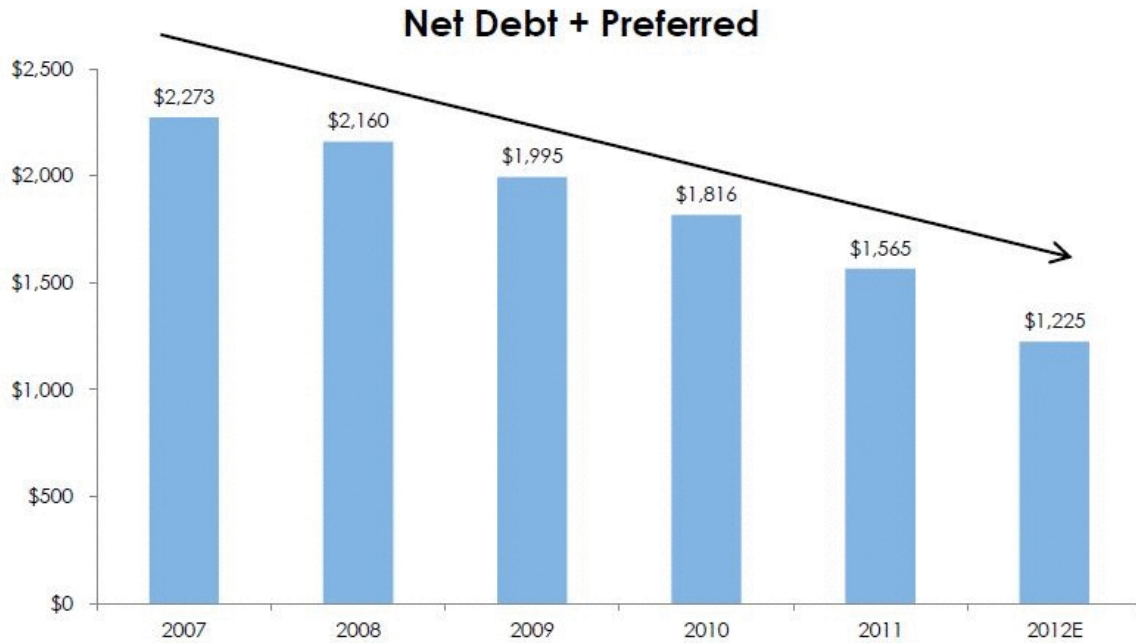
DIN has only four options for deploying its Free Cash Flow:

- ▲ 1) Pay down debt
  - ▲ We strongly believe further debt reduction is unnecessary given current coverage ratios and lack of operating leverage in the business
- ▲ 2) Reinvest in the existing business
  - ▲ Minimal opportunities exist given pure-play franchisor business model
- ▲ 3) Make acquisitions
  - ▲ We would not be supportive of another acquisition at this time
- ▲ 4) Return cash to shareholders
  - ▲ **We believe paying out 100% of Free Cash Flow as dividends will create maximum value for shareholders**



## DIN Has De-Levered Significantly Since The Applebee's Acquisition

- ▲ The Company has used its significant free cash flow and proceeds from refranchisings to reduce its debt



## Coverage Ratios At Current Leverage Levels Are Excellent

With such ample coverage ratios and minimal operating leverage, we believe the Company's current capital structure is highly sustainable.

DineEquity's leverage creates value for equity holders, and **we strongly believe that further debt reduction is unnecessary.**

	2013E
EBITDA	\$287
Cash Interest	(111)
Cash Taxes	(46)
CapEx	(15)
LT Receivables Run-off	13
Working Capital / Other	(12)
<b>Excess Cash Flow Cushion</b>	<b>\$116</b>

### Coverage Ratios

Net Debt / EBITDA	4.7x
EBITDA / Interest	2.6x
(EBITDA - CapEx) / Interest	2.5x

## Bond Refinancing Will Improve Coverage Ratios Further

- ▲ DIN's 9.5% bonds are currently trading above 113, **at a 4.3% yield**
- ▲ The Company has an opportunity to call these bonds in 2014, and should be able to realize significant interest savings, further improving coverage ratios and available annual free cash flow

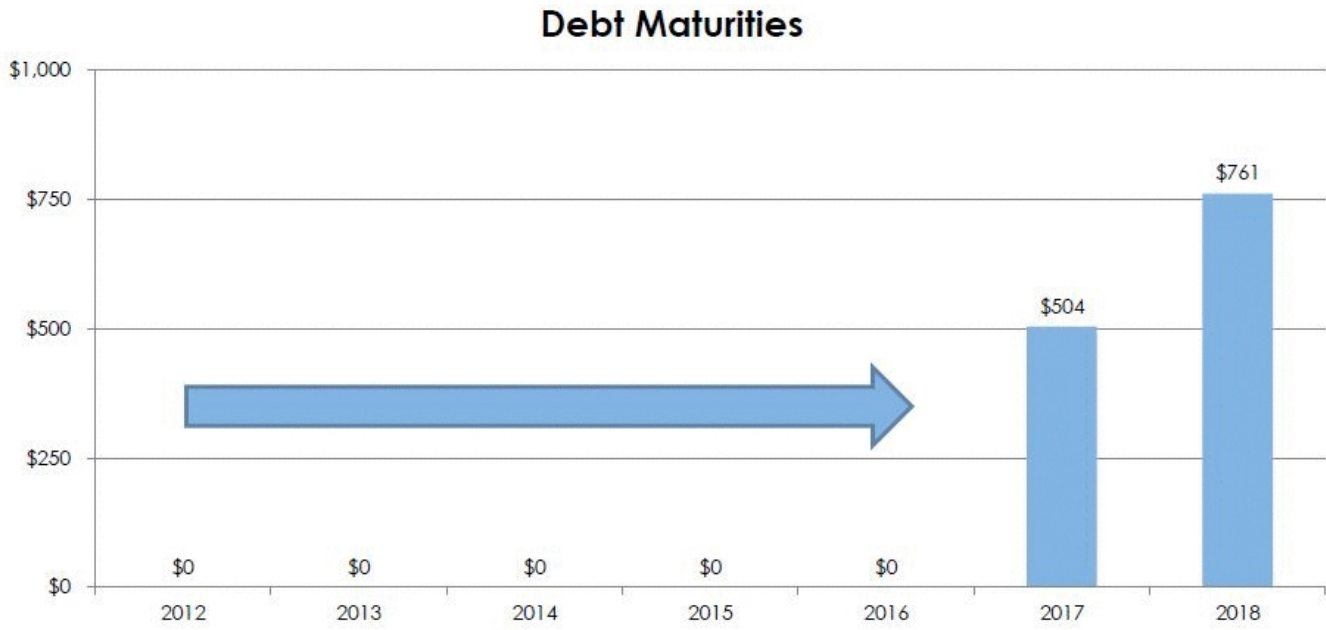
9.5% Sr Unsec Notes due 2018 - Current Amount Outstanding	\$761
Current Trading Price	113.55
<b>Current Yield-to-Worst</b>	<b>4.3%</b>

	Today	Pro Forma Assuming Bonds Refi'd @ 7%	Increase / (Decrease)
Annual Interest on Bonds	\$72	\$53	(\$19)
Total Company Interest Payments	111	92	(19)
Annual EBITDA	\$287	\$287	\$0
Annual Excess Free Cash Flow Cushion	116	129	12
<b>EBITDA / Interest</b>	<b>2.6x</b>	<b>3.1x</b>	<b>0.5x</b>

Assumes NO growth from new units or improved \$\$\$

## Capital Structure is an Asset for Equity Holders

- ▲ Given the long duration of its debt, DIN has no liquidity concerns



## Existing Business Requires Minimal Capital

- ▲ Even after spending significantly to remodel then-owned Applebee's restaurants, DIN was only spending ~\$20m / year in CapEx since the 2007 acquisition

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>LTM</u>	<u>'07 - '11 Average</u>
Capital Expenditures	\$12	\$32	\$15	\$19	\$26	\$19	\$21

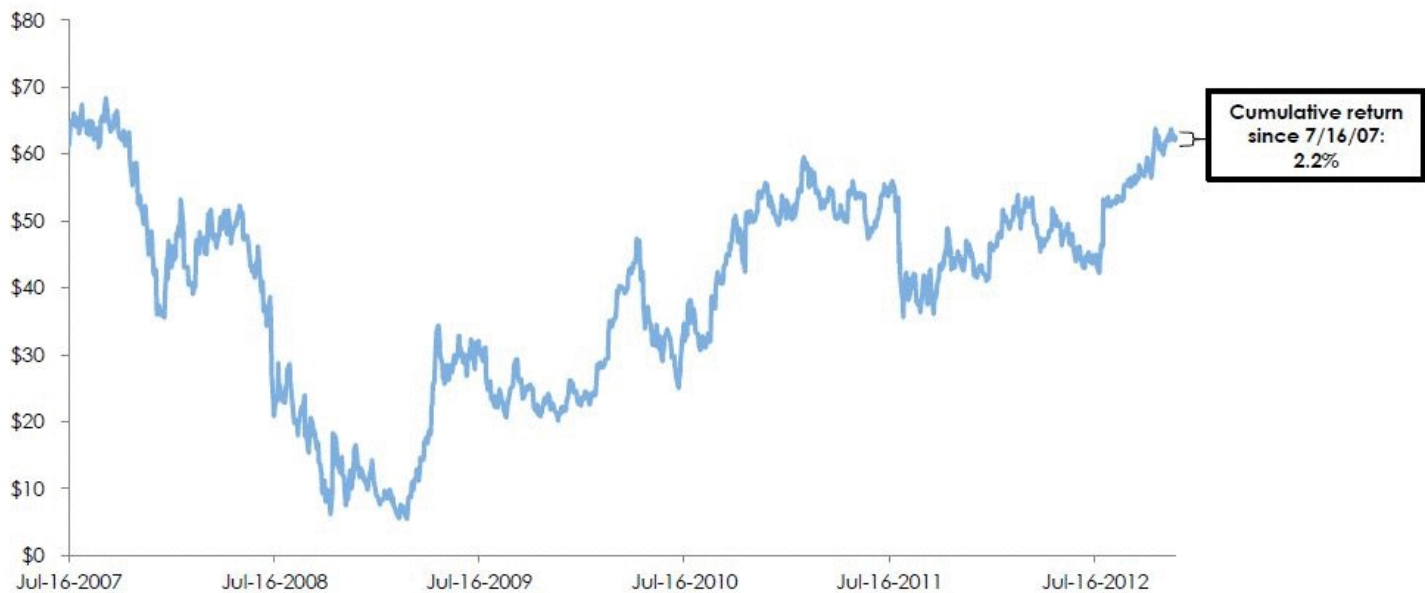
*“We'll always have a couple million dollars invested in IT, but I've always said in steady state, I don't know how to spend \$10 million, because you're 99% franchised. There just won't be a capital need long-term of any substance.”*

*– Julia Stewart, DineEquity Chairman and CEO, Goldman Sachs Restaurant Conference, June 2010*



## Acquisitions Have Failed to Create Value for the Company's Shareholders

- ▲ On 7/16/2007, the day the Company announced the Applebee's acquisition, the stock closed at \$61.24. **The cumulative return of the stock in the nearly 5.5 years since has been 2.2%**
- ▲ **As such, we would not be supportive of another acquisition at this time**



## Restaurant Companies That Pay Dividends Trade at 2 – 3% Dividend Yields

Restaurant companies that pay dividends currently trade at 2 – 3% dividend yields.

All of these companies have either significantly higher capital requirements or growth opportunities than DIN, and the average payout ratio among them is still >45%.

	Stock Price	Market Cap	TEV	Net Debt / EBITDA	CapEx % of EBITDA	'13E EPS Growth	Payout Ratio	Dividend Yield
Yum! Brands, Inc.	\$66.30	\$29,955	\$32,176	0.8x	28.1%	12.3%	41.1%	2.0%
Tim Hortons Inc.	46.75	7,209	7,542	0.5x	22.5%	11.9%	31.3%	1.8%
Darden Restaurants, Inc.	46.66	6,001	8,103	1.9x	50.3%	3.6%	56.0%	4.3%
Burger King Worldwide, Inc.	17.09	5,983	8,559	4.0x	12.0%	20.8%	27.1%	0.9%
Dunkin' Brands Group, Inc.	31.44	3,319	5,010	5.1x	5.4%	18.1%	47.2%	1.9%
Brinker International, Inc.	30.58	2,237	2,871	1.7x	29.8%	21.4%	39.2%	2.6%
The Cheesecake Factory Incorporated	33.09	1,738	1,738	0.0x	32.3%	13.2%	25.3%	1.5%
The Wendy's Company	4.71	1,842	2,846	3.1x	42.4%	30.8%	123.1%	3.4%
Cracker Barrel Old Country Store, Inc.	61.34	1,453	1,888	1.7x	29.5%	13.4%	45.5%	3.3%
Texas Roadhouse, Inc.	16.11	1,138	1,115	-0.1x	50.3%	9.8%	35.3%	2.2%
Bob Evans Farms, Inc.	40.16	1,128	1,321	1.0x	39.8%	18.8%	45.7%	2.7%
CEC Entertainment Inc.	31.71	550	927	2.3x	53.3%	6.3%	35.4%	3.0%
Einstein Noah Restaurant Group, Inc.	15.77	268	323	1.1x	36.4%	12.6%	52.6%	3.2%
<b>Average</b>				<b>1.8x</b>	<b>33.2%</b>	<b>14.8%</b>	<b>46.5%</b>	<b>2.5%</b>
<b>Median</b>				<b>1.7x</b>	<b>32.3%</b>	<b>13.2%</b>	<b>41.1%</b>	<b>2.6%</b>

Source: Capital IQ, Marcato estimates



## Numerous Companies With High Payout Ratios Trade at Tight Yields

These companies generate stable cash flows and participate in mature industries (utilities, movie theaters, furniture, document storage).

We believe the stability and predictability of the large annual dividends offered by these companies with very high payout ratios are highly prized by investors.

	Market		Net Debt /		P / E		'13E EPS Growth	Payout Ratio	Dividend Yield
	Stock Price	Cap	TEV	EBITDA	2012E	2013E			
Verizon Communications Inc.	\$44.41	\$126,746	\$224,206	2.5x	18.1x	15.5x	16.7%	84.1%	4.6%
Duke Energy Corporation	64.32	45,297	83,073	5.5x	15.0x	14.6x	3.0%	71.5%	4.8%
Southern Company	43.73	38,225	59,800	3.5x	16.7x	15.7x	6.5%	74.8%	4.5%
Williams Companies, Inc.	31.22	19,585	31,567	4.8x	27.1x	25.4x	7.0%	113.0%	4.2%
Spectra Energy Corp.	27.32	17,840	31,264	4.9x	18.2x	16.1x	13.3%	81.3%	4.5%
Paychex, Inc.	33.19	12,063	11,672	-0.4x	20.7x	19.3x	7.5%	82.5%	4.0%
Iron Mountain Inc.	31.34	5,941	9,357	3.7x	25.1x	25.3x	-0.8%	86.4%	3.4%
Pepco Holdings, Inc.	19.51	4,477	9,790	4.8x	16.3x	15.4x	5.8%	90.0%	5.5%
Integrus Energy Group, Inc.	53.37	4,158	6,696	3.9x	16.4x	15.5x	5.8%	83.4%	5.1%
Leggett & Platt, Incorporated	26.86	3,795	4,604	1.7x	18.0x	16.4x	10.1%	77.9%	4.3%
Regal Entertainment Group	14.40	2,221	3,986	3.3x	16.4x	15.2x	8.0%	95.5%	5.8%
<b>Average</b>				<b>3.5x</b>	<b>18.9x</b>	<b>17.7x</b>	<b>7.5%</b>	<b>85.5%</b>	<b>4.6%</b>
<b>Median</b>				<b>3.7x</b>	<b>18.0x</b>	<b>15.7x</b>	<b>7.0%</b>	<b>83.4%</b>	<b>4.5%</b>

Source: Capital IQ, Marcato estimates

## DIN is Similar to a Tobacco Company, but BETTER

- ▲ A purely franchised DIN is similar to a tobacco company given its stable, recurring revenue, high margins, minimal capital requirements, and limited organic growth opportunities
- ▲ We note the tobacco companies pay out ~80% of their earnings as dividends, consistently use the rest to buy back shares, and all trade under 5.5% dividend yields
- ▲ DIN does not face the risk of secular decline or unknown litigation exposure that the tobacco companies do

	Stock Price	Market		P / E		EBITDA Margin	CapEx % of EBITDA	EBITDA Growth	EPS Growth	Payout Ratio	Dividend Yield
		Cap	TEV	2012E	2013E						
Altria Group Inc.	\$33.47	\$68,145	\$79,872	15.1x	14.1x	44.2%	2.2%	3.3%	7.2%	79.6%	5.3%
Reynolds American Inc.	43.03	24,052	26,674	14.6x	13.8x	36.8%	4.7%	4.1%	5.8%	80.0%	5.5%
Lorillard, Inc.	121.48	15,725	17,116	14.5x	13.3x	41.8%	3.0%	5.2%	8.5%	73.9%	5.1%
<b>Average</b>				<b>14.7x</b>	<b>13.8x</b>	<b>40.9%</b>	<b>3.3%</b>	<b>4.2%</b>	<b>7.2%</b>	<b>77.8%</b>	<b>5.3%</b>
<b>Median</b>				<b>14.6x</b>	<b>13.8x</b>	<b>41.8%</b>	<b>3.0%</b>	<b>4.1%</b>	<b>7.2%</b>	<b>79.6%</b>	<b>5.3%</b>

## Payout Ratio Must Be Based on Free Cash Flow, Not Net Income

*DIN's Free Cash Flow significantly exceeds its Net Income due to non-cash amortization charges and non-cash interest expense.*

*As a result, we highly encourage the Company to think about its payout ratio in terms of its Free Cash Flow, not its Net Income.*

2013E Net Income	\$85
D&A	40
CapEx	(15)
Non-Cash Interest	6
<b>Free Cash Flow</b>	<b>\$116</b>
<b>% of Net Income</b>	<b>136%</b>

## We Believe A High Payout Ratio Will Create Significant Equity Value

We believe the equity would trade at a mid-single-digit dividend yield, **creating significant long-term value for equity holders**

2013E Free Cash Flow	\$116
Assumed Payout Ratio	100%
Implied Dividend	\$116
<i>Per Share</i>	<i>\$6.08</i>
Assumed Dividend Yield	5%
Implied Stock Price	<b>\$121.63</b>
<i>% Premium to Current</i>	<i>93.1%</i>
<u>Implied Trading Multiples</u>	
TEV / EBITDA	12.8x
TEV / EBITDA - CapEx	13.5x
% Equity FCF Yield	5.0%
Price / FCF per Share	20.0x
% Equity FCF Yield PF for Refi (1)	5.5%
Price / FCF per Share PF for Refi (1)	18.1x



## We Believe A High Payout Ratio Will Create Significant Equity Value (Cont'd)

We believe if the Company announces a policy of paying out 100% of its annual Free Cash Flow, a stock price over \$100 is highly likely

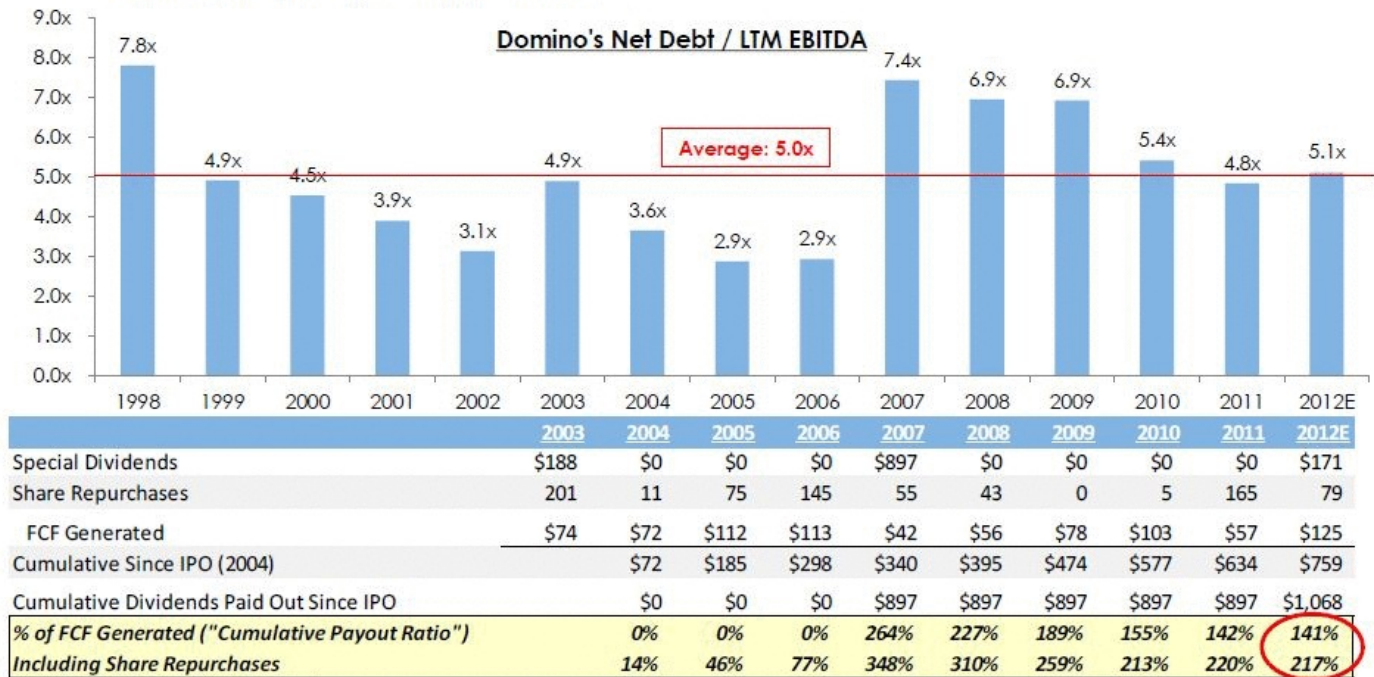
### Stock Price at Different Dividend Payouts and Yields

		FCF Payout Ratio			
		80%	90%	100%	110%
Dividend Yield	3%	\$162.17	\$182.44	\$202.71	\$222.99
	4%	121.63	<b>136.83</b>	<b>152.04</b>	167.24
	5%	97.30	<b>109.47</b>	<b>121.63</b>	133.79
	6%	81.09	91.22	101.36	111.49

Source: Marcato estimates

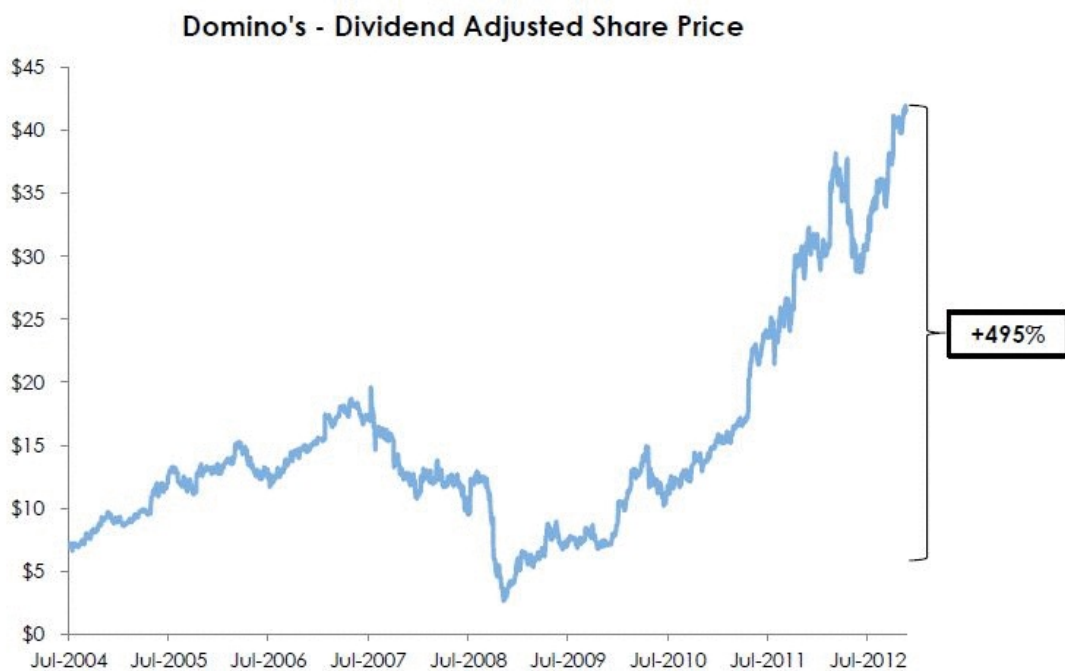
## Capital Allocation Case Study: Domino's Pizza

- ▲ Over time, Domino's, another pure-play franchisor, has continually re-levered and returned capital to shareholders
- ▲ Domino's has been comfortable sustaining even higher leverage levels (7x – 8x) given its highly franchised business
- ▲ While Domino's has favored special dividends and share repurchases over regular dividends, **they have paid out 140% of their cumulative Free Cash Flow since IPO**



## Capital Allocation Case Study: Domino's Pizza (Cont'd)

*DPZ has been richly rewarded by the market for this policy, as its stock has appreciated 495% since its 2004 IPO*



## Analysts Think Domino's Would Have Done Even Better Paying Regular Dividends

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*"A higher payout ratio is appropriate given Domino's highly franchised business model that requires relatively low rates of capital investment. But we question whether a more defined annual dividend payout could have accomplished a similar total time adjusted payout without the drama and risk around a recapitalization and in a more defined, transparent way."*

**– Joseph Buckley, Bank of America Merrill Lynch Restaurant Analyst, 3/20/2012**



## DIN Should Maintain a Minimum of 5x Leverage and Pay Out 100% of FCF

- ▲ DIN's current leverage ratio of 4.7x is **arguably conservative** given ample liquidity and coverage ratios, and lack of operating leverage
  - ▲ DPZ's most recent refinancing, in March 2012, was done at 5.7x net leverage and a 5.2% rate
- ▲ This is especially true given ability to call bonds in 2014, which should lower interest expense and take excess FCF from ~\$116m to ~\$129m or more <sup>(1)</sup>
- ▲ Given these facts, we believe that **DIN should announce and pay an annual dividend of \$6 / share, which would represent a ~100% payout ratio on 2013E FCF, and set an explicit leverage target of 5.0x – 5.5x Net Debt / EBITDA, paying periodic special dividends in addition to organic dividend growth**

## We Believe a 75% Payout Ratio Would Be Too Low

We believe a 75% payout ratio would quickly lead to sub-optimal leverage

	2012	2013E	2014E	2015E	2016E
Total Revenue		\$665	\$685	\$705	\$727
% Growth			3%	3%	3%
EBITDA		\$287	\$297	\$308	\$319
% Margin		43.2%	43.4%	43.7%	43.9%
Cash Interest		(111)	(98)	(87)	(86)
Cash Taxes		(46)	(57)	(65)	(69)
CapEx		(15)	(15)	(15)	(15)
LT Receivables Run-off		13	13	13	13
Working Capital / Other		(12)	(10)	(8)	(8)
<b>Free Cash Flow</b>		<b>\$116</b>	<b>\$131</b>	<b>\$146</b>	<b>\$154</b>
% Payout		75%	75%	75%	75%
Dividend Paid Out		\$87	\$98	\$109	\$115
Cash Left Over		\$29	\$33	\$36	\$38

	12/31/2012E	12/31/2013E	12/31/2014E	12/31/2015E	12/31/2016E
Net Debt	\$1,352	\$1,323	\$1,290	\$1,254	\$1,215
EBITDA / Interest		2.6x	3.0x	3.5x	3.7x
Net Debt / Trailing EBITDA		4.6x	4.3x	4.1x	3.8x
Net Debt / Forward EBITDA	4.7x	4.4x	4.2x	3.9x	3.7x

Source: Marcato estimates

Note: Analysis is illustrative and assumes 9.5% bonds are refinanced at 7% during 2014

< 36 >

▲ **Leverage Now Under 5x and Declining**

- ▲ Coverage ratios are excellent and will improve with bond refinancing in 2014
- ▲ Capital structure highly sustainable and arguably conservative

▲ **Transitional Point in Company's History**

- ▲ With the multi-year refranchising effort finally completed, it is time to define your future priorities

▲ **Yield-Starved World**

- ▲ We believe such a large, stable, recurring annual dividend would be highly prized by investors
- ▲ **We believe it would attract an entirely new group of income-oriented investors, leading to significant and permanent value creation**



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## IV. Thoughts on Execution

## Proposal is Readily Executable Under Current Credit Documents

- ▲ After reviewing the credit agreement governing the Company's bank debt and the indenture governing the Company's bonds, we believe the capital allocation proposal we've outlined is readily executable
- ▲ **The most restrictive provision in the credit documents is the mandatory prepayment clause in the bank debt agreement, a provision we strongly believe is unnecessary for lenders to require given the Company's current credit profile.** As such, we highly recommend that the Company:
  - ▲ 1) Seek an amendment to its bank debt agreement eliminating the requirement that 50% of each fiscal year's Excess Cash Flow be used to prepay bank debt
  - ▲ 2) Simultaneously look to other banks to refinance the bank debt on similar terms to the existing facility, without this restrictive Excess Cash Flow payment requirement, given that the current bank debt is prepayable at par at any time without penalty
- ▲ We believe that the Company should announce its dividend policy while pursuing the above initiatives related to its bank debt
  - ▲ We believe that if the Company announces its dividend policy now but waits until Q3 2013 to begin paying its dividend, **it will have until early 2015 to complete an amendment or refinancing of its bank debt without violating the mandatory prepayment clause in the facility's credit agreement**



## Company Should Amend or Refinance Its Bank Debt As Soon As Possible

- ▲ We believe the most restrictive term in DIN's credit documents is the mandatory prepayments clause in its bank debt agreement - specifically, Section 2.05(b)(i)
  - ▲ This requires that the Company use 50% of its Excess Cash Flow in any given year to prepay its term loan
- ▲ We strongly believe that this provision is unnecessary for a loan of this size to a business of this quality
  - ▲ **With just over \$500m outstanding, this loan is <2x levered and should no longer require such mandatory prepayment**
- ▲ Given that the term loan is now pre-payable at par at any time without penalty, we believe that **the single most important thing the Company can do at this time is simultaneously:**

1. Seek an amendment to its bank debt facility eliminating this 50% Excess Cash Flow "Sweep"
2. In parallel, look to other banks to refinance this senior credit facility on similar terms, but without this 50% Excess Cash Flow "Sweep" (1) (2)

(1) This will effectively give existing lenders the option of accepting a fee to amend this term, or being refinanced out of their investment

(2) Marcato would be happy to facilitate introduction to several other banks not participating in the existing credit facility who would be interested in competing to win this business

## Company Should Announce Dividend Policy and Begin Payment in Q3 2013

- ▲ According to the credit agreement, the payment of 50% of each fiscal year's Excess Cash Flow ("ECF Payment") is due to bank debt holders five business days after the financial statements for that year have been delivered
  - ▲ For example, 2012's ECF Payment will be due in early 2013, 2013's ECF Payment will be due in early 2014, etc.
- ▲ The Company has confirmed that no ECF Payment will need to be made for FY 2012 in early 2013, since the Company already used nearly all of its cash flow during 2012 to pay down bank debt
- ▲ If the Company were to wait until Q3 2013 to begin paying its regular dividend, it could retain its Free Cash Flow during Q1 and Q2 2013 and be positioned to make its 2013 ECF Payment in early 2014 in the unlikely event it cannot refinance or amend its bank debt by then
- ▲ **With this approach, the Company can announce its dividend policy now, begin paying its regular dividend in Q3 2013, and not have to worry about covering another ECF Payment until early 2015**
  - ▲ This would give the Company more than two years to refinance or amend its bank debt facility, in a favorable credit market environment <sup>(1)</sup>

(1) We note that the Company has already suggested it is planning to refinance its bonds prior to that date, in fall 2014, and might want to consider a franchise securitization to replace all of its borrowings at that point in time

## Financial Covenants Not a Problem

Financial Covenants: Bank Debt Agreement	2013E	2014E	2015E	2016E	
	Interest Coverage - Covenant	1.75x	1.75x	1.75x	2.00x
	Interest Coverage - Marcato Estimate <sup>(1)</sup>	2.59x	2.99x	3.42x	3.54x
Financial Covenants: Bond Indenture	2013E	2014E	2015E	2016E	
	Leverage Ratio - Covenant	7.00x	6.75x	6.50x	6.00x
	Leverage Ratio - Marcato Estimate <sup>(1)</sup>	4.71x	4.55x	4.39x	4.24x

None



## Restricted Payments Baskets Not a Problem

- ▲ Assuming a refinancing of the bonds and bank debt by early 2015, there should be ample room in the Restricted Payments baskets to pay out 100% of Free Cash Flow as dividends, beginning in Q3 2013

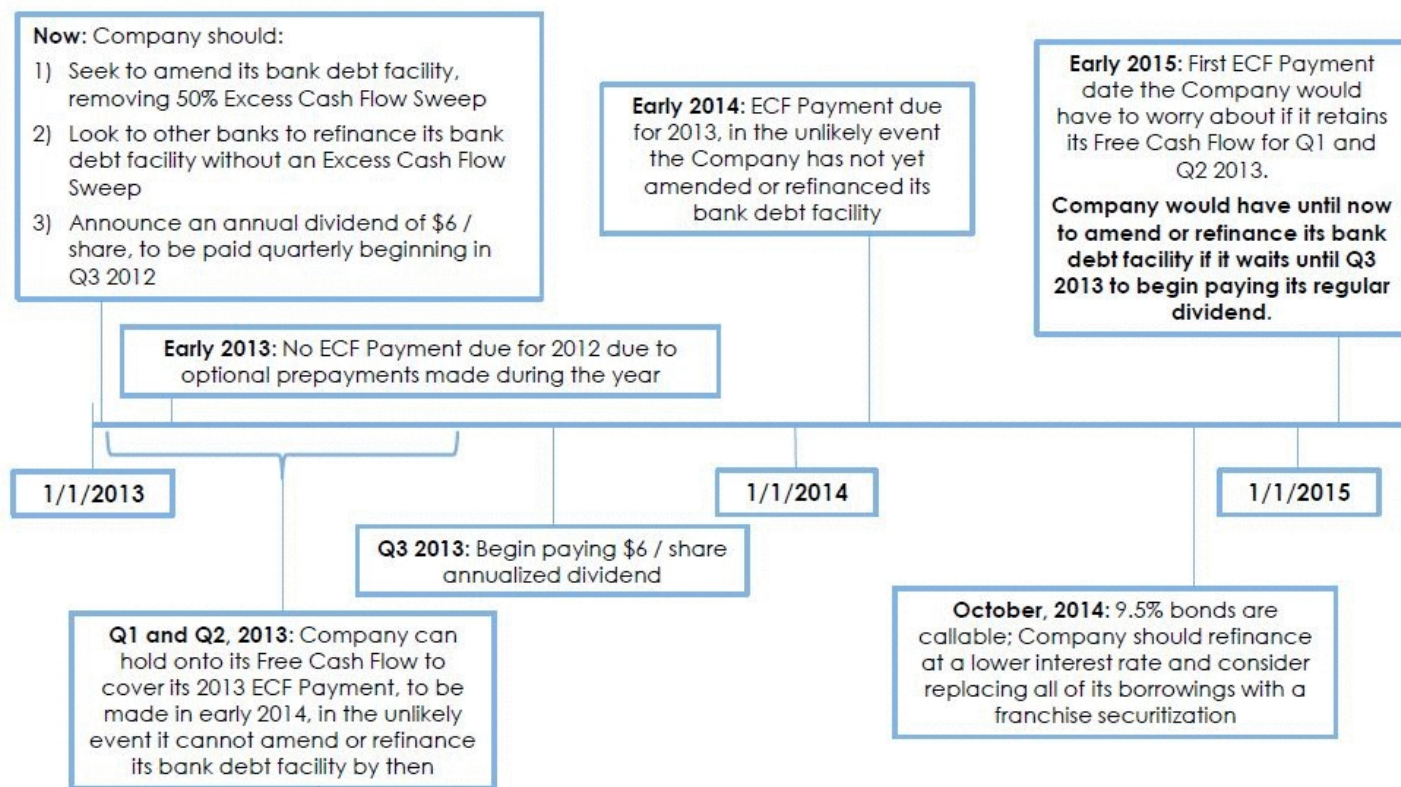
	2012E	2013E	2014E
<b>Restricted Payments: Bank Debt Agreement</b>			
<u>Restricted Payments Basket <sup>(1)</sup></u>			
Beginning of Year		\$112	\$112
Dividends Paid <sup>(2)</sup>		(58)	(130)
Additional Capacity Earned <sup>(1)</sup>		58	65
<b>End of Year</b>	<b>\$112</b>	<b>\$112</b>	<b>\$47</b>

	2012E	2013E	2014E
<b>Restricted Payments: Bond Indenture</b>			
<u>Restricted Payments Basket <sup>(3)</sup></u>			
Beginning of Year		\$123	\$126
Dividends Paid <sup>(2)</sup>		(58)	(130)
Additional Capacity Earned <sup>(3)</sup>		60	66
<b>End of Year</b>	<b>\$123</b>	<b>\$126</b>	<b>\$62</b>

Source: Company documents, Marcato estimates

- (1) Calculated as \$35m plus aggregate cumulative Excess Cash Flow not required for mandatory prepayments for all full fiscal years after the Closing Date, as defined in the senior credit agreement
- (2) Assumes a dividend payout ratio equal to 100% of Free Cash Flow annually, beginning in Q3 2013, and a refinancing of the 9.5% bonds in 2014 at a 7% interest rate
- (3) Calculated as \$35m plus 50% of aggregate cumulative Consolidated Net Income for all fiscal quarters beginning in the quarter in which the Issue Date occurred, as defined in the bond indenture

## Illustrative Timeline



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## V. Summary

▲ **Attractive Business**

- ▲ High quality franchised business model results in stable, predictable royalty stream
- ▲ High margins + low capital requirements = significant free cash flow generation

▲ **Undervalued by the Market**

- ▲ Equity trading at significant discount to pure-play franchised peers

▲ **Conservative Capital Structure**

- ▲ Now under 5x leverage target
- ▲ No near-term maturities and opportunity to refinance bonds at lower interest rate in 2014

▲ **How Can the Company Create the Maximum Value from this Opportunity?**

- ▲ Pay out all free cash flow as dividends
- ▲ Stable, predictable annual dividend would attract new investors and be highly prized in persistent low interest rate environment
- ▲ We believe this will lead to significant long-term value creation

## We Believe A High Payout Ratio Will Create Significant Equity Value

We believe if the Company announces a policy of paying out 100% of its annual Free Cash Flow, a stock price over \$100 is highly likely

### Stock Price at Different Dividend Payouts and Yields

		FCF Payout Ratio			
		80%	90%	100%	110%
Dividend Yield	3%	\$162.17	\$182.44	\$202.71	\$222.99
	4%	121.63	<b>136.83</b>	<b>152.04</b>	167.24
	5%	97.30	<b>109.47</b>	<b>121.63</b>	133.79
	6%	81.09	91.22	101.36	111.49

Source: Marcato estimates



## Schedule of Transactions in Shares

## Marcato, L.P., Marcato and Richard T. McGuire III

<u>Date of Transaction</u>	<u>Title of Class</u>	<u>Number of Shares Acquired</u>	<u>Number of Shares Disposed</u>	<u>Price Per Share</u>
December 3, 2012	Common Stock, par value \$0.01	21,756		\$63.05

## Marcato II, L.P., Marcato and Richard T. McGuire III

<u>Date of Transaction</u>	<u>Title of Class</u>	<u>Number of Shares Acquired</u>	<u>Number of Shares Disposed</u>	<u>Price Per Share</u>
December 3, 2012	Common Stock, par value \$0.01		5,128	\$63.05

## Marcato International Master Fund, Ltd., Marcato and Richard T. McGuire III

<u>Date of Transaction</u>	<u>Title of Class</u>	<u>Number of Shares Acquired</u>	<u>Number of Shares Disposed</u>	<u>Price Per Share</u>
December 3, 2012	Common Stock, par value \$0.01		16,628	\$63.05

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AGREEMENT

The undersigned agree that this Schedule 13D, relating to the Common Stock, par value \$0.01 per share of DineEquity, Inc. shall be jointly filed on behalf of the undersigned.

December 20, 2012

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(Date)

Marcato Capital Management LLC

By: /s/ Richard T. McGuire III

Richard T. McGuire III, Managing Member

/s/ Richard T. McGuire III\*

Richard T. McGuire III

Marcato, L.P.

By: Marcato Capital Management LLC, its Managing Member

By: /s/ Richard T. McGuire III

Richard T. McGuire III, Managing Member

Marcato International Master Fund, Ltd.

By: /s/ Richard T. McGuire III

Richard T. McGuire III, Director

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