UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

☐ **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	**95-3038279**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
450 North Brand Boulevard, Glendale, CA	**91203-2346**
(Address of principal executive offices)	(Zip Code)

(818) 240-6055

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	DIN	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 every Interactive Data File required to be submitted 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 such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2021 was $1.4 billion.

As of February 23, 2022, the Registrant had 17,067,586 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on Thursday, May 12, 2022 are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Except as expressly incorporated by reference, the registrant's Proxy Statement shall not be deemed to be part of this report.

DINE BRANDS GLOBAL, INC. AND SUBSIDIARIES

Annual Report on Form 10-K

For the Fiscal Year Ended December 31, 2021

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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 Dine Brands Global, Inc. 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: uncertainty regarding the duration and severity of the ongoing COVID-19 pandemic (including the emergence of variant strains) and its ultimate impact on our business; 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, including any insolvency or bankruptcy; credit risks from our IHOP franchisees operating under our previous IHOP business model in which we built and equipped IHOP restaurants and then franchised them to franchisees; insufficient insurance coverage to cover potential risks associated with the ownership and operation of restaurants; our franchisees' and other licensees' compliance with our quality standards and trademark usage; general risks associated with the restaurant industry; potential harm to our brands' reputation; risks of food-borne illness or food tampering; possible future impairment charges; trading volatility and fluctuations in the price of our stock; our ability to achieve the financial guidance we provide to investors; successful implementation of our business strategy; the availability of suitable locations for new restaurants; shortages or interruptions in the supply or delivery of products from third parties or availability of utilities; the management and forecasting of appropriate inventory levels; development and implementation of innovative marketing and use of social media; changing health or dietary preference of consumers; risks associated with doing business in international markets; the results of litigation and other legal proceedings; third-party claims with respect to intellectual property assets; delivery initiatives and use of third-party delivery vendors; our allocation of human capital and our ability to attract and retain management and other key employees; compliance with federal, state and local governmental regulations; risks associated with our self-insurance; natural disasters or other serious incidents; our success with development initiatives outside of our core business; the adequacy of our internal controls over financial reporting and future changes in accounting standards; and other matters in the "Risk Factors" section of this Annual Report on Form 10-K for the fiscal year ended December 31, 2021, many of which are beyond our control.

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 2021 fiscal year that ended January 2, 2022. There were 53 calendar weeks in our 2020 fiscal year that ended January 3, 2021 and our fiscal 2020 fourth quarter contained 14 calendar weeks. There were 52 calendar weeks in our 2019 fiscal year that ended on December 29, 2019.

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, franchises and operates 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 owns and franchises 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, area licensees and their sub-licensees or by us. As of December 31, 2021, the substantial majority of our 3,431 restaurants across both brands were franchised. We believe this highly 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 during the year ended December 31, 2021 from five operating segments, comprised as follows:

- Our two franchise operations (each a separate operating segment) - primarily royalties, advertising fees and other income from 1,611 Applebee’s franchised restaurants and 1,751 IHOP franchised and area licensed restaurants;
- Rental operations - primarily rental income derived from lease or sublease agreements covering 598 IHOP franchised restaurants and two Applebee’s franchised restaurants;
- Financing operations - primarily interest income from approximately $33 million of receivables for equipment leases and franchise fee notes generally associated with IHOP franchised restaurants developed before 2003 and approximately $15 million of notes receivable from franchisees; and
- Company restaurant operations - retail sales from 69 Applebee's company-operated restaurants.

Most of our revenue is derived from domestic sources within these five operating segments, with approximately 71% of our total revenues for the year ended December 31, 2021 being generated from our two franchise operating segments. Internationally, our restaurants are in 15 countries and two United States territories at December 31, 2021. Revenue derived from all international operations comprised less than 2% of total consolidated revenue for the year ended December 31, 2021. At December 31, 2021, 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.

COVID-19 Pandemic

In March 2020, the World Health Organization (“WHO”) declared a global pandemic related to the outbreak of a novel strain of coronavirus, designated “COVID-19.” Initially, federal, state, local and international governments reacted to the COVID-19 pandemic by encouraging or requiring social distancing, instituting shelter-in-place orders, and requiring, in varying degrees, reduced operating hours, restaurant dine-in and/or indoor dining limitations, capacity limitations or other restrictions that largely limited restaurants to off-premise sales (take-out and delivery) in the early stages of the pandemic, particularly from the second week of March 2020 until May 2020. As infection rates from the initial outbreak declined, domestic governmental entities slowly began to relax restrictions, and the degree of relaxation varied by individual geographic area. Restaurants allowed to re-open were largely limited to occupancy of 50% or less of capacity during the period from May 2020 to March 2021. As vaccines became widely available and incidents of infection continued to decrease, many restrictions on domestic restaurant operations were removed, such that by June 2021, 98% of domestic IHOP and Applebee's restaurants and 8% of international restaurants were operating without government-mandated restrictions. As of December 31, 2021, 99% of domestic IHOP and Applebee's restaurants and 32% of international restaurants were operating without government-mandated restrictions. Throughout the pandemic, we and our franchisees instituted and continue to maintain operational procedures to protect the health and foster the confidence of employees and guests at the restaurants.

The operating status of our restaurants continues to face uncertainty as governmental authorities modify existing restrictions or implement new restrictions on restaurant operations in response to changes in the number of COVID-19 infections and the emergence of variant strains of the virus in their respective jurisdictions. We and our franchisees continue to monitor developing health authority recommendations and regulatory requirements.

The impact of the COVID-19 pandemic on our results of operations and liquidity is discussed in *Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations* of this Form 10-K.

Our Goal

Our goal is to accelerate profitable growth and create significant value for stockholders and franchisees.

Our Strategic Priorities

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

- Evolve strong brands and drive same-restaurant sales, traffic and system 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 investments in or acquisitions of new concepts. We intend to leverage our significant scale and our franchise business model to drive robust margins and cash flows. We are actively supporting our brands with focused teams that are responsible and accountable at the brand level to drive strong performance. 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 leverage our favorable guest dynamics. We are investing in technology to create more ways for customers to access our brands and in growth platforms such as online ordering, off-premise business and delivery. We will continue to focus on generating strong adjusted free cash flow and returning a portion of it to stockholders through quarterly cash dividends and repurchases of our common stock taking into consideration COVID-related changes to business conditions. We will continue to reevaluate our capital allocation strategy to maximize long-term stockholder return. Our business strategy includes evaluating the addition of new brands to our restaurant portfolio through mergers and acquisitions.

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. Applebee's International, Inc, (“AII”) became a public company in 1989, comprised of 100 restaurants. In November 2007, we completed the acquisition of AII, which comprised 1,455 franchised restaurants and 510 company-operated restaurants at the time of the acquisition. We subsequently refranchised all Applebee's company-operated restaurants and were 100% franchised until we acquired 69 restaurants from a former Applebee's franchisee in December 2018.

Restaurant Concepts

Applebee's

We franchise and operate Applebee’s restaurants in the bar and grill segment within the casual dining category of the restaurant industry. As one of the world’s largest casual dining brands, Applebee’s Neighborhood Grill + Bar offers guests a dining experience that combines simple, craveable American fare with classic drinks and local drafts - all for a moderate price. Applebee's restaurants that are franchised are owned and operated by franchisees dedicated to serving great food and also building up the communities that we call home. From raising money for local charities to hosting community fundraisers, Applebee’s is always “Doin’ Good in the Neighborhood”.

We strive to provide genuine and neighborly service, appetizers, drinks and entrees and limited-time offers. Our menu features a selection of grill and bar fare, such as appetizers, bar snacks, burgers, pasta entrees and lighter fare, as well as cocktails, beers and desserts. During the current global pandemic, we continue to enhance our very popular “Eatin’ Good in the Neighborhood” positioning while providing safe and sanitary dining options whether in limited indoor or outside seating or To

Go. Applebee's offers online ordering via web and a mobile app for Carside To Go pick up options or Applebee’s Delivery with no-contact options and new tamper-proof packaging. We also contract with all major delivery service providers, such as DoorDash, Uber Eats and GrubHub, providing multiple options for our guests to continue to enjoy Applebee’s at home during this challenging time. Applebee's also opened our first ghost kitchens (small kitchens with no store-front presence, used to fill online orders) in 2020 to further expand our delivery options and reach even more of our customers at home. We began offering catering, a third component of our off-premise options, as a national program in 2019, and plan to continue expansion of our catering offerings to align with the needs of our customers as larger events with catering needs are anticipated to become more frequent as COVID-19 infection rates decline.

As of December 31, 2021, 49 franchise groups (31 domestic and 18 international) operated 1,611 Applebee’s franchise restaurants. We operated 69 Applebee's restaurants acquired from a former franchisee in December 2018. Applebee's restaurants were located in 49 states within the United States, two United States territories and 11 countries outside of the United States. The June 2021 issue of *Nation's Restaurant News* reported that Applebee's was the fourth largest restaurant system in the casual dining category in terms of United States system-wide sales during 2020.

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 and putting an unexpected twist on “all things breakfast, any time of the day,” IHOP is committed to accelerating growth through menu innovation, day-part expansion, off-premise initiatives and development. Focused on meeting the needs of today’s guest, IHOP leverages industry analytics and brand-specific insights to help effectively drive positive behaviors, including increased frequency of visit and average check.

IHOP restaurants are open throughout the day and evening hours. As of December 31, 2021, approximately 26% of IHOP restaurants operate 24 hours a day, seven days a week, with 68 additional restaurants operating 24 hours a day for some portion of the week. In comparison, approximately 45% of IHOP restaurants operated 24 hours a day, seven days a week, with 245 additional restaurants operating 24 hours a day for some portion of the week as of December 31, 2019, the last fiscal year end prior to the COVID-19 pandemic. Operating hours remain affected by varying dine-in restrictions mandated by federal, state, local and international jurisdictions in which the restaurants are located, as well as by recent labor challenges and staffing shortages experienced by franchisees.

We announced the most comprehensive remodel program in our brand’s history, “Rise ‘N’ Shine,” in late 2015. Since starting the program in 2016, our domestic franchisees have remodeled over 1,175 of their restaurants. Including new restaurants opened in the past six years, more than 86% of our domestic IHOP franchise restaurants reflect the new, contemporary look. In light of the COVID-19 pandemic, we allowed franchisees to defer their 2021 and 2020 unit remodel obligations, but nevertheless franchisees still completed 24 remodels in 2021.

We remain committed to giving more people, more reasons to enjoy more IHOP, more often. Placing an emphasis on building its IHOP ‘N’ Go business, IHOP offers an online ordering platform, a mobile app, and a national delivery program with leading service providers including DoorDash, Uber Eats and GrubHub. In 2021, our off-premise business sustained significantly elevated volume compared to pre-pandemic volumes. We now offer delivery directly through our website and mobile app at close to 100% of our restaurants, as well as Curbside Pickup options. We believe the convenience of take-out and delivery will remain appealing to our guests even as dining room restrictions are eased around the world. Additionally, we implemented several measures to enhance our in-restaurant health safety and sanitation operational procedures in order to protect the health and foster the confidence of employees and guests at the restaurants.

As of December 31, 2021, 289 franchise groups (270 domestic, 19 international) operated 1,751 IHOP franchise and area license restaurants. These restaurants were in all 50 states within the United States, in the District of Columbia, in two United States territories and in seven countries outside of the United States. We no longer operate any company-owned IHOP restaurants on a permanent basis, but we may operate, on a temporary basis until refranchised, IHOP restaurants that we reacquire for a variety of reasons from IHOP franchisees. There were no such reacquired restaurants at December 31, 2021. The June 2021 issue of *Nation's Restaurant News* reported that IHOP was the largest restaurant system in the family dining category in terms of United States system-wide sales during 2020.

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 Business Council (“FBC”), which consists of eight elected franchisee representatives and three Applebee's representatives. 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 may 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. Our agreements for most Applebee's restaurants opened before January 1, 2000, provide for a royalty rate of 4%, while 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 to assist them in either establishing or reinvigorating their businesses. For example, in response to the impact of the COVID-19 pandemic, we allowed our franchisees to defer their development obligations for up to 15 months. We also offered Applebee's franchisees the opportunity to defer payment of their royalty, advertising and other fees, and IHOP franchisees the opportunity to defer payment of their royalty, advertising, equipment rent and sublease rent payments, primarily for the months of March and April 2020. From time to time, we may also offer reduced or eliminated initial franchise fees, key money grants, and periods of reduced royalties as development incentives to encourage the development of new restaurants.

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

The Applebee's franchise agreements generally require domestic franchisees of Applebee's restaurants to (i) contribute 3.25% of their gross sales to a national advertising fund, which funds the development of national promotions, television and radio commercials, print advertising materials and digital marketing and (ii) 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 domestic Applebee’s franchisees have either entered into an amendment to their franchise agreements to increase their contribution to the Applebee's national advertising fund (the “Applebee’s NAF”) or entered into new franchise agreements in connection with renewals setting forth the current advertising contribution requirements. Virtually all franchisees who entered into amendments agreed to an incremental temporary increase in the national advertising contribution rate to 4.25% through December 31, 2022, with no requirement that franchisees spend on local marketing during that time.

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 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 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 also was 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, and in 2022 it was further extended through 2027. The current IHOP franchise agreements generally provide for advertising fees comprised of (i) a local advertising fee equal to 0% of gross sales under the franchise agreement, and (ii) a national advertising fee equal to 3.5% of weekly gross sales under the franchise agreement. Commencing on January 1, 2028, the local advertising fee and the national advertising fee are subject to change.

The Company temporarily discontinued the national advertising programs of both brands in March 2020 due to uncertainty related to the COVID-19 pandemic; however, both brands returned to national media advertising in July 2020.

IHOP Area License Agreements

We have entered into four long-term area license agreements for IHOP restaurants covering the state of Florida and certain counties in the state of Georgia, the province of British Columbia, Canada, the country of Pakistan and certain countries or islands in the Caribbean, including Aruba, Bonaire and Curacao (ABC Islands), Bahamas, Barbados, Guyana, Jamaica, St.

Lucia, St. Maarten and Trinidad & Tobago. 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 5.5% 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, 2021, the area licensee for the state of Florida and certain counties in Georgia operated or sub-franchised a total of 148 IHOP restaurants. The area licensee for the province of British Columbia, Canada operated or sub-franchised a total of eight IHOP restaurants. The area licensee for the country of Pakistan opened its first franchise IHOP restaurant in 2020 and may begin to sub-license restaurants once a required number of franchise restaurants have been opened. The area licensee for the Caribbean also may begin to sub-license restaurants once a required number of franchise restaurants have been opened. The area license for British Columbia expires in 2026; the area license for Pakistan expires in 2047; the area license for the Caribbean expires after the year 2042, with the date of expiration changing depending on the number of qualified restaurant openings and closures by such licensee; and the area license for Florida and Georgia expires after the year 2100, with the date of expiration changing depending on the number of qualified restaurant openings and closures by such licensee.

Other Franchise-related Revenues and Fees

Approximately 90% of franchise segment revenue for the year ended December 31, 2021 consisted of Applebee's and IHOP royalties and advertising revenue. Most of the remaining 10% consisted of sales of proprietary products (primarily IHOP pancake and waffle dry mix), 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 in 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. For domestic restaurants, 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, 2021, we had signed commitments from IHOP franchisees to build 387 IHOP restaurants over the next nine years, comprised of 98 restaurants under single restaurant or non-traditional development agreements, 135 restaurants under domestic multi-restaurant development agreements and 154 restaurants under international development agreements. We also have signed option agreements to build an additional 17 restaurants over the next 11 years, primarily under domestic multi-restaurant development agreements. As of December 31, 2021, we had signed commitments from Applebee's franchisees for the opening of approximately 20 international restaurants over the next nine years and we are beginning to re-establish Applebee's domestic development pipeline. Developers' level of compliance with development obligations varies per year and could change; therefore, the number of signed commitment and/or development agreements in place at any given time may not be a reliable indicator of future development activity. In light of the COVID-19 pandemic, we allowed franchisees to defer their 2020 development obligations for up to 15 months.

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, 2021, 31 Applebee’s franchisees owned a total of 1,509 domestic Applebee's restaurants. The number of domestic restaurants held by a single franchisee ranged from one restaurant to 441 restaurants. As of December 31, 2021, 18 franchisees owned a total of 102 international Applebee's restaurants. The number of international restaurants held by a single franchisee ranged from one restaurant to 19 restaurants. Our five largest Applebee’s franchisees owned 53% of the total 1,611 Applebee's franchise restaurants.

As of December 31, 2021, 270 franchisees owned a total of 1,657 domestic IHOP restaurants, including 108 franchisees that each owned one restaurant. The largest single IHOP franchisee owned 272 domestic restaurants. As of December 31, 2021, 19 franchisees owned a total of 94 international IHOP franchise restaurants. The number of international restaurants held by a single franchisee ranged from one restaurant to 15 restaurants. Our five largest IHOP franchisees owned 30% of the total 1,751 IHOP franchise restaurants.

Company-Operated Restaurants

In December 2018, we acquired 69 Applebee's restaurants in North Carolina and South Carolina from a former Applebee's franchisee. While we currently intend to own and operate these restaurants for the near term, we will assess and monitor opportunities to refranchise these restaurants under favorable circumstances. We believe this transaction was a unique circumstance and should not be considered a change in our business strategy. Our business strategy includes the possible addition of new brands to our restaurant portfolio, which may result in our acquiring additional company-operated restaurants.

From time to time, we also may reacquire a small number of restaurants from franchisees for a variety of reasons. Historically, we have been able to refranchise these restaurants quickly to new franchisees. When reacquired restaurants are not refranchised quickly, 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. There were no such reacquired restaurants at December 31, 2021.

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, 2021, 100% of Applebee's domestic franchise restaurants and 99.8% 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, 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 Buffalo Wild Wings, Olive Garden, Chili's Grill & Bar, Texas Roadhouse and Outback Steakhouse, among others, as well as fast-casual and quick service restaurant chains. In addition, there are many independent restaurants across the country in the casual dining segment. The June 2021 issue of *Nation's Restaurant News* reported that Applebee's was the fourth largest restaurant system in the casual dining category in terms of United States system-wide sales during 2020.

IHOP competes in the family dining segment against national and multi-state restaurant chains such as Denny's, Cracker Barrel Old Country Store, Golden Corral, Waffle House and Bob Evans Restaurants. IHOP also faces competition from fast-casual and quick service restaurant chains that serve breakfast. In addition, there are many independent restaurants and diners across the country in the family dining segment. The June 2021 issue of *Nation's Restaurant News* reported that IHOP was the largest restaurant system in the family dining category in terms of United States system-wide sales during 2020.

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®.” 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 use in-house developed and 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 daily 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 cybersecurity capabilities, educating our team members on cybersecurity 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' personal 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 the Payment Card Industry Data Security Standard ("PCI DSS"), including periodic scanning of our networks to check for vulnerability. To further secure customers' payment data, we worked with our franchisees to deploy and implement encryption and tokenization technologies, ensuring credit card data is not stored in our franchisees' and our restaurants systems. This includes installation of equipment to improve authentication and to prevent fraud using EMV (Europay, Mastercard, Visa) technology. We and our franchisees are required and responsible for maintaining compliance, with PCI DSS, and we regularly communicate and encourage our franchisees to maintain compliance and to manage risk. For further information regarding Information Technology, see Item 1A, Risk Factors.

Seasonality

We do not consider our operations to be seasonal to a material degree. We may experience a slight increase in system-wide sales in the first quarter of our fiscal year due to redemptions of gift cards sold during the preceding December holiday season. In terms of average sales over the five-year time period covering 2016 to 2021, excluding the year 2020, 25% 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, second and fourth quarters of the fiscal year, with 24% occurring in the third quarter (Note: does not add to 100% due to rounding). The 2020 time period was excluded in the five-year average above due to distortions caused by COVID-19 pandemic in that 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 unless an exemption applies.

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 business.

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.

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, tip credits and other working requirements and conditions. Significant additional government-imposed increases in minimum wages, paid leaves of absence, mandated health benefits, changes to the tip credit or increased tax reporting and tax payment requirements with respect to employees who receive gratuities could be detrimental to the economic viability of company-operated restaurants and our franchisees' restaurants.

We are subject to a number of privacy and data protection laws and regulations globally, including, without limitation, the California Consumer Privacy Act and pending California Privacy Rights Act. 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.

We are also subject to laws and regulations, which may vary from jurisdiction to jurisdiction, relating to nutritional content and menu labeling. 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 menu labeling requirements for restaurants requiring that chain restaurants include calorie information on their menus or make other nutritional information available, a number of other jurisdictions around the United States have adopted regulations related to disclosure of other information, such as sodium content, and imposing requirements for children's menus. 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.

Human Capital

We view our employees as one of the three core strategic pillars of our business - People, Brand, and Growth. We believe that hiring, developing and retaining team members is critically important to our operations and that our corporate responsibility begins with our team members. We are focused on a comprehensive approach to diversity and representation across leadership, team members, franchisees, partners and the community.

At Dine Brands, we believe the power to meaningfully impact the people and communities we serve is realized when each team member is personally and professionally fulfilled. One of our primary focuses is to ensure the health and well-being of our team members. Our Total Rewards Program plays a big part in our commitment to creating an environment of well-being. We believe that when team members are supported with the resources they need to care for themselves and their loved ones, they are able to be at their best. Dine Brands has a consistent and fair compensation program that reflects our pay-for-performance philosophy and rewards our team members for their contributions to our success. We offer comprehensive health and protection benefits that support our team members and their families’ overall well-being. Dine Brands also contributes to programs that provide our team members with financial security, now and in the future. We offer other rewards that focus on recognition, career building, health and wellness, time-off benefits, and other perks that are designed to make our peoples’ experience as Dine Brands team members productive and fun.

Dine Brands values, encourages and appreciates the diversity of our workforce. We embrace our personal differences - whether it be race, gender, age, religion, culture, ethnicity, sexual orientation, veteran status, national origin or physical ability - and the benefits that an array of backgrounds, cultures and thinking styles bring to our organization. We are committed to sustaining an environment that accepts, includes and engages everyone in our workforce and encourages open dialogue, empowerment and a sense of belonging. While the world and our business change rapidly, our management believes that respecting individual differences will continue to be essential to our long-term success.

We maintain six Team Member Resource Groups (TMRGs) as part of our diversity and inclusion efforts. TMRGs are team member-led, self-directed, voluntary groups, each sponsored by a member of our Executive team, that offer internal networking opportunities, career development, expand our innovation and problem solving and in general, act as a vehicle to enhance diversity and inclusion.

We assess our culture and listen to our workforce through periodic employee engagement surveys. Numerous policy changes have been made or been influenced by the feedback we receive from our employees. Some recent examples of these changes include our new flexible hybrid work schedule, which offers increased flexibility for our restaurant support center employees, and our COVID-19 vaccination policy, which protects the health and safety of our employees.

We believe in accountability that starts with our leadership and extends to all of our team members. Our Chief Executive Officer, John W. Peyton, has taken the CEO Action for Diversity and Inclusion pledge. Substantially all our restaurant support center team members as well as our Board members have undertaken a comprehensive diversity and inclusion training seminar.

As of December 31, 2021, we had 3,521 employees, of whom 3,008 were employees of our company-owned restaurants and 513 were corporate employees at our restaurant support centers or in the field. Of our corporate employees, 60% are male and 40% are female, while 59% are white and 41% are people of color. Approximately 81% of our corporate employees are salaried, with 19% paid hourly.

Of our company owned restaurant employees, 59% are female and 41% are male, while 52% are people of color and 48% are white. Nearly 93% of our company-owned restaurant employees are paid on an hourly basis, while certain restaurant and operations management and corporate positions are salaried. We employ both full-time and part-time restaurant employees in order to provide the flexibility necessary during peak periods of restaurant operations and meet the individual needs of our employees. Our employees are not presently represented by any collective bargaining agreements and we have not experienced any significant work stoppages. 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.** 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.

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.

Risks Relating to Our Business and Financial Condition

The novel coronavirus (COVID-19) pandemic has disrupted and may further disrupt our business, which could further materially affect our operations, and business and financial results. In addition, any other epidemic, disease outbreak or public health emergency may result in similar adverse effects.

The COVID-19 pandemic has impacted and may continue to impact sales and traffic at our and our franchisees' restaurants, may make it more difficult to staff restaurants and, in more severe cases, may damage our reputation, cause an inability to obtain supplies, increase commodity costs or continue to cause partial or total closures of impacted restaurants. The extent to which the COVID-19 pandemic and other epidemics, disease outbreaks or public health emergencies will impact our business, liquidity, financial condition, and results of operations, will depend on numerous evolving factors that we may not be able to accurately predict or assess, including the duration and scope of the pandemic, epidemic, disease outbreak, or public health emergency; the negative impact on the economy; the short and longer-term impacts on the demand for restaurant services and levels of consumer confidence; the ability of us and our franchisees to successfully navigate the impacts; government action, including restrictions on restaurant operations; increased unemployment; and reductions in consumer discretionary spending. Even if a virus or other disease does not spread significantly, the perceived risk of infection or health risk may damage our reputation and adversely affect our business, liquidity, financial condition and results of operations. The COVID-19 pandemic has heightened many of the other risks described in this Item 1A, "Risk Factors."

We and our franchisees have been and could further be adversely affected by government restrictions on public gatherings; shelter-in-place orders; and limitations on operations of restaurants, including dine-in restrictions, mandatory or voluntary closures or restrictions on hours of operations. As of December 31, 2021, 99% of domestic IHOP and Applebee's restaurants and 32% of international restaurants were operating without government-mandated restrictions. However, the operating status of our restaurants continues to face uncertainty as governmental authorities modify existing restrictions or implement new restrictions on restaurant operations in response to changes in the number of COVID-19 infections and the emergence of variant strains of the virus in their respective jurisdictions .

To assist franchisees impacted by COVID-19, we have offered deferral of royalty, advertising, and other fees, including, in some cases, lease payments. We have allowed franchisee to defer development obligations for up to 15 months. These changes and any additional changes may materially adversely affect our business, liquidity, financial condition, and results of operations, particularly if these changes are in place for a prolonged amount of time. The COVID-19 pandemic as well as other epidemics, disease outbreaks or public health emergencies may also materially adversely affect our ability to implement our growth plans, including delays in development of new locations or adversely impact our overall ability to successfully execute our plans to enter into new markets.

Furthermore, the impacts of COVID-19 could cause us to fail to meet certain financial performance measures, including debt service coverage ratios and minimum domestic franchise system sales amounts, that must be met to avoid a possible rapid amortization event or event of default under the terms of our existing debt arrangements. In addition, as a result of the risks described above, we may be required to raise additional capital, and there is no guarantee that debt and/or equity financings will be available in the future to fund our obligations, or will be available on terms consistent with our expectations.

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 and 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 our and our franchised restaurants, resulting in lower revenues, royalty payments and other payments from franchisees. This could negatively impact the financial performance of our company-operated restaurants and reduce the profitability of franchised 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, 2021, certain of our indirect, wholly-owned subsidiaries had approximately $1.3 billion of long-term debt. In addition, we had approximately $0.5 billion in operating lease, finance lease and other financing obligations as of December 31, 2021. 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. 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;
- subject us to risks associated with rising interest rates and uncertainty related to the phase-out of the London Interbank Offered Rate (LIBOR) and the use of alternate benchmark interest rates; 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.

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 Dine Brands International, Inc. as these entities are not parties 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 five-year term following issuance, the outstanding fixed-rate class A-2-I senior notes will accrue interest at a rate of 4.194% per year. During the seven-year term following issuance, the outstanding fixed-rate class A-2-II senior notes will accrue interest at a rate of 4.723% per year. Additionally, the fixed-rate class A-2-I and class A-2-II senior notes have scheduled quarterly principal amortization payments of $1.75 million and $1.5 million, respectively. If we maintain a leverage ratio of less than or equal to 5.25x total debt to adjusted EBITDA, 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 applicable five- or 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 applicable five- or 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 favorable 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 and our franchisees' restaurants, online ordering and delivery, management of our supply chain, collection of cash and other receivables, 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 the transition 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. Any adverse event that threatens the confidentiality, integrity, or availability of our information resources is considered to be a cyber incident. 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; (iv) interruption of our business; and (v) an event of default under our securitized debt agreements if a cybersecurity breach impacts our ability to comply with the terms of securitized debt agreements. We, our franchisees, third-party vendors and others with whom we may do business or interact with may have inadequate cyber liability insurance or coverage terms may be restrictive or insufficient to cover potential losses and remediation costs associated with a cyber incident.

As a merchant and service provider of point of sale related services, we and our franchisees are subject to 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 personal 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. For example, we are subject to the California Consumer Privacy Act and pending California Privacy Rights Act, which require various processes and protections to be implemented.

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 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, issues with collections, international currency fluctuations, difficulty in enforcing intellectual property rights, terrorism, civil unrest, 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 also has 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.

We and 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 social issues (e.g., allegations of discrimination), the Americans with Disabilities Act and other premises liability. We and our franchisees are also subject to "dram shop" laws in some states pursuant to which we and 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 also may 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 delivery initiatives and use of third-party delivery vendors subjects us and our franchisees to a variety of risks related to the delivery of our products by third parties and may not generate expected returns. There can be no assurance that delivery vendors will not take actions that could have a material adverse effect on our brands and/or subject us to increased litigation and costs. Our delivery initiatives also introduce new operating procedures to our and our franchisees' restaurants, which could adversely affect the business, brands, and the experience of our guests.

Our business depends on the proper allocation of our human capital and our ability to attract and retain talented management and other key employees. We have 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 our allocation of our human capital will effectively meet the needs of our business and brands. Further, 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. The departure of a key executive or employee and/or the failure to ensure an effective transfer of knowledge and a smooth transition upon such departure may be disruptive to the business and 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 and our franchisees are subject to the Fair Labor Standards Act (which governs such matters as minimum wage, overtime, collective bargaining 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, collective bargaining 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 franchisees. Increases in payroll expenses as a result of any federal and state mandated increases in the minimum wage or changes to the tip credit may negatively impact our and our franchisees' profitability. Enactment and enforcement of various federal, state and local laws, rules and regulations on immigration, collective bargaining and labor organizations may adversely impact the availability and costs of labor in a particular area or across the United States. Other labor shortages, unionization or increased team member turnover could also impact 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 and our franchisees 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 and our franchisees are also subject to laws and regulations relating to building and zoning requirements. Our and our franchisees' restaurants are 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 we or 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, we and 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 current or future U.S. political administrations 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. We 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 our 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 a man-made disaster, including terrorism, civil unrest or a cyber incident, at or affecting 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 centers. 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 virtual brands, non-traditional restaurant formats, including restaurants with a smaller footprint, restaurants located in non-traditional locations and restaurants that operate on a delivery-only and/or ghost kitchen basis, 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.

Changes in tax laws and unanticipated tax liabilities could adversely affect our financial results. We are subject to income and other taxes in the United States and foreign jurisdictions. Any significant changes in U.S. or foreign laws and related authoritative interpretations could affect our tax expense and profitability. We are also impacted by the outcome of tax audits, which could have a material effect on our results of operations and cash flows in the period or periods for which that determination is made. In addition, our effective income tax rate and our results may be impacted by our ability to realize deferred tax benefits and any increases or decreases of our valuation allowance applied to our deferred tax assets.

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. In the second quarter of 2020, as a result of performing the interim quantitative test, we recognized an impairment of Applebee's goodwill of $92.2 million, an impairment of Applebee's tradename of $11.0 million and an impairment of various long-lived assets of $17.2 million. As of December 31, 2021, our total stockholders' deficit was $242.8 million. Any significant impairment write-down of goodwill, intangible assets or long-lived assets in the future could increase the stockholders' deficit. Repurchases of our common stock will also 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.

Failure to meet investor and stakeholder expectations regarding environmental, social and corporate governance (ESG) matters may damage our reputation. There is an increasing focus from certain investors, customers, consumers, employees and other stakeholders concerning ESG matters. Additionally, public interest and legislative pressure related to public companies’ ESG practices continue to grow. If our ESG practices fail to meet investor, customer, consumer, employee or other stakeholders’ evolving expectations and standards for responsible corporate citizenship in areas including environmental stewardship and animal welfare, Board of Directors and employee diversity, human capital management, corporate governance and transparency, our reputation, brand, appeal to investors and employee retention may be negatively impacted, which could have a material adverse effect on our business or financial condition.

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, overall liquidity and the impact of our capital allocation initiatives, including any future stock repurchase programs or dividend declarations. Many 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.

Risks Related to Our Franchised Business Model

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;
- challenges in the general labor market and our franchisees' ability to maintain adequate staffing of restaurants;
- 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 may have a material adverse effect on our business and financial condition.

We are significantly franchised; as a result, we are highly dependent upon our franchisees. All IHOP and almost all Applebee’s restaurants are owned and operated by our franchisees. Our dependence on our 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 franchised restaurants because we derive a substantial portion of our revenues from royalties that are based on a percentage of gross sales at franchised restaurants. Worsening economic conditions and declining trends in sales, traffic and/or average check could impact the performance of our franchised 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 generally offered 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. As our franchise portfolio matures with initial franchise agreements that are successfully renewed being replaced with renewal or successor franchise agreements, we generally expect to see a larger number of franchise agreements coming up for renewal on an annual basis due to the fact that the duration of renewal agreements is less than the duration of initial franchise agreements. We continue to have a substantial number of franchise agreements set to expire for both brands, including for IHOP in 2024 through 2028. We cannot ensure that renewal or successor franchise agreements or extensions will be entered into once the current term expires. 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 almost all franchisee-operated restaurants may expose us to risks not otherwise encountered if we maintained ownership and control of all 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, and we could be subject to claims by guests even if we are not legally liable for the franchisee's actions or failure to act. This 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 also may 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 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, 2021, Applebee's franchisees operated 1,509 Applebee's restaurants in the United States. Of those restaurants, the ten largest Applebee's franchisees owned 1,158 restaurants, representing 77% of all franchised Applebee's restaurants in the United States. The largest Applebee's franchisee owned 441 restaurants, representing 29% 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, notes receivable or other 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 agreements, notes receivable and other agreements. 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 or delay the collection of payments or the exercise of rights under the related franchise agreement. An insolvency proceeding involving a franchisee could prevent or delay 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 may 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. 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. 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. Of the 1,657 IHOP domestic franchise and area license restaurants as of December 31, 2021, approximately 600 restaurants have property lease/sublease agreements and/or notes and equipment contract obligations outstanding.

We and our franchisees are subject to potential losses that may not be covered by insurance. We and our franchisees may have insufficient insurance coverage to cover all of the potential risks associated with the ownership and operation of restaurants. We and our franchisees 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. Further, there can be no assurance that any such payments, even if obtained on a timely basis, will prevent losses to franchisees or enable timely franchise payments. Accordingly, in cases in which a franchisee experiences increased insurance premiums or must pay out-of-pocket claims, the franchisee may not have the funds necessary to make franchise and other payments to us, and franchisees may be unable to perform other obligations under their franchise agreements.

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 business strategy may not achieve anticipated results. We expect to continue to apply a business strategy that includes operation of a significantly franchised restaurant system across multiple brands and brand-specific business strategies suited to each brand. 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 another franchise system. In addition, operational improvement, purchasing and other strategic initiatives for any of our brands may not be successful or achieve the desired results, and there can be no assurance that franchisees will respond favorably to such initiatives. Additionally, our strategic initiatives may subject us and our franchisees to new and additional risks. Our business strategy includes the addition of new brands to our restaurant portfolio through mergers and acquisitions. There can be no assurance that any such transaction will be successful or produce favorable financial or other results.

Risks Related to Operating in the Restaurant Industry

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 (i) royalties based on the gross sales of our franchised restaurants and (ii) gross sales derived from company-operated restaurants. Sales and profitability of these restaurants 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 day-part 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 or related distribution 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 day-part; (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 and changes in 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, social issues 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, including through social media, but particularly regarding food quality, food-borne illness, food tampering or preparation, obesity, discrimination or bias, injury or other health concerns with respect to certain foods and actions of our or our franchisees’ 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 by negative publicity about the restaurant industry generally. Our company-owned restaurants and our franchisees may produce or receive through the supply chain sub-standard or non-compliant food or beverage products. In addition, our franchisees' failure 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.

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 also may 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 and 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, labor shortages, political unrest, terrorism, pandemics, epidemics, outbreaks of food-borne illness, disruption of operation of production facilities, financial difficulties (including bankruptcy) of our distributors or suppliers or other unforeseen circumstances. Such shortages could adversely affect our and our franchisees' ability to operate our restaurants and, in turn, affect our and our franchisees' revenue and profits. Additionally, 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 and 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 or the profits generated by our company-operated restaurants. In addition, interruptions to the availability of gas, electric, water or other utilities may adversely affect the operations of our and 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 or experiences in our or our franchisees' restaurants, exposure of personal information, fraud, and use of outdated information. The use, including any 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. Franchise development and system-wide sales depend on the sustained demand for our products, which may be affected by factors we do not control. New information regarding diet, nutrition and health and efforts by advocacy groups to influence consumer eating habits may negatively affect the demand for our food. Various additional 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, (iii) academic studies; or (iv) efforts by environmental, animal welfare and sustainability advocacy groups, 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.

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, 2021:

	Applebee's (a)			IHOP (a)			
	Franchise	Company	Total Applebee's	Franchise	Company	Area License	Total IHC
United States							
Alabama	30	—	30	16	—	—	
Alaska	1	—	1	4	—	—	
Arizona	21	—	21	42	—	—	
Arkansas	8	—	8	15	—	—	
California	107	—	107	222	—	—	2
Colorado	24	—	24	36	—	—	
Connecticut	6	—	6	9	—	—	
Delaware	12	—	12	7	—	—	
District of Columbia	—	—	—	2	—	—	
Florida	92	—	92	—	—	145 (b)	1
Georgia	58	—	58	82	—	3	
Hawaii	—	—	—	5	—	—	
Idaho	12	—	12	7	—	—	
Illinois	36	—	36	43	—	—	
Indiana	57	—	57	27	—	—	
Iowa	25	—	25	11	—	—	
Kansas	30	—	30	31	—	—	
Kentucky	27	—	27	12	—	—	
Louisiana	14	—	14	29	—	—	
Maine	12	—	12	4	—	—	
Maryland	18	—	18	51	—	—	
Massachusetts	25	—	25	22	—	—	
Michigan	84	—	84	28	—	—	
Minnesota	47	—	47	8	—	—	
Mississippi	20	—	20	13	—	—	
Missouri	47	—	47	31	—	—	
Montana	7	—	7	4	—	—	
Nebraska	15	—	15	6	—	—	
Nevada	13	—	13	24	—	—	
New Hampshire	13	—	13	6	—	—	
New Jersey	55	—	55	49	—	—	
New Mexico	20	—	20	15	—	—	
New York	98	—	98	60	—	—	
North Carolina	1	42	43	50	—	—	
North Dakota	11	—	11	2	—	—	
Ohio	77	—	77	34	—	—	
Oklahoma	12	—	12	33	—	—	
Oregon	17	—	17	13	—	—	
Pennsylvania	76	—	76	29	—	—	
Rhode Island	7	—	7	5	—	—	
South Carolina	—	27	27	30	—	—	
South Dakota	6	—	6	2	—	—	
Tennessee	29	—	29	35	—	—	
Texas	89	—	89	212	—	—	2
Utah	9	—	9	21	—	—	
Vermont	3	—	3	1	—	—	
Virginia	49	—	49	66	—	—	
Washington	40	—	40	32	—	—	
West Virginia	14	—	14	8	—	—	
Wisconsin	31	—	31	13	—	—	
Wyoming	4	—	4	2	—	—	
Total Domestic	1,509	69	1,578	1,509	—	148	1,6

	Applebee's (a)			IHOP (a)			
	Franchise	Company	Total Applebee's	Franchise	Company	Area License	Total IHC
International							
Bahrain	1	—	1	—	—	—	
Brazil	2	—	2	—	—	—	
Canada	13	—	13	19	—	8 (b)	
Dominican Republic	2	—	2	—	—	—	
Ecuador	—	—	—	5		—	
Egypt	1	—	1	—	—	—	
Guam	1	—	1	2	—	—	
Guatemala	4	—	4	—	—	—	
India	—	—	—	2	—	—	
Kuwait	6	—	6	—	—	—	
Mexico	40	—	40	47	—	—	
Pakistan	—	—	—	1	—	—	
Panama	3	—	3	3	—	—	
Peru	—	—	—	1		—	
Puerto Rico	8	—	8	6	—	—	
Qatar	7	—	7	—	—	—	
Saudi Arabia	14	—	14	—	—	—	
Total International	102	—	102	86	—	8	
Totals	1,611	69	1,680	1,595	—	156	1,7

(a) The properties identified in this table generate revenue in our franchise, rental, financing and company restaurant operating segments.
(b) Of these restaurants, 22 in Florida and five in Canada have been sub-licensed by the area licensee.

Of the 1,595 IHOP restaurants operated by franchisees, 55 were located on sites owned by us, 543 were located on sites leased by us from third parties and 997 were located on sites owned or leased by franchisees. All of the IHOP restaurants operated by area licensees and 1,609 of the franchisee-operated Applebee's restaurants were located on sites owned or leased by the area licensees or the franchisees. We owned one site on which a franchisee-operated Applebee's restaurant was located and one franchisee-operated Applebee's restaurant was located on site leased by us from third parties. The 69 Applebee's restaurants we operated as of December 31, 2021 were located on sites leased by us from third parties.

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 located in Glendale, California, under a lease expiring in April 2023. We lease approximately 20,000 square feet of office space in Leawood, Kansas, under a lease expiring in October 2031. We lease approximately 3,000 square feet of office space in Raleigh, North Carolina under a lease expiring in April 2024.

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".

Holders

As of February 18, 2022, there were 357 holders of our common stock. This number does not include beneficial owners whose shares are held in street name by brokers and other nominees.

Dividends on Common Stock

Refer to *Note 12 - Stockholders' Deficit,* of the Notes to the Consolidated Financial Statements for information on dividends declared and paid in the fiscal years ended December 31, 2021, 2020 and 2019.

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 (c)	Approximate dollar value of shares that may yet be purchased under the plans or programs (c)
October 4, 2021 – October 31, 2021[a]	122	$ 80.10	—	$ 70,200,000
November 1, 2021 – November 28, 2021[a]	8,671	$ 77.38	8,398	$ 69,500,000
November 29, 2021 – January 2, 2022[b]	53,313	$ 75.54	50,701	$ 65,700,000
Total	62,106	$ 75.81	59,099	$ 65,700,000

[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.

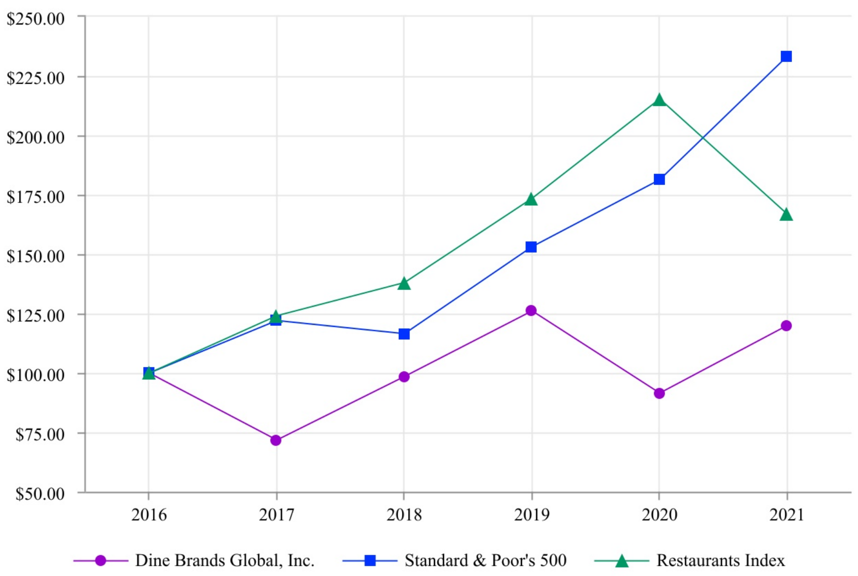
[b] Total number of shares repurchased includes 2,612 shares owned and tendered by employees at an average price of 74.70 per share to satisfy tax withholding obligations arising upon the vesting of restricted stock awards. Shares so surrendered by the participants are repurchased by us pursuant to the terms of the plan under which the shares were issued and the applicable individual award agreements and not pursuant to publicly announced repurchase authorizations.

[c] In February 2019, our Board of Directors approved the 2019 Repurchase Program authorizing the Company to repurchase up to $200 million of the Company's common stock. The 2019 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.

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 (“Restaurants Index”) over the five-year period ended December 31, 2021. The graph and table assume $100 was invested at the close of trading on the last day of trading in 2016 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 Restaurants Index
(Performance Results through December 31, 2021)



	2016	2017	2018	2019	2020	2021
Dine Brands Global, Inc.	$ 100.00	$ 71.60	$ 98.32	$ 126.08	$ 91.30	$ 119.98
Standard & Poor's 500	100.00	121.83	116.49	153.17	181.36	233.43
Value Line Restaurants Index (1)	100.00	124.06	137.87	173.48	215.24	166.84

(1) The Value Line Restaurants index is a comprehensive restaurant industry index. In addition to the family dining and casual dining segments, the Index also includes the fast-casual and quick-service segments of the restaurant industry.

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. [Reserved]

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

General

The following discussion provides analyses of our results of operations and reasons for material changes for 2021 as compared to 2020 and as compared to 2019 and should be read together with the financial statements included in this Annual Report on Form 10-K. For a detailed discussion of year-to-year comparisons between fiscal 2020 and fiscal 2019, please refer to the applicable portion of "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" contained in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, filed with the SEC on March 2, 2021, which is hereby incorporated by reference.

The financial tables appearing in Management's Discussion and Analysis present amounts in millions of dollars that are rounded from our consolidated financial statements presented in thousands of dollars. As a result, the tables may not foot or cross foot due to rounding.

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, franchise and operate 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 we own and franchise 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, IHOP restaurants are in all 50 states and the District of Columbia, while Applebee's restaurants are located in every state except Hawaii. Internationally, IHOP restaurants are in two United States territories and seven countries, while Applebee's restaurants are in two United States territories and 11 countries. With over 3,400 restaurants combined, 98% of which are franchised, we believe we are one of the largest full-service restaurant companies in the world. The June 2021 issue of *Nation's Restaurant News* reported that IHOP was the largest restaurant system in the family dining category and Applebee's was the fourth largest restaurant system in the casual dining category, in terms of United States system-wide sales during 2020.

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 2021 fiscal year ended January 2, 2022. There were 53 calendar weeks in our 2020 fiscal year ended on January 3, 2021 and our fiscal 2020 fourth quarter contained 14 calendar weeks. There were 52 calendar weeks in our 2019 fiscal year ended December 29, 2019.

Events Impacting Comparability of Financial Information

COVID-19 Pandemic

In March 2020, the World Health Organization declared a global pandemic related to the outbreak of a novel strain of coronavirus, designated "COVID-19." Initially, federal, state, local and international governments reacted to the COVID-19 pandemic by encouraging or requiring social distancing, instituting shelter-in-place orders, and requiring, in varying degrees, reduced operating hours, restaurant dine-in and/or indoor dining limitations, capacity limitations or other restrictions that largely limited most restaurants to off-premise sales (take-out and delivery) in the early stages of the pandemic, particularly from the second week of March 2020 until May 2020.

As infection rates from the initial outbreak declined, domestic governmental entities slowly began to relax restrictions, with the degree of relaxation varying by individual geographic area. In general, restaurants opened for dining were largely limited to occupancy of 50% or less of capacity during the period from May 2020 to March 2021. As vaccines became available and incidents of infection continued to decrease, many restrictions on domestic restaurant operations were removed, such that by June 2021, 98% of domestic IHOP and Applebee's restaurants and 8% of international restaurants were operating without government-mandated restrictions. As of December 31, 2021, 99% of domestic IHOP and Applebee's restaurants and 32% of international restaurants were operating without government-mandated restrictions.

At the onset of the pandemic in March 2020, we took several actions to mitigate the effects of the COVID-19 pandemic on the Company, its operations and its franchisees, including the temporary suspension of dividends and stock repurchases as well as giving IHOP and Applebee's franchisees the opportunity to defer payment of amounts due to us for royalty, advertising and other items. See "*Liquidity and Capital Resources of the Company*," for further discussion of these actions.

We and our franchisees continue to monitor developing governmental and health authority recommendations and regulatory requirements. The operating status of our restaurants will remain subject to uncertainty as governmental authorities modify existing restrictions or implement new restrictions on restaurant operations in response to changes in the number of COVID-19 infections or emergence of new variants of the virus in their respective jurisdictions.

Impairments Recognized in Fiscal 2020

The significance of the impacts of the COVID-19 pandemic resulted in our performing impairment assessments of our long-lived assets, goodwill and other intangible assets. As a result of these assessments, we recorded impairment charges of $129.6 million during the twelve months ended December 31, 2020. See "*Consolidated Results of Operations - Fiscal 2021, 2020 and 2019 - Closure and Impairment Charges*" for further discussion of the impairments.

53rd week in Fiscal 2020

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 2020 fiscal year contained 53 calendar weeks, whereas fiscal 2021 and 2019 each contained 52 calendar weeks. The estimated impact of the 53rd week on results of operations for the year ended December 31, 2020 was additional revenue of $14.4 million, additional gross profit of $4.7 million and a decrease in loss before income taxes of $2.2 million.

Overview of 2021 Performance

In light of the significant impact the measures taken by governmental entities in response to the COVID-19 pandemic have had on our restaurant operations, many comparisons of financial and statistical information between fiscal years 2021 and 2020 result in extreme variances that could impact analysis of the comparisons. We believe a more complete perspective on our 2021 performance can be obtained also by comparing the fiscal year 2021 results to the pre-pandemic results of fiscal year 2019. Accordingly, in addition to the required discussion and analysis of the results of the current fiscal year with those of the prior fiscal year, the Company is also presenting a discussion and analysis comparing of the results of the 2021 fiscal year with the results of the 2019 fiscal year.

Financial Summary

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
	(In thousands, except per share amounts)				
Income (loss) before income taxes	121,923	(108,562)	$ *230,485*	138,473	$ *(16,550)*
Income tax (provision) benefit	(24,059)	4,568	*(28,627)*	(34,127)	*10,068*
Net income (loss)	97,864	(103,994)	$ *201,858*	104,346	$ *(6,482)*
			Variance 2021 vs 2020		*Variance 2021 vs 2019*
Effective tax rate	19.7 %	4.2 %	*(15.5)* %	24.6 %	*4.9* %
Net income (loss) per diluted share	$ 5.66	$ (6.43)	$ *12.09*	$ 5.85	$ *(0.19)*
Weighted average diluted shares (millions)	16.9	16.2	*0.7*	17.2	*(0.3)*

The primary reasons for the variances in income (loss) before income taxes are summarized as follows:

	2021 vs. 2020	2021 vs. 2019
	(In millions)	
Increase (decrease) in gross profit:		
Franchise operations	$ 105.5	$ (2.4)
Company operations	12.8	1.3
Rental and Financing operations	8.2	(6.5)
Total gross profit increase (decrease)	126.5	(7.6)
Decrease (increase) in closure and impairment charges	127.2	(3.9)
Increase in General & Administrative ("G&A") expenses	(27.0)	(9.0)
All other	3.8	3.9
Increase (decrease) in income before income taxes	$ 230.5	$ (16.6)

The significant increase in gross profit in 2021 compared to 2020 primarily was due to the relaxation and removal during 2021 of government-mandated restrictions that had adversely impacted our restaurants during 2020. The significant increase in in income before income taxes in 2021 compared to 2020 was due to the increase in gross profit and the absence of significant impairment charges taken in 2020 that did not recur, partially offset by higher G&A expenses.

The decrease in gross profit in 2021 compared to 2019 primarily was due to the impact of permanent restaurant closures on franchise and rental operations, as well as the progressive decline in Rental and Financing interest income over the two-year period of comparison. The decrease in income before income taxes in 2021 compared to 2019 primarily was due to the decrease in gross profit and higher G&A expenses.

Our 2021 effective tax rate of 19.7% applied to pretax book income was different than the statutory Federal income tax rate of 21% primarily due to the recognition of excess tax benefits on stock-based compensation, offset by non-deductibility of executive compensation and state and local income taxes. Our 2020 effective tax rate of 4.2% applied to pretax book loss was significantly different than the statutory Federal income tax rate of 21% primarily because a $92.2 million impairment of goodwill was not deductible for income tax purposes and therefore had no associated tax benefit. Our 2019 overall effective tax rate applied to pretax book income was different than the U.S. statutory rate of 21% primarily because of state taxes and unrecognized tax benefits offset by benefits associated with an increase in general business credits. See *Note 16 - Income Taxes*, of the Notes to the Consolidated Financial Statements for reconciliations between our effective rates and the statutory Federal income tax rate for each of the years ended December 31, 2021, 2020 and 2019.

Key Performance Indicators

In evaluating the performance of each restaurant concept, we consider the key performance indicators to be the system-wide sales percentage change, the percentage change in domestic system-wide same-restaurant sales ("domestic same-restaurant sales"), net franchise restaurant development/reduction and the change in total effective restaurants. Changes in both domestic same-restaurant sales and in the number of Applebee's and IHOP restaurants will impact our reported retail sales that drive franchise royalty revenues and, where applicable, rental payments under leases that partially may be based on a percentage of their sales. Net franchise restaurant development/reduction also impacts franchise revenues in the form of initial franchise fees and, in the case of IHOP restaurants, sales of proprietary pancake and waffle dry mix.

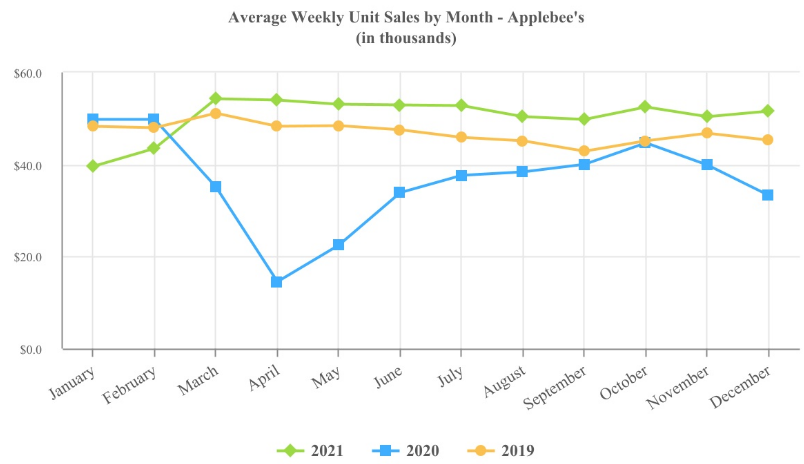
Our key performance indicators for the year ended December 31, 2021 were as follows:

	Applebee's	**IHOP**
Percentage increase (decrease) in reported retail sales:		
2021 vs 2020	34.4 %	38.5 %
2021 vs 2019	2.0 %	(9.9)%
Domestic system-wide same-restaurant sales percentage increase (decrease):		
2021 vs 2020	38.2 %	40.2 %
2021 vs 2019	6.2 %	(7.0)%
Net global franchise restaurant reduction:		
Reductions during the year ended December 31, 2021	(29)	(21)
Reductions during the two-year period ended December 31, 2021	(107)	(90)
Net (decrease) increase in global effective restaurants: [1]		
2021 vs 2020	(2)	40
2021 vs 2019	(124)	(93)

[1] Change in the weighted average number of franchise, area license and company-operated restaurants open during the year ended December 31, 2021, compared to the weighted average number of those open during the prior year referenced.

The change in total effective restaurants for each brand reflects both a net reduction in franchise restaurants due to permanent closures, net of openings, and the weighted effect of restaurants temporarily closed during the course of the years being compared.

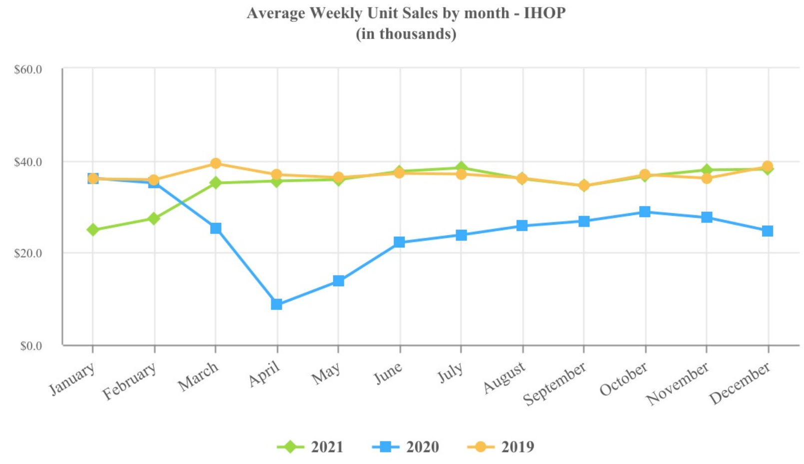
In light of the distortion caused by the pandemic and a 53rd week in fiscal 2020 on the percentage changes in reported retail sales and domestic same-restaurant sales, we believe a comparison of average weekly unit sales, a function of reported retail sales and the number of effective restaurants, for the individual months of 2021, 2020 and 2019, provides additional insight into each brand's performance during the year ended December 31, 2021 as compared to the same periods of 2020 and 2019:



Average Weekly Unit Sales, by Month - Applebee's

Year ended December 31,	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
	(in thousands)											
2021	$ 39.6	$ 43.5	$ 54.3	$ 53.9	$ 53.1	$ 52.9	$ 52.7	$ 50.3	$ 49.7	$ 52.5	$ 50.3	$ 51.5
2020	49.8	49.7	35.1	14.5	22.5	33.8	37.6	38.4	40.0	44.6	39.9	33.2
2019	48.2	47.9	51.1	48.2	48.4	47.5	45.9	45.1	42.9	45.1	46.7	45.3

After governmental authorities began to relax restrictions on dining in our restaurants towards the end of the first quarter of 2021, Applebee's average weekly unit sales volumes in 2021 consistently exceeded those of the comparable month of 2019, beginning in March 2021.



Average Weekly Unit Sales, by Month - IHOP

Year ended December 31,	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
						(in thousands)						
2021	$ 24.8	$ 27.4	$ 35.1	$ 35.5	$ 35.8	$ 37.6	$ 38.3	$ 36.0	$ 34.4	$ 36.6	$ 37.9	$ 38.0
2020	36.1	35.0	25.3	8.7	13.7	22.1	23.8	25.7	26.8	28.7	27.6	24.7
2019	35.9	35.8	39.2	36.9	36.2	37.2	37.0	36.1	34.4	36.8	36.1	38.7

After governmental authorities began to relax restrictions on dining in our restaurants towards the end of the first quarter of 2021, IHOP's average weekly unit sales volumes in 2021 essentially matched those of the comparable month of 2019, beginning in April 2021.

Domestic Same-Restaurant Sales

Restaurant Data - System-wide Sales and Domestic Same-Restaurant Sales

The following table sets forth for each of the past three years the number of Global 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 internal 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

Global Effective Restaurants:[a]	Year Ended December 31, 2021	2020	2019
Franchise	1,621	1,624	1,745
Company	69	68	69
Total	1,690	1,692	1,814
System-wide:[b]			
Domestic sales percentage change[c]	34.4 %	(24.1)%	(3.0)%
Domestic same-restaurant sales percentage change[d]	38.2 %	(22.4)%	(0.7)%
Franchise:[b]			
Domestic sales percentage change[c] [e]	34.4 %	(24.3)%	(5.9)%
Domestic same-restaurant sales percentage change[d]	38.2 %	(22.6)%	(0.7)%
Domestic average weekly unit sales (in thousands)	$ 50.9	$ 37.1	$ 47.3

IHOP

Global Effective Restaurants:[a]	2021	2020	2019
Franchise	1,571	1,532	1,663
Area license	156	155	157
Total	1,727	1,687	1,820
System-wide:[b]			
Sales percentage change[c]	38.5 %	(34.9)%	2.2 %
Domestic same-restaurant sales percentage change[d]	40.2 %	(32.8)%	1.1 %
Franchise:[b]			
Sales percentage change[c]	38.1 %	(35.0)%	2.2 %
Domestic same-restaurant sales percentage change[d]	39.7 %	(32.8)%	1.0 %
Average weekly unit sales (in thousands)	$ 34.9	$ 25.4	$ 36.7
Area License:[b]			
IHOP sales percentage change[c]	42.4 %	(34.2)%	2.7 %

(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 domestic 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 or decrease in franchisees' reported sales will result in a corresponding increase or decrease in our royalty revenue. Sales at company-operated restaurants and unaudited reported sales for Applebee's domestic franchise restaurants, IHOP franchise restaurants and IHOP area license restaurants for the years ended December 31, 2021, 2020 and 2019 were as follows:

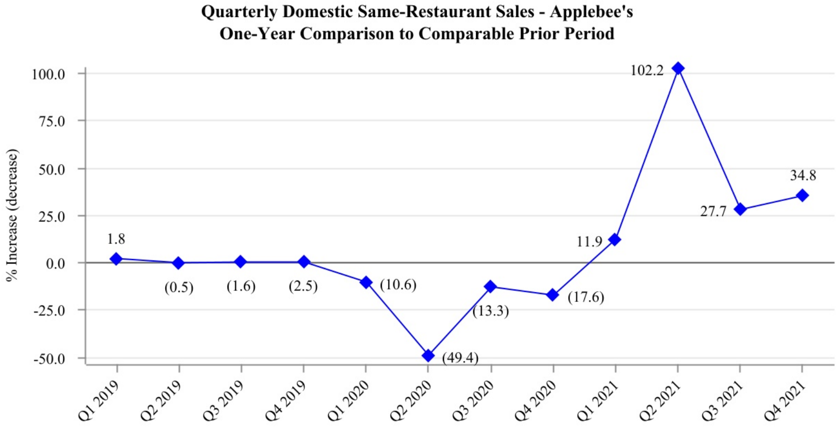
Reported retail sales	Year Ended December 31, 2021	2020	2019
		(In millions)	
Applebee's domestic franchise restaurant sales	$ 4,021.7	$ 2,993.0	$ 3,954.3
Applebee's company-operated restaurants	146.0	108.0	131.2
IHOP franchise restaurant sales	2,850.3	2,063.6	3,174.2
IHOP area license restaurant sales	271.3	190.5	289.5
Total	$ 7,289.3	$ 5,355.1	$ 7,549.2

(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.

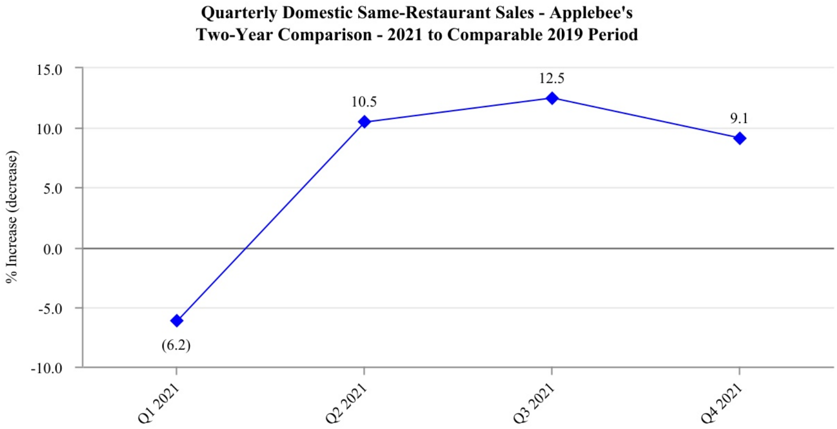
(d) “Domestic same-restaurant sales change” reflects the percentage change in sales in any given fiscal year, compared to the same weeks in the prior year, for domestic restaurants that have been operated throughout both fiscal years that are being compared and have been open for at least 18 months. Because of new restaurant openings and restaurant closures, the domestic restaurants open throughout the fiscal years being compared may be different from year to year.

(e) The Applebee's franchise sales percentage change for 2019 was impacted by the acquisition of 69 franchise restaurants in December 2018 now reported as company-operated.

Domestic Same-Restaurant Sales Trends



Applebee's system-wide domestic same-restaurant sales increased 34.8% for the three months ended December 31, 2021 and increased 38.2% for the year ended December 31, 2021 as compared to the comparable periods of 2020. The increase in both periods was due to a significant increase in customer traffic as well as an increase in customer check. The increase in customer traffic primarily was due to the relaxation or removal over the course of 2021 of government-mandated restrictions on restaurant operating capacity that had been in place during 2020, as well as increased consumer desire to patronize restaurants after the relaxation of pandemic restrictions. The increase in average check was primarily due to favorable mix shifts related to a reduction in core menu items, successful promotional food and beverage offerings and a larger number of items purchased with off-premise orders, as well as menu price increases by franchisees.



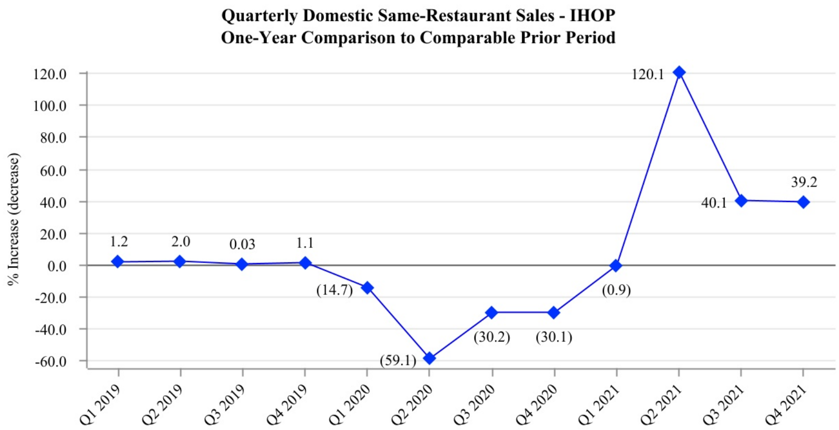
Applebee's system-wide domestic same-restaurant sales increased 9.1% for the three months ended December 31, 2021 and increased 6.2% for the year ended December 31, 2021 as compared to the same respective periods of 2019. The increase in both periods was due to a significant increase in average check, partially offset by a decline in customer traffic. The increase in average check was primarily due to favorable mix shifts related to a reduction in core menu items, successful promotional food and beverage offerings and a larger number of items purchased with off-premise orders, as well as menu price increases by franchisees.

Based on data from Black Box Intelligence, a restaurant sales reporting firm ("Black Box"), the casual dining segment of the restaurant industry experienced an increase in same-restaurant sales during the three and twelve months ended December 31, 2021 as compared to the comparable periods of 2019, resulting from an increase in average customer check, partially offset by a decline in customer traffic. During the three and twelve months ended December 31, 2021, Applebee's outperformed the casual dining segment. During the last two weeks of December 2021, we experienced a decrease in domestic same-restaurant sales due to the resurgence of COVID infections due to new variants, as cases started to spike again around the holidays.

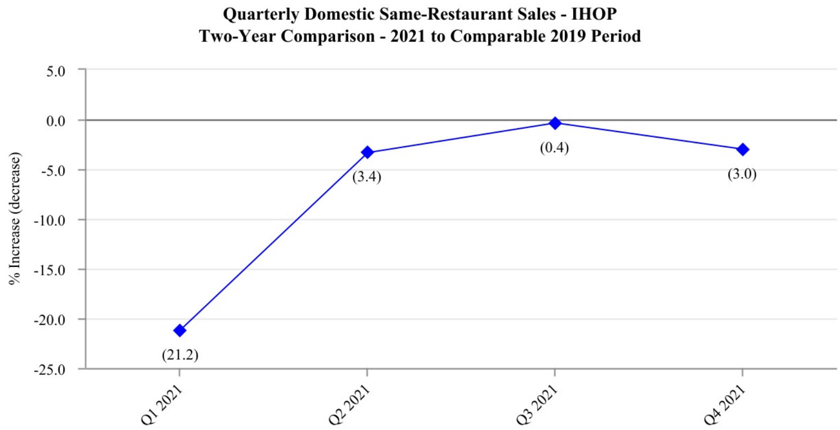
Applebee's Off-premise Sales Data	Three months ended December 31,			Twelve months ended December 31,		
	2021	2020	2019	2021	2020	2019
Off-premise sales (in millions) [(1)]	$ 280.5	$ 314.2	$ 126.5	$ 1,241.0	$ 1,037.2	$ 513.1
% sales mix	26.8%	36.8%	13.0%	30.1%	33.7%	12.7%

(1) Primarily to-go, delivery and catering sales.

Applebee's off-premise sales dollars and percentage of sales mix for the three months ended December 31, 2021 decreased compared to the same period of 2020 due to guests returning to dine-in. However, both off-premise sales dollars and percentage of sales mix for the three months ended December 31, 2021 increased significantly compared to the pre-pandemic levels from the fourth quarter of 2019. Applebee's off-premise sales dollars for the twelve months ended December 31, 2021 increased compared to the same period of 2020. While Applebee's off-premise sales as a percentage of sales mix for the twelve months ended December 31, 2021 declined compared to the same period of 2020, both off-premise sales dollars and percentage of sales mix and peak have increased significantly compared to the pre-pandemic levels of 2019.



IHOP's domestic same-restaurant sales increased 39.2% for the three months ended December 31, 2021 and increased 40.2% for the year ended December 31, 2021, as compared to the same respective periods of 2020. Most of the improvement in both periods was due to a significant increase in customer traffic as well an increase in average check. The increase in customer traffic primarily was due to the relaxation or removal over the course of 2021 of government-mandated restrictions on restaurant operating capacity that had been in place during 2020, as well as increased consumer desire to patronize restaurants after the relaxation of pandemic restrictions. The increase in average check was primarily due to an increase in menu prices, as well as a general increase in consumer spending due to larger party sizes and greater spending per person.



IHOP's domestic same-restaurant sales decreased 3.0% for the three months ended December 31, 2021 and decreased 7.0% for the year ended December 31, 2021 as compared to the same respective periods of 2019. The decrease in both periods primarily was due to a decline in customer traffic as a result of the lingering effects of COVID-19, partially mitigated by a significant increase in average check. A contributing factor to the overall traffic decline was a decrease in late-night traffic as more than half of IHOP restaurants that operated 24 hours a day for all or parts of a week prior to the pandemic are currently closed during overnight hours. Late evening/overnight operating hours remain affected by varying dine-in restrictions mandated by federal, state, local and international jurisdictions in which the restaurants are located, as well as by labor challenges experienced by franchisees. The increase in average check was primarily due to an increase in menu prices, as well as a general increase in consumer spending due to larger party sizes and greater spending per person.

IHOP's domestic same-restaurant sales for the three and twelve months ended December 31, 2021 underperformed the family dining segment of the restaurant industry as compared to the respective periods of 2019. Based on data from Black Box, the family dining segment also experienced decreases in same-restaurant sales resulting from a large decline in customer traffic that was partially offset by an increase in average customer check. However, the decreases in same-restaurant sales experienced by the family dining segment were smaller than IHOP's decreases in each period. The primary reason for the performance differential was that IHOP experienced a larger decrease in traffic, partially offset by IHOP's increase in average customer check that was larger than the family dining segment. Additionally, during the fourth quarter of 2021, IHOP was comparing against its successful Addams' Family promotion from the fourth quarter of 2019, as well as a mismatch of the timing of menu price increases. The breakfast category, in general, continues to experience larger transaction declines than other day-parts, although the impact diminished during 2021, as working remotely decreased across the country.

IHOP Off-premise Sales Data	Three months ended December 31,			Twelve months ended December 31,		
	2021	2020	2019	2021	2020	2019
Off-premise sales (in millions) (1)	$ 169.8	$ 167.8	$ 74.1	$ 690.0	$ 559.9	$ 272.0
% sales mix	23.3 %	33.5 %	10.1 %	26.1 %	31.0 %	9.6 %

(1) Primarily to-go, delivery and catering sales.

IHOP's off-premise sales dollars for the three and twelve months ended December 31, 2021 increased compared to the same periods of 2020. While IHOP's off-premise sales as a percentage of sales mix for the three and twelve months ended December 31, 2021 declined compared to the same period of 2020, both off-premise sales dollars and percentage of sales mix and peak have increased significantly compared to the pre-pandemic levels of 2019.

Net Franchise Restaurant Development

Summary

	Year Ended December 31,		
	2021	2020	2019
Total Restaurant Development Activity			
Restaurants opened	46	31	54
Restaurants closed	(96)	(178)	(94)
Net restaurant reductions	**(50)**	**(147)**	**(40)**

In response to the impact of the COVID-19 pandemic on our franchisees, in March 2020, we allowed our franchisees to defer their development obligations for up to 15 months. Additionally, in 2020, we and certain of our IHOP franchisees evaluated the long-term viability of certain IHOP restaurants in light of individual restaurant-level economics impacted by the COVID-19 pandemic. The evaluation resulted in the closure of 41 IHOP 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. Our franchisees are independent businesses and their decisions to close restaurants, both temporarily and permanently, can be impacted by numerous factors that are outside of our control, including but not limited to, the impact of COVID-19 on individual franchisees as well as franchisees' agreements with their lenders and landlords.

The total number of Applebee's restaurants (domestic and international) open at December 31, 2021 declined 1.7% from the number open at December 31, 2020 and declined 6.0% from the number open at December 31, 2019. The total number of IHOP restaurants (domestic and international) open at December 31, 2021 decreased 1.2% from the number open at December 31, 2020 and decreased 4.9% from the number open at December 31, 2019. Internationally, the number of restaurants of both brands declined 8.0% from the number open at December 31, 2020 and declined 22.5% from the number open at December 31, 2019.

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

	Year Ended December 31,		
	2021	2020	2019
Applebee's Restaurant Development Activity			
Summary - beginning of period:			
Franchise	1,640	1,718	1,768
Company restaurants	69	69	69
Total Applebee's restaurants, beginning of period	**1,709**	**1,787**	**1,837**
Domestic	1,598	1,665	1,693
International	111	122	144
Franchise restaurants opened:			
Domestic	5	1	1
International	1	3	2
Total franchise restaurants opened	6	4	3
Franchise restaurants closed:			
Domestic	(25)	(68)	(29)
International	(10)	(14)	(24)
Total franchise restaurants closed	(35)	(82)	(53)
Net franchise restaurant reduction	**(29)**	**(78)**	**(50)**
Summary - end of period:			
Franchise	1,611	1,640	1,718
Company restaurants	69	69	69
Total Applebee's restaurants, end of period	**1,680**	**1,709**	**1,787**
Domestic	1,578	1,598	1,665
International	102	111	122
% Decrease in total Applebee's restaurants from prior year	**(1.7) %**	**(4.4) %**	**(2.7) %**

	Year Ended December 31,		
	2021	**2020**	**2019**
IHOP Restaurant Development Activity			
Summary - beginning of period:			
Franchise	1,611	1,680	1,669
Area license	158	161	162
Company	3	—	—
Total IHOP restaurants, beginning of period	**1,772**	**1,841**	**1,831**
Domestic	1,670	1,710	1,705
International	102	131	126
Franchise/area license restaurants opened:			
Domestic franchise	35	16	33
Domestic area license	2	3	5
International franchise	3	8	13
Total franchise/area license restaurants opened	40	27	51
Franchise/area license restaurants closed:			
Domestic franchise	(47)	(56)	(27)
Domestic area license	(3)	(3)	(6)
International franchise	(10)	(34)	(8)
International area license	(1)	(3)	—
Total franchise/area license restaurants closed	(61)	(96)	(41)
Net franchise/area license restaurant (reduction) development	**(21)**	**(69)**	**10**
Refranchised from Company restaurants	4	—	—
Franchise restaurants reacquired by the Company	(1)	(3)	—
Net franchise/area license restaurant (reductions) additions	**(18)**	**(72)**	**10**
Summary - end of period:			
Franchise	1,595	1,611	1,680
Area license	156	158	161
Company	—	3	—
Total IHOP restaurants, end of period	**1,751**	**1,772**	**1,841**
Domestic	1,657	1,670	1,710
International	94	102	131
% (Decrease) increase in total IHOP restaurants from prior year	**(1.2) %**	**(3.7) %**	**0.5 %**

The restaurant counts and activity presented above do not include two domestic Applebee's ghost kitchens (small kitchens with no store-front presence, used to fill off-premise orders), eight international Applebee's ghost kitchens and 13 international IHOP ghost kitchens. The Applebee's franchise restaurant count of 1,642 restaurants originally reported at the end of the year ended December 2020 was adjusted downward by two restaurants, representing two ghost kitchens that had been included in the total reported count as of December 31, 2020.

The closures presented in the tables above represent permanent closures of restaurants. Temporary closures, which can occur for a variety of reasons, are not reflected as reductions in these tables and temporarily closed restaurants are included in the summary counts at the beginning and end of each period shown. However, temporary closures are reflected in the weighted calculation of Global Effective Restaurants presented in the preceding Restaurant Data tables.

Closures of Applebee's and IHOP restaurants adversely impact our system-wide retail sales that drive our franchise royalty revenues as well as, in the case of IHOP restaurants, sales of proprietary pancake and waffle dry mix. Further, with certain restaurants, we own or lease the underlying property and sublease it to the applicable franchisee. Thus, our rental income also could be adversely affected due to our obligation to make rental or other payments for such properties.

Consolidated Results of Operations - Fiscal 2021, 2020 and 2019

The tables in the following section of this Form 10-K present information from our Consolidated Statements of Comprehensive Income (Loss) for our 2021, 2020 and 2019 fiscal years. The discussion of year-to-year comparisons between fiscal 2021 and fiscal 2020 can be found below. Additionally, as discussed above under *Overview of 2021 Performance*, in light of the significant impact the measures taken by governmental entities in response to the COVID-19 pandemic have had on our restaurant operations, particularly in 2020, the Company is also presenting a discussion comparing the results of the 2021 fiscal year with the results of the 2019 fiscal year.

For a detailed discussion of year-to-year comparisons between fiscal 2020 and fiscal 2019, please refer to the applicable portion of "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" contained in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, which is hereby incorporated by reference.

Financial Review

Revenue	**2021**	**2020**	***Variance 2021 vs 2020 Favorable (Unfavorable)***	**2019**	***Variance 2021 vs 2019 Favorable (Unfavorable)***
			(In millions)		
Franchise operations	$ 631.9	$ 469.5	*$ 162.4*	$ 651.2	*$ (19.3)*
Company restaurant operations	146.0	108.1	*37.9*	131.2	*14.8*
Rental operations	114.0	105.9	*8.1*	120.7	*(6.7)*
Financing operations	4.3	5.8	*(1.5)*	7.1	*(2.8)*
Total revenue	$ 896.2	$ 689.3	*$ 206.9*	206900000$ 910.2	*$ (14.0)*
% Increase (decrease)			*30.0 %*		*(1.5)%*

Our 2021 total revenue increased $206.9 million compared to 2020. The increase primarily was due to the relaxation or removal over the course of 2021 of government-mandated restrictions on restaurant operations that had been in place during 2020, as well as changes in consumer behavior resulting therefrom. Total revenue in 2020 was favorably impacted by approximately $14.4 million due to a 53rd week in fiscal 2020 that did not recur in 2021.

Our 2021 total revenue decreased $14.0 million compared to 2019. The decrease primarily was due to a 7.0% decrease in IHOP domestic same-restaurant sales and permanent restaurant closures of both IHOP and Applebee's restaurants. Additionally, the progressive decline in Rental and Financing interest income reduced revenue by $5.4 million over the two-year period of comparison.

Gross Profit (Loss)	**2021**	**2020**	***Variance 2021 vs 2020 Favorable (Unfavorable)***	**2019**	***Variance 2021 vs 2019 Favorable (Unfavorable)***
			(In millions)		
Franchise operations	$ 336.0	$ 230.5	*$ 105.5*	$ 338.4	*$ (2.4)*
Company restaurant operations	9.3	(3.5)	*12.8*	8.0	*1.3*
Rental operations	26.1	16.4	*9.7*	29.9	*(3.8)*
Financing operations	3.8	5.3	*(1.5)*	6.5	*(2.7)*
Total gross profit	$ 375.2	$ 248.7	*$ 126.5*	$ 382.8	*$ (7.6)*
% Increase (decrease)			*50.9 %*		*(2.0)%*

Our 2021 total gross profit increased $126.5 million compared to 2020, primarily due to the revenue increase cited above as well a $17.7 million decrease in bad debt expense. We recorded a bad debt recovery of $4.9 million in 2021 compared to bad debt expense of $12.8 million in 2020. Total gross profit in 2020 was favorably impacted by approximately $4.7 million due to a 53rd week in fiscal 2020 that did not recur in 2021.

Our 2021 total gross profit decreased $7.6 million compared to 2019, primarily due to the revenue decreases cited above, partially offset by a $4.5 million decrease in bad debt expense. We recorded a bad debt recovery of $4.9 million in 2021 compared to bad debt recovery of $0.4 million in 2019.

Franchise Operations

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 v 2019 Favorable (Unfavorable)*
			(In millions, except number of restaurants)		
Global Effective Franchise Restaurants:[1]					
Applebee’s	1,621	1,624	(3)	1,745	*(124)*
IHOP	1,727	1,687	40	1,820	*(93)*
Franchise Revenues:					
Applebee's	$ 167.6	$ 124.8	*$ 42.8*	$ 163.6	*$ 4*
IHOP	189.5	143.2	*46.3*	204.6	*(15*
Advertising	274.8	201.5	*73.3*	283.0	*(8*
Total franchise revenues	631.9	469.5	*162.4*	651.2	*(19*
Franchise Expenses:					
Applebee’s	2.9	7.0	*4.1*	4.3	*1*
IHOP	20.7	30.0	*9.3*	26.7	*6*
Advertising	272.3	202.0	*(70.3)*	281.8	*9*
Total franchise expenses	295.9	239.0	*(56.9)*	312.8	*16*
Franchise Segment Profit:					
Applebee’s	164.7	117.8	*46.9*	159.3	*5*
IHOP	168.8	113.2	*55.6*	177.9	*(9*
Advertising	2.5	(0.5)	*3.0*	1.2	*1*
Total franchise segment profit	$ 336.0	$ 230.5	*$ 105.5*	$ 338.4	*$ (2*
Gross profit as % of total revenue	53.2 %	49.1 %		52.0 %	
Gross profit as % of franchise fees [2]	93.4 %	86.2 %		91.6 %	

[1] Effective Franchise Restaurants are the weighted average number of franchise and area license restaurants open in a given fiscal period, adjusted to account for franchise and area license restaurants open for only a portion of the period.
[2] Total franchise revenue excluding advertising.

Our total franchise revenue increased $162.4 million in 2021 compared to 2020, due to the following changes:

- Applebee's franchise revenue increased 34.4% compared to 2020. Approximately $42 million of the improvement was due to an increase of 38.2% in domestic franchise same-restaurant sales. Additionally, revenue increased $2.6 million due to the reopening of domestic restaurants temporarily closed due to the pandemic and $2.0 million due to improved collectibility. These favorable changes were partially offset by 53rd week revenue of $2.4 million in 2020 that did not recur in 2021, a decrease of $1.7 million due to permanent restaurant closures and an increase in domestic delivery credits that reduce royalty revenue. Applebee's international revenues increased $0.8 million, primarily due to an improvement in same-restaurant sales, partially offset by permanent restaurant closures and a decrease in franchise fees. The recovery in international revenues compared to domestic revenues was dampened because roughly two-thirds of international restaurants remained subject to government-mandated operating restrictions during 2021.

- IHOP franchise revenue increased 32.3% compared to 2020, primarily due to higher royalty and pancake and waffle dry mix revenues resulting from a 40.2% increase in domestic franchise same-restaurant sales. These favorable changes were partially offset by additional revenue from the 53rd week of approximately $3.0 million that did not recur in 2021, a $1.5 million decrease in franchise fees, a decrease of $1.1 million due to permanent restaurant closures and an increase in domestic delivery credits that reduce royalty revenue. IHOP's international revenues increased $1.2 million, due primarily to an $1.4 million increase in termination fees and an improvement in same-restaurant sales, partially offset by a decrease of $1.2 million due to permanent restaurant closures and a decrease in other franchise fees. The recovery in international revenue compared to domestic revenues was dampened because roughly two-thirds of international restaurants remain subject to government-mandated operating restrictions during 2021.
- Advertising revenue increased $73.3 million, compared to 2020, as discussed by brand below.

Our 2021 total franchise expenses increased $56.9 million compared to 2020, due to changes in the following components:

- Applebee's franchise expenses decreased $4.1 million, primarily due to a $4.2 million decrease in bad debt expense. We had bad debt recovery of $0.9 million in 2021 as compared to a bad debt expense of $3.3 million in 2020.

- IHOP franchise expenses decreased $9.3 million, primarily due to a $13.5 million decrease in bad debt expense, partially offset by an increase in purchases of pancake and waffle dry mix. IHOP had a bad debt recovery of $4.1 million in 2021 compared to a bad debt expense of $9.4 million in 2020.
- Advertising expenses increased $70.3 million, due to a corresponding increase in advertising revenue, partially offset by the net change in advertising deficit between 2021 and 2020, as discussed below.

Gross profit as a percentage of total revenue increased in 2021 compared to 2020, primarily because of the $17.7 million decrease in bad debt expense.

Our total franchise revenue decreased $19.3 million in 2021 compared to 2019, due to changes in the following components:

- Applebee's franchise revenue increased 2.5% compared to 2019. Approximately $9 million of the improvement was due to an increase of 6.1% in domestic franchise same-restaurant sales. Additionally, revenue increased $2.5 million due to improved collectibility and $1.1 million from higher franchise fees. These favorable changes were partially offset by a $6.0 million decrease due to permanent restaurant closures, as well as an increase in domestic delivery credits that reduce royalty revenue. Applebee's international revenues decreased $2.0 million compared to 2019, due to continuing government-mandated operating restrictions impacting roughly two-thirds of international restaurants during 2021 as well as a $0.5 million due to permanent restaurant closures since December 31, 2019.

- IHOP franchise revenue decreased 7.4% compared to 2019, primarily due to lower royalty and pancake and waffle dry mix revenues resulting from a 7.0% decrease in domestic franchise same-restaurant sales. A contributing factor to the decline was more than half of IHOP restaurants that operated 24 hours a day for all or parts of a week prior to the pandemic are currently closed during overnight hours. Additionally, revenue was unfavorably impacted $2.2 million due to permanent restaurant closures and by an increase in domestic delivery credits that reduce royalty revenue. These unfavorable changes were partially offset by a $2.2 million increase in termination and other franchise fees. IHOP's international revenues declined $1.9 million, due to a $2.5 million decrease related to permanent restaurants closures since December 31, 2019 and continuing government-mandated operating restrictions impacting roughly two-thirds of international restaurants during, partially offset by an increase in international termination fees of $1.4 million.

- Advertising revenue decreased $8.2 million, compared to 2019, as discussed by brand below.

Our 2021 total franchise expenses decreased $16.9 million compared to 2019, due to changes in the following components:

- Applebee's franchise expenses decreased $1.4 million, primarily due to lower help desk costs and a $0.7 million increase in bad debt recovery. We had bad debt recovery of $0.9 million in 2021 as compared to bad debt recovery of $0.2 million in 2019.

- IHOP franchise expenses decreased $6.0 million, primarily due to a $3.9 million decrease in bad debt expense, as well as a decrease in purchases of pancake and waffle dry mix. IHOP had bad debt recovery of $4.1 million in 2021 compared to a bad debt recovery of $0.2 million in 2019.

- Advertising expenses decreased $9.5 million, due to a corresponding decrease in advertising revenue, as well as the net change in advertising deficit between 2021 and 2019, as discussed below.

Gross profit as a percentage of total revenue increased in 2021 compared to 2019, primarily because of the $4.2 million decrease in bad debt expense.

Advertising revenue and expense by brand for fiscal 2021, 2020 and 2019 were as follows:

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
			(In millions)		
Advertising Revenues:					
Applebee's	$ 169.6	$ 124.8	*$ 44.8*	165.5	*4.1*
IHOP	105.2	76.7	*28.5*	117.5	*(12.3)*
Total advertising revenues	$ 274.8	$ 201.5	*$ 73.3*	$ 283.0	*$ (8.2)*
Advertising Expenses:					
Applebee’s	$ 166.9	$ 124.8	*$ (42.1)*	$ 165.6	*$ (1.3)*
IHOP	105.4	77.2	*(28.2)*	116.2	*10.8*
Total advertising expenses	$ 272.3	$ 202.0	*$ (70.3)*	$ 281.8	*$ 9.5*

Applebee's advertising revenue for 2021 increased 35.9% compared to 2020, primarily due to the increase of 38.2% in domestic franchise same-restaurant sales. Additionally, advertising revenue increased $3.1 million due to improved collectibility and $2.8 million due to the reopening of domestic restaurants temporarily closed due to the pandemic. These favorable changes were partially offset by 53rd week revenue of approximately $2.6 million in 2020 that did not recur, a decrease of $1.9 million due to permanent restaurant closures and an increase in domestic delivery credits that reduce advertising revenue. The increase in Applebee's advertising expenses was less than the increase in advertising revenue primarily because of a recovery in 2021 of an advertising fund deficit that had been recognized in prior years. IHOP's advertising revenue for 2021 increased by 37.1%, compared to 2020, primarily due to the increase of 40.2% in domestic franchise same-restaurant sales, partially offset by the 53rd week revenue in 2020 of approximately $1.6 million that did not recur in 2021, a $0.9 million decrease due to permanent restaurant closures and an increase in domestic delivery credits that reduce advertising revenue. The increase in IHOP advertising expenses was greater than the increase in advertising revenue due to recognition of a deficit in the international advertising fund.

Applebee's advertising revenue for 2021 increased 2.5% compared to 2019. Approximately $9 million of the increase was due to the increase of 6.1% in domestic franchise same-restaurant sales and a $2.6 million increase due to improved collectibility. These favorable changes were partially offset by a decrease of $6.7 million due to permanent restaurant closures and an increase in domestic delivery credits that reduce advertising revenue. The increase in Applebee's advertising expenses was less than the increase in advertising revenue because of a recovery of an advertising fund deficit that had been recognized in prior years. IHOP's advertising revenue for 2021 decreased by 10.5% compared to 2019, primarily due to the decrease of 7.0% in domestic franchise same-restaurant sales, a $1.9 million decrease due to permanent restaurant closures and an increase in domestic delivery credits that reduce advertising revenue. The decrease in IHOP advertising expenses was $1.5 million less than the decrease in advertising revenue because of the recovery in 2019 of an advertising fund deficit that had been recognized in prior years.

It is our accounting policy to recognize any deficiency in advertising fee revenue compared to advertising expenditure, or recovery of a previously recognized deficiency in advertising fee revenue compared to advertising expenditures, in the fourth quarter of our fiscal year.

Rental Operations	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 20 Favorable (Unfavorable)*
			(In millions)		
Rental revenues	$ 114.0	$ 105.9	*$ 8.1*	$ 120.7	*$ (6.*
Rental expenses	87.9	89.5	*1.6*	90.8	*2.*
Rental operations segment profit	$ 26.1	$ 16.4	*$ 9.7*	$ 29.9	*$ (3.*
Gross profit as % of revenue [(1)]	22.9 %	15.5 %		24.8 %	

[(1)] Percentages calculated on actual amounts, not rounded amounts shown above.

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 finance leases on certain franchise restaurants.

Rental segment revenue for the year ended December 31, 2021 increased as compared to the same period of 2020, primarily due to a $5.6 million increase in rental income based on a percentage of franchisees' retail sales and a $5.2 million decline in level rent adjustments, partially offset by $6.5 million decrease due to restaurant closures, lease buy-outs and the scheduled expiration of leases, as well as a progressive decline of $1.3 million in interest income as direct financing leases are repaid. Additionally, rental revenue increased $4.8 million due to the gross presentation of certain elements of variable sublease income, such as common area maintenance payments received from franchisees and remitted to landlords, which previously were reported on a net basis.

Rental segment expenses for the year ended December 31, 2021 decreased compared to the same period of the prior year due to a $2.8 million decrease in base rent, primarily due to restaurant closures, lease buy-outs and expirations, a $1.4 million decrease in interest expense as finance lease obligations are repaid and a $1.2 million decrease in depreciation expense; additionally, a $2.1 million provision for rent losses on closures recorded in 2020 did not recur in 2021. These favorable items were partially offset by a $4.8 million increase in expense offsetting the revenue increase noted above from the gross presentation of certain elements of variable subleases and a $1.0 million increase in rent paid based on a percentage of franchisees' retail sales.

Rental segment revenue for the year ended December 31, 2021 decreased as compared to the same period of 2019, primarily due to a $6.8 million decrease due to restaurant closures, lease buy-outs and the scheduled expiration of leases, a progressive decline of $2.9 million in interest income as direct financing leases are repaid and a $1.8 million decrease in rental income based on a percentage of franchisees' retail sales. These unfavorable items were partially offset by an increase in rental revenue of $4.8 million due to the gross presentation of certain elements of variable sublease income, such as common area maintenance payments received from franchisees and remitted to landlords, which previously were reported on a net basis.

Rental segment expenses for the year ended December 31, 2021 decreased compared to the same period of 2019 due to a $2.8 million decrease in interest expense as finance lease obligations are repaid, a $2.3 million decrease in depreciation expense, a $1.9 million decrease in base rent, primarily due to restaurant closures, lease buy-outs and expirations and a $0.7 million increase in rent paid based on a percentage of franchisees' retail sales. These favorable items were partially offset by a $4.8 million increase in expense offsetting the revenue increase noted above from the gross presentation of certain elements of variable subleases.

Financing Operations	**2021**	**2020**	***Variance 2021 vs 2020 Favorable (Unfavorable)***	**2019**	***Variance 2021 vs 2019 Favorable (Unfavorable)***
			(In millions)		
Financing revenues	$ 4.3	$ 5.8	*$ (1.5)*	$ 7.1	*$ (2.8)*
Financing expenses	0.5	0.5	*0.0*	0.6	*0.1*
Financing operations segment profit	$ 3.8	$ 5.3	*$ (1.5)*	$ 6.5	*$ (2.7)*
Gross profit as % of revenue [(1)]	89.2 %	90.9 %		91.9 %	

[(1)] Percentages calculated on actual amounts, not rounded amounts shown above.

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 IHOP equipment leases and franchise fees, as well as from notes receivable from Applebee's and IHOP franchisees. Financing expenses are the cost of taxes related to IHOP equipment leases.

Financing revenues decreased $1.5 million in 2021 compared to 2020. The change was due to a $1.3 million decrease in IHOP interest income due to the decline in interest income from the financing of franchise fees and equipment leases as note balances were repaid as well as a decrease in interest income on notes from franchisees.

Financing revenues decreased $2.7 million in 2021 compared to 2019. The change was due to a $2.5 million decrease in IHOP interest income due to the decline in interest income from the financing of franchise fees and equipment leases as note balances were repaid as well as a decrease in interest income on notes from franchisees.

Company Operations

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 201 Favorable (Unfavorable)*
Effective Company Restaurants:					
Applebee’s	69	68	1	69	—
Average weekly unit sales (in thousands)	$ 40.6	$ 29.7	$ 10.9	$ 36.6	$ 4.
			(In millions)		
Applebee's company restaurant sales[(1)]	$ 146.0	$ 108.1	*$ 37.9*	$ 131.2	*$ 14.*
Applebee's company restaurant expenses[(1)]	135.8	109.7	*(26.1)*	123.2	*(12.*
IHOP restaurant expenses[(2)]	0.9	1.9	*1.0*	—	*(0.*
Company restaurant segment profit (loss)	$ 9.3	$ (3.5)	*$ 12.8*	$ 8.0	*$ 1.*
Gross profit (loss) as % of revenue[(3)]	6.9 %	(1.5) %		6.1 %	

[(1)] Related to 69 Applebee's company-operated restaurants. 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, depreciation and other operating costs.
[(2)] Costs associated with IHOP restaurants in the process of being refranchised.
[(3)] Calculated for Applebee's company-operated restaurants only. Percentages calculated on actual amounts, not rounded amounts shown above.

In December 2018, we acquired 69 Applebee's restaurants in North Carolina and South Carolina from a former Applebee's franchisee. The slight decrease in effective restaurants (a weighted average calculation) for 2020 reflects the temporary closure of seven restaurants for a short period of time during 2020 in compliance with state and local COVID-19-related mitigation measures.

Applebee's company same-restaurant sales for the year ended December 31, 2021 increased 38.0% compared to the same period of 2020, primarily due to a significant increase in customer traffic as well as an increase in average check. The increase in customer traffic primarily was due to the favorable change in operating capacity of the restaurants. Since the second week of January 2021, the 27 restaurants in South Carolina operated without capacity limitations, while the 42 restaurants in North Carolina operated at 50% capacity until June 1, 2021, from which point those 42 restaurants also were able to operate without capacity limitations. In comparison, all 69 restaurants operated without restriction for the first 10 weeks of 2020 but essentially were limited only to off-premise sales from the middle of March until the middle of May 2020, at which time all 69 restaurants were allowed to operate at 50% capacity. The increase in average check was due to favorable product mix and daypart shifts related to a reduction in core menu items, successful promotional food and beverage offerings and a larger number of items purchased with off-premise orders, as well as menu price increases. These favorable impacts were partially offset by additional revenue and gross profit from the 53rd week in 2020 of approximately $2.6 million and $0.2 million, respectively, that did not recur in 2021.

Applebee's company same-restaurant sales for the year ended December 31, 2021 increased 11.0% compared to the same period of 2019 primarily due to an increase in average check, partially offset by a decrease in traffic. The increase in average check was due to favorable product mix and daypart shifts related to a reduction in core menu items, successful promotional food and beverage offerings and a larger number of items purchased with off-premise orders, as well as menu price increases.

From time to time, we may reacquire IHOP restaurants from franchisees that we subsequently refranchise. These restaurants may or may not be operated by us on a temporary basis until refranchised. Company segment restaurant expenses for the years ended December 31, 2021 and 2020 include $0.9 million and $1.9 million, respectively, of costs associated with certain IHOP restaurants incurred while the restaurants were being refranchised. None of the reacquired IHOP restaurants were operated during the years ended December 31, 2021 or 2020, and IHOP recorded no restaurant revenues in either of those periods. We held no reacquired restaurants at December 31, 2021. We may reacquire both IHOP and Applebee's restaurants on a temporary basis in the future.

General and Administrative Expenses

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
			(In millions)		
G&A expenses	$ 171.8	$ 144.8	*$ (27.0)*	$ 162.8	*$ (9.0)*

G&A expenses for 2021 increased 18.7% compared to 2020, primarily due an increase in personnel-related expenses. That increase primarily was due to higher costs of bonus and equity-based incentive compensation and higher costs of salaries and benefits. The Company had furloughed approximately one-third of team members across various functional groups for approximately six months during 2020. G&A expenses for 2020 included approximately $1.2 million of costs due to the 53rd week that did not recur in 2021. Included in total G&A expenses for 2021 were $5.8 million of expenses related to company-operated restaurants, as compared to $4.3 million in 2020. The increase in G&A expenses related to company-operated restaurants primarily was due to higher personnel-related costs as well as increased recruitment costs.

G&A expenses for 2021 increased 5.5% compared to 2019, primarily due to higher costs of bonus and equity-based incentive compensation, partially offset by a decrease in costs for travel and conferences as well as lower consumer research expenses. Included in total G&A expenses for 2019 were $5.3 million of expenses related to company-operated restaurants. The increase from 2019 to 2021 related to company-operated restaurants primarily was due to higher personnel-related costs as well as increased recruitment costs.

Closure and Impairment Charges	**2021**	**2020**	***Variance 2021 vs 2020 Favorable (Unfavorable)***	**2019**	***Variance 2021 vs 2019 Favorable (Unfavorable)***
			(In millions)		
Closure charges	$ 3.7	$ 3.0	*$ (0.7)*	$ 1.5	$ (2.2
Impairment of goodwill	—	92.2	*92.2*	—	—
Impairment of tradename	—	11.0	*11.0*	—	—
Long-lived asset impairment	1.7	22.3	*20.6*	—	(1.7
Impairment of reacquired franchise rights	—	3.3	*3.3*	—	—
Impairment of favorable leasehold intangible	—	0.8	*0.8*	—	—
Total	$ 5.4	$ 132.6	*$ 127.2*	$ 1.5	$ (3.9

Closure Charges

The closure charges of $3.7 million for the year ended December 31, 2021 comprised $2.1 million related to 20 IHOP restaurants closed in 2021 and $1.6 million for revisions to existing closure reserves, including accretion, primarily for 28 IHOP restaurants closed prior to December 31, 2020. Approximately $1.6 million of the $3.0 million of closure charges for the year ended December 31, 2020 related to seven IHOP restaurants closed during 2020, with the remainder primarily related to adjustments to reserves, including accretion, for IHOP and Applebee's restaurants closed prior to 2020. Approximately $0.5 million of the $1.5 million of closure charges for the year ended December 31, 2019 related to two IHOP and one Applebee's restaurant closed during 2019, with the remainder primarily related to adjustments to reserves, including accretion, for IHOP and Applebee's restaurants closed prior to 2019.

Impairment Charges

The Company evaluates its goodwill and the indefinite-lived Applebee's tradename for impairment annually in the fourth quarter of each year or on an interim basis if events or changes in circumstances between annual tests indicate a potential impairment. Definite-lived intangible assets and long-lived tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable based on estimated undiscounted future cash flows.

The long-lived asset impairment of $1.7 million for the year ended December 31, 2021 related to five IHOP franchisee-operated restaurants for which the carrying amount exceeded the undiscounted cash flows. The impairment recorded represented the difference between the carrying value and the estimated fair value. The impairments primarily related to operating lease right-of-use assets that had been recorded in 2019 upon adoption of new lease accounting guidance codified in Accounting Standards Codification Topic 842 (“ASC 842”).

During March 2020, a global pandemic was declared by the World Health Organization related to the rapidly spreading outbreak of COVID-19. The impacts of the pandemic on our operations were considered indicators of impairment and quantitative tests for impairment were performed. As a result of performing the quantitative tests for impairment, we recognized an impairment of Applebee's goodwill of $92.2 million and an impairment of Applebee's tradename of $11.0 million during the year ended December 31, 2020.

A long-lived asset impairment of $22.3 million was recognized during the year ended December 31, 2020 related to 29 Applebee's company-operated restaurants and 41 IHOP franchisee-operated restaurants for which the carrying amount exceeded the undiscounted cash flows. The impairment recorded represented the difference between the carrying value and the estimated fair value. Approximately $15.1 million of the total impairment related to operating lease right-of-use assets that had been recorded in 2019 upon adoption of ASC 842, while $7.2 million related to impairments of land, building, leasehold improvements and finance leases. The impairments by individual property varied in amount, ranging from the largest single-property impairment of $1.3 million to less than $5,000. We also recognized an impairment of $3.3 million related to the reacquired franchise rights intangible asset recorded in the purchase price allocation of the December 2018 acquisition of 69 Applebee's restaurants from a former franchisee.

Other Income and Expense Items	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*		2019	*Variance 2021 vs 201 Favorable (Unfavorable)*
			(In millions)			
Interest expense, net	$ 63.3	$ 66.9	*$ 3.6*		$ 60.4	*$ (2.*
Amortization of intangible assets	10.7	10.9	*0.2*		11.7	*1.*
Loss (gain) on disposition of assets	2.0	2.1	*0.1*		(0.3)	*(2.*
Loss on extinguishment of debt	—	—	—		8.3	*8.*
Total	$ 76.0	$ 79.9	*$ 3.9*	3900000	$ 80.1	*$ 4.*

Interest Expense, Net

Interest expense, net, decreased $3.6 million in 2021 compared to 2020, primarily due to a $3.3 million decrease in interest expense related to our revolving credit facility (the “Credit Facility”) and additional interest of approximately $1.2 million on our Class A-2 Notes due to the 53rd week in 2020 that did not recur in 2021, partially offset by lower interest income of $0.6 million. Interest income was $0.4 million in 2021 compared to $1.0 million in 2020. See “*Liquidity and Capital Resources*” for additional discussion related to borrowings under our Credit Facility.

Interest expense, net, increased $2.9 million in 2021 compared to 2019, primarily due to an increase of $1.2 million on our Class A-2 Notes that were refinanced in 2019, a $1.2 million decrease in interest income and a $0.5 million increase in interest expense related to our Credit Facility. Interest income was $0.4 million in 2021 compared to $1.6 million in 2019.

Amortization of Intangible Assets

Amortization of intangible assets primarily relates to franchising rights arising from the November 2007 acquisition of Applebee's and reacquired franchise rights arising from the December 2018 acquisition of 69 Applebee's restaurants from a former franchisee. The decrease in amortization expense in 2021 as compared to both 2020 and 2019 was due to the impairment of reacquired franchise rights discussed under *Impairment Charges* above. See *Note 7 - Other Intangible Assets*, of the Notes to the Consolidated Financial Statements for additional information.

Loss (Gain) on Disposition of Assets

The loss on disposition of assets for the year ended December 31, 2021 primarily related to disposition of capitalized software no longer in use. The loss on disposition of assets for the year ended 2020 primarily related to termination of 12 IHOP restaurant leases and the disposition of capitalized software no longer in use. There were no individually significant gains or losses on disposition of assets during the year ended 2019.

Loss on Extinguishment of Debt

In connection with the refinancing of its long-term debt, the Company recognized a loss on extinguishment of debt of $8.3 million during the year ended December 31, 2019, representing the remaining unamortized costs related to the refinanced indebtedness.

Income Taxes	2021		2020		*Variance 2021 vs 2020 Favorable (Unfavorable)*		2019		*Variance 2021 vs 2019 Favorable (Unfavorable)*	
					(In millions)					
Income tax provision (benefit)	$ 24.1		$ (4.6)		*$ (28.7)*		$ 34.1		*$ 10.0*	
Effective tax rate	19.7	%	4.2	%	*(15.5)*	*%*	24.6	%	*4.9*	*%*

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 2021 and 2020 and 2021 and 2019 are addressed in the preceding sections of "*Consolidated Results of Operations - Fiscal 2021, 2020 and 2019.*"

The 2021 effective tax rate of 19.7% applied to pretax book income was different than the statutory Federal income tax rate of 21% primarily due to the recognition of excess tax benefits on stock-based compensation, offset by non-deductibility of executive compensation and state and local income taxes. The 2020 effective tax rate of 4.2% applied to pretax book loss was significantly different than the statutory Federal income tax rate of 21% primarily because of the $92.2 million impairment of goodwill incurred, which was not deductible for income tax purposes and therefore had no associated tax benefit. The 2019 effective tax rate of 24.6% applied to pretax book income was higher than the statutory Federal tax rate of 21% primarily due to tax expense associated with unrecognized tax benefits and state and local income taxes, offset by the recognized benefit from general business credits. See *Note 16 - Income Taxes*, of the Notes to the Consolidated Financial Statements for a reconciliation between our effective rates and the statutory Federal income tax rate for the years ended December 31, 2021, 2020 and 2019.

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, 2021, management determined that it is more likely than not that the benefits from foreign tax credit carryforward and certain state deferred tax assets, including net operating loss carryforwards, from the Applebee's company-operated restaurants will not be realized. In recognition of this risk, management recorded a valuation allowance of $4.2 million.

Liquidity and Capital Resources of the Company

Our total cash balances, net of revolving credit facility borrowings, at December 31, 2021, 2020 and 2019 were as follows:

	December 31, 2021	December 31, 2020	December 31, 2019
		(In millions)	
Cash and cash equivalents	$ 361.4	$ 383.4	$ 116.1
Restricted cash, current	47.5	39.9	40.7
Restricted cash, non-current	16.4	32.8	15.7
Total cash, restricted cash and cash equivalents	425.3	456.1	172.5
Less: Revolving credit facility borrowing	—	(220.0)	—
Total cash, restricted cash and cash equivalents, net of revolving credit facility borrowing	$ 425.3	$ 236.1	$ 172.5

At December 31, 2021 we had contractual obligations to repay debt, make payments under operating leases, finance leases and financing obligations, and to purchase certain goods and services. Material cash requirements to satisfy these obligations were as follows:

Obligation	Due in Fiscal 2022	Due Thereafter	Total	Reference [1]
		(in millions)		
Long-term debt (principal)	$ —	$ 1,287.0	$ 1,287.0	*Note 8 - Long-term Debt*
Long-term debt (interest)	$ 57.1	$ 141.8	$ 198.9	*Note 8 - Long-term Debt*
Operating leases	91.8	384.8	476.6	*Note 10 - Leases*
Finance leases	14.3	81.5	95.8	*Note 10 - Leases*
Financing obligations	4.5	49.2	53.7	*Note 9 - Financing Obligations*
Purchase commitments	74.9	3.2	78.1	*Note 11 - Commitments and Contingencies*
Total	$ 242.6	$ 1,947.5	$ 2,190.1	

[1] See referenced note of Notes to the Consolidated Financial Statements for additional information about the obligation.

See *Note 11 - Commitments and Contingencies*, of Notes to the Consolidated Financial Statements, for a description of the Company's lease guarantees.

We believe that our unrestricted cash and cash equivalents on hand, cash flow from operations and the borrowing capacity available under our Credit Facility will provide us with adequate liquidity for at least the next twelve months.

COVID-19 Pandemic Actions - Impacts on Liquidity

The measures put in place by various governmental entities to help contain the spread of the COVID-19 virus had a significant adverse impact on our restaurant and rental operations over the last ten months of 2020 and a continuing, although less significant, impact in 2021. In response to the uncertainties related to the pandemic, we took several actions that impacted our liquidity in both 2021 and 2020, as discussed below:

Capital Allocation Changes

We temporarily suspended repurchasing our common stock and the declaration of dividends on our common stock after the first quarter of 2020. After evaluating repurchases of common stock and dividend payments on common stock within the context of our overall capital allocation strategy, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors, we resumed repurchasing our common stock in November 2021 under our existing $200 million stock repurchase program approved by the Board of Directors in 2019 (the "2019 Repurchase Program"). Additionally, in October 2021, our Board of Directors declared a fourth quarter 2021 cash dividend of $0.40 per common share, payable in January 2022.

We repurchased $4.5 million of common stock during the year ended December 31, 2021, leaving $65.7 million available for future repurchases under the 2019 Repurchase program as of December 31, 2021. The fourth quarter 2021 dividend of $6.9 million was paid January 7, 2022. 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. There can be no assurance that we will continue to pay dividends or the amount of such dividends.

Use of Revolving Credit Facility

We drew down a total of $220 million from our Credit Facility in March 2020. We had no immediate need for additional liquidity, but drew on the Credit Facility to maximize our financial flexibility. We repaid the $220 million drawn on the Credit Facility in the month of March 2021. We incurred additional interest expense on the borrowings while outstanding, partially offset by interest income as the majority of the amount drawn was invested in money market funds.

Franchisee Deferrals

In 2020, we offered Applebee's franchisees the opportunity to defer payment of their royalty, advertising and other fees, primarily amounts due for the months of March and April 2020. A total of 30 franchisees representing 94% of Applebee's restaurants deferred payments totaling $33.4 million. Repayment of deferred amounts, began in the third quarter of 2020, with $19.7 million collected in fiscal 2020. Approximately $13.7 million was collected during the year ended December 31, 2021, which had a favorable impact on cash provided by operating activities in 2021. As of December 31, 2021, there were no deferred amounts outstanding.

In 2020 we offered IHOP franchisees the opportunity to defer their royalty, advertising, equipment rent and sublease rent payments, primarily for the months of March and April 2020. Initially, 193 franchisees representing 58% of IHOP restaurants deferred payments totaling $24.1 million. Including subsequent deferrals made on a case-by case basis, the deferral program totaled $28.6 million. Repayment began in the third quarter of 2020, with $12.0 million collected in fiscal 2020. In certain instances, repayments were temporarily paused for up to 60 days. As of December 31, 2021, the outstanding balance was less than $0.1 million. Approximately $16.5 million was collected during the year ended December 31, 2021, which had a favorable impact on cash provided by operating activities in 2021.

Rent Deferrals

In 2020, we received rent deferrals and abatements on properties we lease of approximately $11 million, primarily related to rent deferrals for properties on which IHOP restaurants are located, of which approximately $6 million was paid in 2020. Approximately $4.8 million was paid during the year ended December 31, 2021, which had an unfavorable impact on cash provided by operating activities in 2021. As of December 31, 2021, the deferred balance was approximately $0.1 million.

Payroll Tax Deferrals

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. Among the various provisions in the CARES Act, the Company utilized the payroll tax deferrals in 2020, where 50% of the payroll taxes deferred in 2020 are to be paid back by December 31, 2021 with the remaining 50% paid back by December 31, 2022. The Company deferred $3.1 million of payroll taxes in 2020 and paid its first required installment of 50% of the deferral in December 2021.

Long-Term Debt

Key provisions of our long-term debt potentially impacting liquidity are summarized below. See *Note 8 - Long-term Debt*, of Notes to the Consolidated Financial Statements, for additional detail on long-term debt, including the balances outstanding at December 31, 2021 and 2020.

Instruments

Our long-term debt consists of two tranches of fixed rate senior secured notes, the Series 2019-1 4.194% Fixed Rate Senior Secured Notes, Class A-2-I ("Class A-2-I Notes") in an initial aggregate principal amount of $700 million and the Series 2019-1 4.723% Fixed Rate Senior Secured Notes in an initial aggregate principal amount of $600 million (the "Class A-2-II Notes" and, together with the Class A-2-I Notes, the "2019 Class A-2 Notes"). We also have our Credit Facility, the 2019-1 Variable Funding Senior Notes, Class A-1 (the "2019 Class A-1 Notes").

Maturity

The legal final maturity of the 2019 Class A-2 Notes is in June 2049, but it is anticipated that, unless repaid earlier, the Class A-2-I Notes will be repaid in June 2024 and the Class A-2-II Notes will be repaid in June 2026.

It is anticipated that any outstanding principal and interest on the 2019 Class A-1 Notes will be repaid in full on or prior to June 2024, subject to two additional one-year extensions at the option of the Company upon the satisfaction of certain conditions.

Payment of Principal and Interest

While the 2019 Class A-2 Notes are outstanding, payment of principal and interest is required to be made on the Class A-2 Notes on a quarterly basis. The payment of principal on the 2019 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. Exceeding the leverage ratio of 5.25x does not violate any covenant related to the Class A-2 Notes.

As of December 31, 2021 our leverage ratio was 3.86x. Therefore, quarterly principal payments are not required. During 2021, our leverage ratio exceeded 5.25x until the quarterly payment period ended September 30, 2021. Accordingly, we made three principal payments totaling $9.75 million in 2021.

We made four quarterly interest payments on the Class A-2 Notes totaling $57.3 million during the year ended December 31, 2021.

Make-whole Premiums

We may voluntarily repay the Class A-2 Notes at any time; however, if repaid prior to certain dates we would be required to pay make-whole premiums. As of December 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-I Notes was approximately $10 million; this amount declines each quarter to zero in June 2022. As of December 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-II Notes was approximately $39 million; this amount declines each quarter to zero in June 2024. We would also be subject to a make-whole premium in the event of a mandatory prepayment required following a Rapid Amortization Event or certain asset dispositions. The mandatory make-whole premium requirements are considered embedded derivatives that must be bifurcated for separate valuation. We estimated the fair value of these derivatives to be immaterial as of December 31, 2021, based on the probability-weighted discounted cash flows associated with either event.

Covenants and Restrictions

Our long-term debt is subject to a series of covenants and restrictions customary for transactions of this type, including maintenance of a debt service coverage ratio ("DSCR"). In general, 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 indenture, and subsequent amendments thereto, under which the Class A-2 Notes were issued.

Failure to maintain a prescribed DSCR can trigger the following events:

- DSCR less than 1.75x - Cash Flow Sweeping Event
- DSCR less than 1.20x - Rapid Amortization Event
- Interest-only DSCR less than 1.20x - Manager Termination Event
- Interest-only DSCR less than 1.10x - Default Event

Our DSCR for the reporting period ended December 31, 2021 was approximately 4.7x.

Credit Facility

The variable interest rate for borrowings under the Credit Facility is the three-month LIBOR rate plus 2.15% for 60% of the advances and the commercial paper funding rate of our conduit investor plus 2.15% for 40% of the advances. There is a commitment fee of 50 basis points on any unused portion of the Credit Facility and undrawn face amounts of outstanding letters of credit that are not cash collateralized accrue a fee of 2.15% per annum.

In March 2021, we repaid $220.0 million of amounts outstanding under the Credit Facility and have not utilized the Credit Facility subsequent to that repayment. As such, there were no borrowings outstanding under the Credit Facility at December 31, 2021. At December 31, 2021, $3.3 million was pledged against the Credit Facility for outstanding letters of credit, leaving $221.7 million of the Credit Facility available for borrowing. The letters of credit are used primarily to satisfy insurance-related collateral requirements.

The weighted average interest rate on Credit Facility borrowings for the period outstanding during the year ended December 31, 2021 was 2.42%. We made four quarterly payments, comprised of interest and fees, totaling $2.3 million related to the Credit Facility during the year ended December 31, 2021.

The U.K. Financial Conduct Authority announced in 2017 that it intends to phase out LIBOR, initially by the end of 2021. On November 30, 2020, the Federal Reserve announced that LIBOR will be phased out and eventually replaced by June 2023. In the same announcement, U.S. banks were instructed to stop writing contracts using LIBOR by the end of 2021 and all contracts using LIBOR should be amended or terminated by June 30, 2023. We do not believe that the discontinuation of LIBOR as a reference rate for our 2019 Class A-1 Notes will have a material adverse effect on our financial position or materially affect our interest expense; however, it is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates.

Cash Flows

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
			(In millions)		
Net cash provided by operating activities	$ 195.8	$ 96.5	*$ 99.3*	$ 155.2	*$ 40.6*
Net cash provided by (used in) investing activities	3.9	18.7	*(14.8)*	(0.2)	*4.1*
Net cash(used in) provided by financing activities	(230.4)	168.4	*(398.8)*	(182.9)	*(47.5)*
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (30.7)	$ 283.6	*$ (314.3)*	$ (27.9)	*$ (2.8)*

Operating Activities

Cash provided by operating activities is primarily driven by revenues earned and collected from our franchisees, and profit from our company-owned restaurants, rental operations and financing operations.

Cash provided by operating activities increased $99.3 million in 2021 compared to 2020 and $40.6 million compared to 2019. The components of those changes are as follows:

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
			(In millions)		
Net income (loss)	$ 97.9	$ (104.0)	*$ 201.9*	$ 104.3	*$ (6.4)*
Non-cash reconciling items	51.4	164.2	*(112.8)*	47.6	*3.8*
Changes in working capital	46.5	36.3	*10.2*	3.3	*43.2*
Cash provided by operating activities	$ 195.8	$ 96.5	*$ 99.3*	$ 155.2	*$ 40.6*

The significant increase in net income in 2021 compared to 2020 was due to an increase in gross profit and the absence of impairment charges taken in 2020 that did not recur in 2021, partially offset by higher G&A expenses, each of which was discussed in preceding sections of this MD&A. Non-cash reconciling items (primarily closure and impairment charges, depreciation and amortization, deferred income taxes, stock-based compensation and loss on extinguishment of debt) decreased $112.8 million from 2020. The decrease primarily was due to impairments of goodwill, intangible assets and long-lived tangible assets totaling $129.6 million taken in 2020 that did not recur in 2021 as discussed in preceding sections of this MD&A. Net changes in working capital provided cash of $46.5 million during 2021 compared to providing cash of $36.3 million during 2020. This favorable change of $10.2 million between years primarily resulted from collection in 2021 of the franchisee deferrals discussed above and an increase in accrued employee incentive compensation, partially offset by an increase in income taxes paid.

The decrease in in net income in 2021 compared to 2019 primarily was due to decrease in gross profit and higher G&A expenses, each of which was discussed in preceding sections of this MD&A. Non-cash reconciling items (primarily closure and impairment charges, depreciation and amortization, deferred income taxes, stock-based compensation and loss on extinguishment of debt) decreased $3.8 million from 2020. The decrease primarily was due to a loss on extinguishment of debt in 2019 that did not recur in 2021. Net changes in working capital provided cash of $46.5 million during 2021 compared to providing cash of $3.3 million during 2019. This favorable change of $43.2 million between years primarily due to an increase in accrued employee incentive compensation, the timing of payments of marketing accruals and a decrease in income taxes paid.

Investing Activities

Investing activities provided net cash of $3.9 million for the year ended December 31, 2021, as compared to providing net cash of $18.7 million in 2020 and using net cash of $0.1 million in 2019. The components of those changes are as follows:

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
			(In millions)		
Principal receipts from notes, equipment contracts and other long-term receivables	$ 20.2	$ 31.2	*$ (11.0)*	$ 24.1	*$ (3.9)*
Additions to property and equipment	(16.8)	(10.9)	*(5.9)*	(19.4)	*2.6*
Additions to long-term receivables	—	(1.5)	*1.5*	(7.0)	*7.0*
Other	0.5	—	*0.5*	2.2	*(1.7)*
Cash provided by (used in) investing activities	$ 3.9	$ 18.7	*$ (14.9)*	$ (0.1)	*$ 4.0*

Principal receipts from notes, equipment contracts and other long-term receivables in 2021 decreased compared to 2020 due to the early payoff of several notes in 2020 that did not recur in 2021 and a progressive decline in annual collections as balances are repaid. Principal receipts from notes, equipment contracts and other long-term receivables in 2021 decreased compared to 2019 due a progressive decline in annual collections as balances are repaid.

Additions to property and equipment increased in 2021 as compared to 2020 due to increased capital spending at company restaurants as well as spending reductions in 2020 because of the pandemic. Additions to long-term receivables for loans to franchisees we made in 2019 did not recur in 2021.

The following table represents the timing of principal receipts from the Company's long-term receivables for equipment, direct financing receivables and other notes receivable from franchisees as of December 31, 2021:

	Principal Receipts Due By Period						
	2022	2023	2024	2025	2026	Thereafter	Total
				(In millions)			
Equipment leases[1]	$ 7.3	$ 7.0	$ 6.4	$ 5.3	$ 3.9	$ 3.5	$ 33.4
Direct financing leases[2]	6.6	3.3	1.4	0.7	0.7	4.0	16.7
Other notes[3]	5.5	3.6	2.6	1.5	1.8	0.0	15.0
Total	$ 19.4	$ 13.9	$ 10.4	$ 7.5	$ 6.4	$ 7.5	$ 65.1

[1] Equipment lease receivables extend through the year 2029.
[2] Direct financing lease receivables extend through the year 2041.
[3] Other notes receivable extend through the year 2026.

Financing Activities

Financing activities used cash of $230.5 million during the year ended December 31, 2021, as compared to providing cash of $168.4 million in 2020 and using cash of $182.9 million in 2019 . The components of the changes are as follows:

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
			(In millions)		
Repurchase of common stock	$ (4.2)	$ (29.9)	*$ 25.7*	$ (109.7)	*$ 105.5*
Dividends paid	—	(23.9)	*23.9*	(46.9)	*46.9*
Net (repayment) issuance of long-term debt, including issuance costs	(9.8)	(3.3)	*(6.5)*	3.1	*(12.9)*
Net (repayment of) borrowing from Credit Facility	(220.0)	220.0	*(440.0)*	(25.0)	*(195.0)*
All other	3.5	5.4	*(1.9)*	(4.4)	*7.9*
Cash (used in) provided by financing activities	$ (230.5)	$ 168.3	*$ (398.8)*	$ (182.9)	*$ (47.6)*

Several actions we took in 2020 noted above in response to the COVID-19 pandemic were the primary factors underlying the significant changes shown above. In March 2021, we repaid $220 million that was drawn on our Credit Facility in March 2020. In March 2020, we temporarily suspended repurchasing our common stock and paying dividends on common stock after the onset of the pandemic. Prior to the suspension, we used cash totaling $53.8 million for dividends and stock repurchases in 2020. We resumed repurchasing common stock in November 2021.

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

	2021	2020	*Variance 2021 vs 2020 Favorable (Unfavorable)*	2019	*Variance 2021 vs 2019 Favorable (Unfavorable)*
	(In millions)				
Cash flows provided by operating activities	$ 195.8	$ 96.5	*$ 99.3*	$ 155.2	*$ 40.6*
Net receipts from notes and equipment receivables	12.0	21.0	*(9.0)*	13.0	*(1.0)*
Additions to property and equipment	(16.8)	(10.9)	*(5.9)*	(19.4)	*2.6*
Adjusted free cash flow	$ 191.0	$ 106.6	*$ 84.4*	$ 148.8	*$ 42.2*

The increase in adjusted free cash flow in 2021 compared to 2020 primarily was due to the increase in cash provided by operating activities, partially offset by a decrease in receipts from notes and equipment receivables and an increase in capital expenditures, each of which was discussed in preceding sections of this MD&A. The increase in adjusted free cash flow in 2021 compared to 2019 primarily was due to the increase in cash provided by operating activities.

Capital Allocation

We suspended our repurchasing of common stock and the declaration of dividends on our common stock after the first quarter of 2020 due to COVID-19 pandemic. After evaluating repurchases of common stock and dividend payments on common stock within the context of our overall capital allocation strategy, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors, we resumed repurchasing our common stock and the declaration of dividends in the fourth quarter of 2021.

Dividends

During the year ended December 31, 2021, our Board of Directors declared a fourth quarter 2021 cash dividend of $0.40 per share, paid in January 2022. See *Note 12 - Stockholders' Deficit,* of the Notes to the Consolidated Financial Statements included in this report for all dividends paid and declared in fiscal 2021, 2020 and 2019.

On February 17, 2022, our Board of Directors declared a first quarter 2022 cash dividend of $0.46 per share of common stock, payable on April 1, 2022 to the stockholders of record as of the close of business on March 21, 2022.

Share Repurchases

A summary of shares repurchased under the 2019 Repurchase Program, during the year ended December 31, 2021 and cumulatively, is as follows:

	Shares	Cost of shares (In millions)
2019 Repurchase Program:		
Repurchased during the year ended December 31, 2021	59,099	$ 4.5
Cumulative (life-of-program) repurchases	1,756,696	$ 134.3
Remaining dollar value of shares that may be repurchased	n/a	$ 65.7

See *Note 12 - Stockholders' Deficit,* of the Notes to the Consolidated Financial Statements included in this report for shares repurchased in fiscal 2021, 2020 and 2019.

On February 17, 2022, the Company's Board of Directors authorized a new share repurchase program, effective April 1, 2022, of up to $250 million (the “2022 Repurchase Program”). Approximately $66 million remained available for repurchases under the existing 2019 Share Repurchase Program as of December 31, 2021. In connection with the approval of the 2022 Repurchase Program, effective April 1, 2022, the 2019 Share Repurchase Program will terminate.

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 2021.

Critical Accounting Estimates

We prepare our consolidated financial statements in accordance with United States generally accepted accounting principles (“U.S. 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 contained in Part II, Item 8 of this 10-K. 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 reported amounts of assets, liabilities, revenues, expenses and related disclosures. 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 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 performing a quantitative test for impairment of goodwill, we primarily use 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, changes in working capital and an estimated income tax rate, 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 intangible asset, 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, an estimated income tax 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. Future trends in 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 our restaurants. There are numerous 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 or a decrease in the perceived wealth of customers, as well as unexpected events such as a global pandemic. As a result, our restaurants 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. 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. Any decreases in customer traffic or average customer check also could reduce the profitability of our company-operated restaurants. Significant increases in either the estimated income tax rate or the discount rate also could adversely impact estimated fair values used in quantitative tests for impairment.

As discussed above under "*Events Impacting Comparability of Financial Information - COVID 19 Pandemic*," government-mandated restrictions had a significant adverse impact on industry-wide restaurant operations in 2020. As a result, we performed quantitative impairment tests of our goodwill and intangible that reflected, among other things, a reduction in future system-wide sales and resulted in impairment of the goodwill of the Applebee's franchise unit, Applebee's tradename and other intangible assets during the year ended December 31, 2020. See *Note 6 - Goodwill and Note 7 - Intangible Assets,* of the Notes to the Consolidated Financial Statements for a detail description of these impairments.

During the year ended December 31, 2021, we qualitatively assessed our goodwill and intangible assets for impairment. One of the primary considerations underlying those assessments was the improvement in our system-wide sales in 2021 compared to the year ended December 31, 2020, as discussed above under *"Consolidated Results of Operations - Fiscal 2021, 2020 and 2019,"* and the impact that had on future system-wide sales forecasts relative to the sales forecasts that had been used in performing the 2020 quantitative tests for impairment. We concluded it was more likely than not that the fair values of goodwill and intangible assets exceeded their respective carrying amounts and quantitative tests of impairment were not necessary during the year ended December 31, 2021.

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 tangible assets (primarily assets related to properties and equipment leased or subleased to franchisees, including operating lease right-of-use assets recorded upon adoption of ASC 842) 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 assessment requires the use of estimates and assumptions as to future cash flows of individual restaurants and properties, which are subject to a high degree of judgment and are unique to each property. If assumptions as to future cash flows decrease in the future, we may be required to record impairment charges for these assets. See *Note 13 - Closure and Long-lived Tangible Asset*

Impairment Charges, of the Notes to the Consolidated Financial Statements for additional information on impairments of long-lived tangible 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.

Current Expected Credit Losses ("CECL")

The CECL reserve methodology requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Under the CECL model, reserves may be established against financial asset balances even if the risk of loss is remote or has not yet manifested itself.

We estimate credit loss reserves in the following manner. We record specific reserves against account balances of franchisees deemed "at-risk" when a potential loss is likely or imminent as a result of prolonged payment delinquency (greater than 90 days past due) and where notable credit deterioration has become evident. For financial assets that are not currently deemed "at-risk," an allowance is recorded based on expected loss rates that consider four components - historical losses, current conditions, reasonable and supportable forecasts and a reversion to history, if applicable.

The majority of our allowance for credit losses is comprised of specific reserves related to individual franchisees. These reserves are subject to a high degree of judgment and are unique to each franchisee. Changes in circumstances relating to each franchisee may result in increases or decreases to the allowance for credit losses in the future. Since adoption of the CECL methodology, the portion of the allowance based on expected loss rates has not been a material component of the total allowance for credit losses.

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 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.

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 2021.

Newly Issued Accounting Standards Not Yet Adopted

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

The significant majority of our long-term debt outstanding at December 31, 2021 was issued at fixed interest rates (see *Note 8 - Long-Term Debt*, of the Notes to Consolidated Financial Statements). We are only exposed to interest rate risk on borrowings we make under our 2019 Class A-1 Notes, a revolving credit facility (the "Credit Facility"), borrowings from which are subject to variable interest rates. In March 2020, we drew down $220.0 million from the Credit Facility, all of which was repaid in March 2021, with no borrowings from the Credit Facility outstanding at December 31, 2021. A 1% increase or decrease in interest rates would not have a material impact on any fees associated with the Credit Facility.

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, 2021 and did not hold any material amount of derivative instruments during the year ended December 31, 2021.

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 interest-earning cash, cash equivalents and restricted cash balances as of December 31, 2021, a 1% increase in interest rates would increase our annual interest income by approximately $1.7 million. A 1% decline in interest rates would decrease our annual interest income by less than this amount as the majority of our cash, cash equivalents and restricted cash accounts are currently yielding less than 1%.

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 the significant majority 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, 2021, 100% of Applebee's domestic franchise restaurants and 99.8% 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, 2021, our outstanding guarantees for food product purchases were $3.4 million.

International Currency Exchange Rate Risk

We have minimal exposure to international currency exchange rate fluctuations. Revenue derived from all international country operations comprised less than 2% of total consolidated revenue for the year ended December 31, 2021, 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 less than 0.2% of our consolidated revenue. We do not hold a material amount of cash and cash equivalents in currencies other than the U.S. Dollar.

Item 8. Financial Statements and Supplementary Data.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Dine Brands Global, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Dine Brands Global, Inc. and Subsidiaries (the Company) as of January 2, 2022 and January 3, 2021, the related consolidated statements of comprehensive income (loss), stockholders' deficit and cash flows for each of the three years in the period ended January 2, 2022, 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 January 2, 2022 and January 3, 2021, and the results of its operations and its cash flows for each of the three years in the period ended January 2, 2022, 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 January 2, 2022, 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 March 2, 2022 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

	Measurement and valuation of allowance for credit losses
Description of the Matter	As of January 2, 2022, the Company’s allowance for credit losses was $11.9 million against a gross receivables balance of $174.4 million. As discussed in Note 4 to the consolidated financial statements, the Company’s gross receivables primarily consist of amounts due from franchisees related to royalties, advertising fees, leases, and equipment notes, as well as gift card receivables due from third-party vendors. The carrying amount of receivables, net of the allowance, represents the total amount expected to be collected over the life of the receivables. Included in the allowance for credit losses are specific reserves against account balances due from franchisees which are deemed to be “at-risk” based primarily on payment delinquency. Auditing the allowance for credit losses was complex due to the judgmental nature and the degree of subjectivity involved with evaluating management’s assessment of the collectability of at-risk receivables. In addition to historical collection data, such assessments of the amounts expected to be collected include franchisee-specific evaluations of creditworthiness, which involve a high level of subjectivity.
How We Addressed the Matter in Our Audit	We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the establishment of allowance for credit losses, including the information used by management in those controls. Our audit procedures included, among others, validating the completeness of the identified at-risk receivables based on payment delinquency. We tested management's assessment of historical collections by performing a retrospective analysis over past due balances. We also tested management's evaluation of the creditworthiness of franchisees with material at-risk balances based on management's communications with such franchisees and review of franchisee financial performance. Additionally, we considered payments received subsequent to year end as part of our evaluation of management's assumptions regarding the collectability of the balances.

/s/ ERNST & YOUNG LLP

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

Los Angeles, California
March 2, 2022

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

	December 31,	
Assets	**2021**	**2020**
Current assets:		
Cash and cash equivalents	$ 361,412	$ 383,369
Receivables, net of allowance of $4,959 (2021) and $15,057 (2020)	119,968	121,897
Restricted cash	47,541	39,884
Prepaid gift card costs	28,175	29,080
Prepaid income taxes	10,529	6,178
Other current assets	6,728	6,098
Total current assets	574,353	586,506
Other intangible assets, net	539,390	549,671
Operating lease right-of-use assets	335,428	346,086
Goodwill	251,628	251,628
Property and equipment, net	179,411	187,977
Deferred rent receivable	50,257	56,449
Long-term receivables, net of allowance of $6,897 (2021) and $7,999 (2020)	42,493	54,512
Non-current restricted cash	16,400	32,800
Other non-current assets, net	10,006	9,316
Total assets	$ 1,999,366	$ 2,074,945
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current maturities of long-term debt	$ —	$ 13,000
Accounts payable	55,956	37,424
Gift card liability	165,530	144,159
Current maturities of operating lease obligations	72,079	69,672
Current maturities of finance lease and financing obligations	10,693	11,293
Accrued employee compensation and benefits	40,785	21,237
Accrued advertising expenses	33,752	21,641
Deferred franchise revenue, short-term	7,246	7,682
Dividends payable	6,919	—
Other accrued expenses	17,770	22,460
Total current liabilities	410,730	348,568
Long-term debt, net, less current maturities	1,279,623	1,491,996
Operating lease obligations, less current maturities	320,848	345,163
Finance lease obligations, less current maturities	59,625	69,012
Financing obligations, less current maturities	31,967	32,797
Deferred income taxes, net	76,228	78,293
Deferred franchise revenue, long-term	46,100	52,237
Other non-current liabilities	17,052	11,530
Total liabilities	2,242,173	2,429,596
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, $1 par value, 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.01 par value; shares: 40,000,000 authorized; 2021 -24,992,275 issued, 17,163,946 outstanding; 2020 - 24,882,122 issued, 16,452,174 outstanding	250	249
Additional paid-in-capital	256,189	257,625
Retained earnings (accumulated deficit)	35,415	(55,553)
Accumulated other comprehensive loss	(59)	(55)
Treasury stock, at cost; shares: 2021 - 7,828,329; 2020 - 8,429,948	(534,602)	(556,917)
Total stockholders' deficit	(242,807)	(354,651)
Total liabilities and stockholders' deficit	$ 1,999,366	$ 2,074,945

See the accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
Revenues:			
Franchise revenues:			
Royalties, franchise fees and other	$ 357,146	$ 267,959	$ 368,171
Advertising revenues	274,790	201,494	283,015
Total franchise revenues	631,936	469,453	651,186
Company restaurant sales	146,000	108,054	131,214
Rental revenues	113,933	105,939	120,666
Financing revenues	4,298	5,822	7,112
Total revenues	896,167	689,268	910,178
Cost of revenues:			
Franchise expenses:			
Advertising expenses	272,303	202,012	281,781
Bad debt (credit) expense	(4,928)	12,756	(365)
Other franchise expenses	28,512	24,204	31,338
Total franchise expenses	295,887	238,972	312,754
Company restaurant expenses	136,748	111,550	123,272
Rental expenses:			
Interest expense from finance leases	3,446	4,563	5,602
Other rental expenses	84,397	84,939	85,157
Total rental expenses	87,843	89,502	90,759
Financing expenses	464	528	579
Total cost of revenues	520,942	440,552	527,364
Gross profit	375,225	248,716	382,814
General and administrative expenses	171,838	144,791	162,815
Interest expense, net	63,331	66,895	60,393
Closure and impairment charges	5,409	132,620	1,487
Amortization of intangible assets	10,679	10,903	11,702
Loss on extinguishment of debt	—	—	8,276
Loss (gain) on disposition of assets	2,045	2,069	(332)
Income (loss) before income taxes	121,923	(108,562)	138,473
Income tax (provision) benefit	(24,059)	4,568	(34,127)
Net income (loss)	97,864	(103,994)	104,346
Other comprehensive (loss) income, net of tax:			
Foreign currency translation adjustment	(4)	3	2
Total comprehensive income (loss)	$ 97,860	$ (103,991)	$ 104,348
Net income (loss) available to common stockholders:			
Net income (loss)	$ 97,864	$ (103,994)	$ 104,346
Less: Net income allocated to unvested participating restricted stock	(2,295)	(420)	(3,532)
Net income (loss) available to common stockholders	$ 95,569	$ (104,414)	$ 100,814
Net income (loss) available to common stockholders per share:			
Basic	$ 5.69	$ (6.43)	$ 5.95
Diluted	$ 5.66	$ (6.43)	$ 5.85
Weighted average shares outstanding:			
Basic	16,799	16,230	16,934
Diluted	16,890	16,230	17,245

See the accompanying notes to the consolidated financial statements.

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

	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Shares	Cost	Total
Balance at December 31, 2018	17,644	$ 250	$ 237,726	$ 10,414	$ (60)	7,341	$ (450,603)	$ (202,273)
Adoption of lease accounting guidance	—	—	—	(5,030)	—	—	—	(5,030)
Net income	—	—	—	104,346	—	—	—	104,346
Other comprehensive gain	—	—	—	—	2	—	—	2
Purchase of common stock	(1,348)	—	—	—	—	1,348	(111,697)	(111,697)
Reissuance of treasury stock	285	(1)	(520)	—	—	(285)	12,490	11,969
Net use of shares for stock plans	(30)	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(30)	—	(2,728)	—	—	—	—	(2,728)
Stock-based compensation	—	—	10,808	—	—	—	—	10,808
Dividends on common stock	—	—	982	(48,077)	—	—	—	(47,095)
Tax payments for share settlement of restricted stock units	—	—	(76)	—	—	—	—	(76)
Balance at December 31, 2019	16,522	249	246,192	61,653	(58)	8,404	(549,810)	(241,774)
Adoption of credit loss accounting guidance	—	—	—	(497)	—	—	—	(497)
Net loss	—	—	—	(103,994)	—	—	—	(103,994)
Other comprehensive gain	—	—	—	—	3	—	—	3
Purchase of common stock	(460)	—	—	—	—	460	(26,527)	(26,527)
Reissuance of treasury stock	433	—	1,102	—	—	(433)	19,420	20,522
Net use of shares for stock plans	(8)	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(36)	—	(2,479)	—	—	—	—	(2,479)
Stock-based compensation	—	—	12,508	—	—	—	—	12,508
Dividends on common stock	—	—	507	(12,715)	—	—	—	(12,208)
Tax payments for share settlement of restricted stock units	—	—	(205)	—	—	—	—	(205)
Balance at December 31, 2020	16,452	249	257,625	(55,553)	(55)	8,430	(556,917)	(354,651)
Net income	—	—	—	97,864	—	—	—	97,864
Other comprehensive loss	—	—	—	—	(4)	—	—	(4)
Purchase of common stock	(59)	—	—	—	—	59	(4,480)	(4,480)
Reissuance of treasury stock	661	1	(1,459)	—	—	(661)	26,795	25,337
Net use of shares for stock plans	132	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(22)	—	(1,771)	—	—	—	—	(1,771)
Stock-based compensation	—	—	11,577	—	—	—	—	11,577
Dividends on common stock	—	—	—	(6,896)	—	—	—	(6,896)
Tax payments for share settlement of restricted stock units	—	—	(9,783)	—	—	—	—	(9,783)
Balance at December 31, 2021	17,164	$ 250	$ 256,189	$ 35,415	$ (59)	7,828	$ (534,602)	$ (242,807)

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,		
	2021	2020	2019
Cash flows from operating activities			
Net income (loss)	$ 97,864	$ (103,994)	$ 104,346
Adjustments to reconcile net income (loss) to cash flows provided by operating activities:			
Depreciation and amortization	39,885	42,829	42,493
Non-cash stock-based compensation expense	11,577	12,508	10,808
Non-cash closure and impairment charges	5,324	132,501	1,485
Non-cash interest expense	2,852	2,698	3,369
Deferred income taxes	(2,065)	(20,049)	(5,494)
Deferred revenue	(6,573)	(7,111)	(7,695)
Loss on extinguishment of debt	—	—	8,276
Loss (gain) on disposition of assets	2,041	2,069	(332)
Other	(1,593)	(1,246)	(3,568)
Changes in operating assets and liabilities:			
Accounts receivable, net	7,301	(9,750)	(396)
Deferred rent receivable	6,192	13,859	6,761
Current income tax receivables and payables	(3,837)	16,143	8,677
Operating lease assets and liabilities	(18,212)	(15,179)	(8,567)
Gift card receivables and payables	14,759	12,231	(1,037)
Other current assets	(629)	(2,191)	(498)
Accounts payable	13,131	6,455	583
Accrued employee compensation and benefits	19,714	(1,909)	(3,575)
Accrued advertising expenses	12,111	12,881	(1,166)
Other current liabilities	(4,007)	3,758	710
Cash flows provided by operating activities	195,835	96,503	155,180
Cash flows from investing activities			
Principal receipts from notes, equipment contracts and other long-term receivables	20,230	31,155	24,075
Net additions to property and equipment	(16,849)	(10,927)	(19,424)
Proceeds from sale of property and equipment	946	537	2,540
Additions to long-term receivables	—	(1,475)	(6,955)
Other	(466)	(565)	(389)
Cash flows provided by (used in) investing activities	3,861	18,725	(153)
Cash flows from financing activities			
Proceeds from issuance of long-term debt	—	—	1,300,000
Repayment of long-term debt	(9,750)	(3,250)	(1,283,750)
Borrowings from revolving credit facility	—	220,000	—
Repayments of revolving credit facility	(220,000)	—	(25,000)
Payment of debt issuance costs	—	—	(13,150)
Dividends paid on common stock	—	(23,934)	(46,859)
Repurchase of common stock	(4,191)	(29,853)	(109,698)
Principal payments of finance lease obligations	(10,238)	(12,451)	(13,639)
Proceeds from stock options exercised	25,337	20,523	11,969
Repurchase of restricted stock for tax payments upon vesting	(1,771)	(2,480)	(2,728)
Tax payments for share settlement of restricted stock units	(9,783)	(205)	(76)
Cash flows (used in) provided by financing activities	(230,396)	168,350	(182,931)
Net change in cash, cash equivalents and restricted cash	(30,700)	283,578	(27,904)
Cash, cash equivalents and restricted cash at beginning of year	456,053	172,475	200,379
Cash, cash equivalents and restricted cash at end of year	$ 425,353	$ 456,053	$ 172,475
Supplemental disclosures			
Interest paid	$ 65,229	$ 69,208	$ 66,104
Income taxes paid	$ 31,300	$ 11,873	$ 44,748
Non-cash conversion of accounts receivable to notes receivable	$ 4,258	$ 1,307	$ 185

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, franchises and operates two restaurant concepts: Applebee's Neighborhood Grill + 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, 2021, there were 1,751 IHOP restaurants, of which 1,595 were subject to franchise agreements and 156 were subject to area license agreements. These IHOP restaurants were located in all 50 states of the United States, the District of Columbia, two United States territories and seven countries outside the United States. As of December 31, 2021, there were 1,680 Applebee's® restaurants, of which 1,611 were subject to franchise agreements and 69 were company-operated restaurants. These Applebee's restaurants were located in 49 states of the United States, two United States territories and 11 countries outside 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 December 31, 2021 fiscal year ended January 2, 2022 and contained 52 weeks. The 2020 fiscal year ended January 3, 2021 contained 53 weeks. The 2019 fiscal year ended December 29, 2019 contained 52 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 and goodwill; 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.

Risks and Uncertainties

The Company is subject to risks and uncertainties as a result of the outbreak of a novel strain of coronavirus, designated "COVID-19" and declared to be a pandemic in March 2020. The Company first began to experience impacts from COVID-19 in March 2020, as federal, state and local governments reacted to the public health crisis by encouraging and/or requiring social distancing, instituting shelter-in-place orders, and requiring, in varying degrees, restaurant dine-in limitations and other restrictions that largely limited the restaurants of the Company's franchisees and its company-operated restaurants to take-out and delivery sales during the initial stages of the pandemic. Subsequently, government-imposed dine-in restrictions have been

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

relaxed, removed and reinstated as incidents of infection decrease or increase within the respective governmental jurisdictions. As of December 31, 2021, 99% of domestic Applebee's and IHOP restaurants and 32% of international Applebee's and IHOP restaurants were open and operating without government-mandated restriction.

We cannot predict how long the pandemic will last, whether/when recurrences of the virus and its variants may arise, what restrictions on in-restaurant dining may be enacted or re-enacted, the availability and acceptance of vaccines, the timing and extent of customer re-engagement with the Company's brands and, in general, what the short- and long-term impact on consumer discretionary spending the COVID-19 pandemic might have on the Company and the restaurant industry as a whole, all of which are uncertain and cannot be predicted. As such, the extent to which the COVID-19 pandemic may continue to materially impact the Company's financial condition, liquidity, or results of operations remains highly uncertain.

Concentration of Credit Risk

The Company's cash, cash equivalents, restricted cash 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, cash equivalents and restricted cash. At times, cash, cash equivalents and restricted cash 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, real estate 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, 2021, two franchisees (one Applebee's franchisee and one franchisee with cross-brand ownership) operated a combined total of 825 Applebee's and IHOP restaurants in the United States, which comprised 26.1% of the total Applebee's and IHOP franchise and area license restaurants in the United States. Revenues from these two franchisees represented 18.0%, 17.1%, and 17.4% of total consolidated revenue for the years ended December 31, 2021, 2020 and 2019, respectively. One franchisee represented 11.8%, 11.0% and 10.6% of total consolidated revenue for the years ended December 31, 2021, 2020 and 2019, respectively. Receivables from these franchisees totaled $19.7 million and $20.4 million at December 31, 2021 and 2020, 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. The components of cash and cash equivalents were as follows:

	December 31,	
	2021	2020
	(In millions)	
Money market funds	$ 30.0	$ 175
IHOP advertising funds and gift card programs	101.5	71
Other depository accounts	229.9	136
Total cash and cash equivalents	$ 361.4	$ 383

Restricted Cash

Current

Current restricted cash primarily consisted of funds required to be held in trust in connection with the Company's securitized debt and funds from Applebee's franchisees pursuant to franchise agreements, usage of which was restricted to advertising activities. The components of current restricted cash were as follows:

	December 31,	
	2021	2020
	(In millions)	
Securitized debt reserves	$ 29.9	$ 27
Applebee's advertising funds	17.5	12
Other	0.1	0
Total current restricted cash	$ 47.5	$ 39

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

Non-current

Non-current restricted cash of $16.4 million and $32.8 million at December 31, 2021 and 2020, respectively, represents interest reserves set aside for the duration of the securitized debt. The required reserve is approximately one quarter's interest payment on the Company's securitized debt. The Company voluntarily increased the amount held in non-current cash to twice the required amount during the year ended December 31, 2020 and reduced the reserve back to the minimum amount during the year ended December 31, 2021.

Property and Equipment

Property and equipment are stated at cost, net of accumulated depreciation. Properties under finance 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 finance leases are amortized on a straight-line basis over their estimated useful lives or the lease term, if less. The general ranges of depreciable and amortizable lives are as follows:

Category	Depreciable Life
Buildings and improvements	25 to 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 finance 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 analysis is performed at the restaurant level for indicators of impairment. The Company tests for impairment using current and historical operating results and cash flows as well as 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. Continuing losses associated with an asset are 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 13 - Closure and Long-lived Tangible Asset 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 three reporting units. The significant majority of the Company's goodwill resulted from the November 29, 2007 acquisition of Applebee's and was allocated to the Applebee's franchised restaurants unit (“Applebee's franchise unit”). Smaller amounts of goodwill arising from other business combinations have been allocated to the IHOP franchised restaurants unit (“IHOP franchise unit”) and the Applebee's company restaurants unit (“Applebee's company unit”). See *Note 6 - Goodwill*, of the Notes to the Consolidated Financial Statements for additional information.

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

The Company evaluates the goodwill of the Applebee's franchise and company units 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, current and future income tax rates, the competitive environment, fluctuations in the market value of the Company's common stock, absolute and relative to peers, 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 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 quantitative 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.

Revenue Recognition

The Company's revenues are recorded in four categories: franchise operations, company restaurant operations, rental operations and financing operations. Franchise revenue (which comprises most of the Company's revenues) and revenue from company-operated restaurants are recognized in accordance with Accounting Standards Codification 606 - Revenue from Contracts with Customers (“ASC 606”). Under ASC 606, revenue is recognized upon transfer of control of promised services or goods to customers in an amount that reflects the consideration the Company expects to receive for those services or goods. The Company's rental and financing revenues are recognized in accordance with other U.S. GAAP accounting standards and are not subject to ASC 606.

<u>Franchise Revenues</u>

The Company owns and franchises the Applebee’s and IHOP restaurant concepts. The franchise arrangement for both brands is documented in the form of a franchise agreement and, in most cases, a development agreement. The franchise arrangement between the Company as the franchisor and the franchisee as the customer requires the Company to perform various activities to support the brand that do not directly transfer goods and services to the franchisee, but instead represent a single performance obligation, which is the transfer of the franchise license. The intellectual property subject to the franchise license is symbolic intellectual property as it does not have significant standalone functionality, and substantially all the utility is derived from its association with the Company’s past or ongoing activities. The nature of the Company’s promise in granting the franchise license is to provide the franchisee with access to the brand’s symbolic intellectual property over the term of the license. The services provided by the Company are highly interrelated with the franchise license and as such are considered to represent a single performance obligation.

The transaction price in a standard franchise arrangement for both brands primarily consists of (a) initial franchise/development fees; (b) continuing franchise fees (royalties); and (c) advertising fees. Since the Company considers the licensing of the franchising right to be a single performance obligation, no allocation of the transaction price is required. Additionally, all domestic IHOP franchise agreements require franchisees to purchase proprietary pancake and waffle dry mix from the Company.

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

The Company recognizes the primary components of the transaction price as follows:

- Franchise and development fees are recognized as revenues ratably on a straight-line basis over the term of the franchise agreement commencing with the restaurant opening date. As these fees are typically received in cash at or near the beginning of the franchise term, the cash received is initially recorded as a contract liability until recognized as revenue over time;
- The Company is entitled to royalties and advertising fees based on a percentage of the franchisee's gross sales as defined in the franchise agreement. Royalty and advertising revenues are recognized when the franchisee's reported sales occur. Depending on timing within a fiscal period, the recognition of revenue results in either a contract asset (unbilled receivable) or, once billed, accounts receivable, on the balance sheet;
- Revenue from the sales of proprietary pancake and waffle dry mix is recognized in the period in which distributors ship the franchisee's order; recognition of revenue results in accounts receivable on the balance sheet.

In determining the amount and timing of revenue from contracts with customers, the Company exercises judgment with respect to collectibility of the amount; however, the timing of recognition does not require significant judgment as it is based on either the franchise term, the month of sale as reported by the franchisee or the date of product shipment, none of which require estimation.

The Company does not incur a significant amount of contract acquisition costs in conducting its franchising activities. The Company believes its franchising arrangements do not contain a significant financing component.

Company Restaurant Revenues

Company restaurant revenues comprise retail sales at company-operated restaurants. 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, with no significant judgments required.

Rental Revenues

Rental operations revenues include revenues from operating leases and interest income from direct financing leases. See *Basis of Presentation and Summary of Significant Accounting Policies - Leases.*

Financing Revenues

Financing operations revenues consist primarily of interest income from the financing of franchise fees and equipment leases, other notes receivable from franchisees and sales of equipment associated with refranchised IHOP restaurants. Interest income is recorded as earned.

Gift Card

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. If redemption occurs at a franchisee-operated restaurant, the gift card revenue, net of costs, is remitted to the franchisee. The Company receives gift card breakage revenue only from gift cards redeemed at company-operated restaurants. Breakage revenue for gift cards estimated to be redeemable at company-operated restaurants for the years ended December 31, 2021 and 2020 was $0.3 million in each year. Breakage revenue was not recorded for the year ended December 31, 2019 as the Company did not have sufficient history from operating the restaurants on which to base an estimate for breakage.

Allowance for Credit Losses

The allowance for credit losses is the Company's best estimate of the amount of probable credit losses incurred on 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 losses, current conditions, and reasonable and supportable forecasts used in assessing 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 credit losses. 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. See *Note 4*, *Current Expected Credit Losses*, of the Notes to the Consolidated Financial Statements for additional information.

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

Leases

The Company accounts for its leasing activities in accordance with accounting guidance for leases, as codified in Accounting Standards Topic 842 ("ASC 842"), adopted as of the beginning of its 2019 fiscal year. In adopting ASC 842, the Company utilized expedients that allowed it to retain the classification, as either an operating lease or a finance lease, that was previously determined under prior accounting guidance for leases. The Company reassesses this classification upon renewal, extension or the modification of an existing lease agreement. The Company determines the appropriate classification upon entering into a new contract determined to contain a lease.

Operating lease assets and liabilities are recognized at the lease commencement date, or were recognized upon adoption of ASC 842. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the Company's right to use an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives and impairment of operating lease assets.

The Company's lease agreements generally do not provide information to determine the implicit interest rate in the agreements. This requires the Company to estimate an incremental borrowing rate to be used in calculating operating lease liabilities as of the adoption or commencement date. The Company estimates the incremental borrowing rate primarily by reference to (i) yield rates on debt issuances by companies of a similar credit rating as the Company; (ii) U.S. Treasury rates as of the adoption or commencement date; and (iii) adjustments for differences between these rates and the lease term.

The cost of an operating lease is recognized over the lease term on a straight-line basis. The lease term commences on the date the Company has the right to control the use of the leased property. Certain leases may contain provisions for rent holidays and fixed-step escalations in payments over the base lease term, as well as renewal periods. The effects of the holidays and fixed-step escalations are reflected in rent expense on a straight-line basis over the expected lease term. Differences between amounts paid and amounts expensed are recorded as deferred rent. Certain leases may include rent escalations based on inflation indexes and fair market value adjustments. Certain leases may contain contingent rental provisions that include a fixed base rent plus an additional percentage of the restaurant's sales. Subsequent escalations subject to such an index and contingent rental payments are recognized as variable lease expense.

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

Pre-opening Expenses

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

Advertising

Advertising expense reflected in the Consolidated Statements of Comprehensive Income (Loss) includes contributions to the national advertising fund made by Applebee's and IHOP, local marketing advertising costs incurred by company-operated restaurants, and certain advertising costs incurred by the Company to benefit future franchise operations. Costs of advertising typically are expensed either as incurred or the first time the advertising takes place. Any excess or deficiency of advertising fee revenue compared to advertising expenditures, is recognized in the fourth quarter of the Company's fiscal year. Any excess of revenue over expenditures is recognized only to the extent of previously recognized deficits. When advertising revenues exceed the related advertising expenses and there is no recovery of a previously recognized deficit of advertising revenues, advertising costs are accrued up to the amount of revenues.

Advertising expense included in company restaurant operations for the years ended December 31, 2021, 2020 and 2019 was $6.8 million, $5.2 million and $6.1 million, respectively.

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

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.

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 a 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. Assets recognized or disclosed at fair value in the consolidated financial statements on a nonrecurring basis include items such as property and equipment, operating lease assets, goodwill and other intangible assets, which are measured at fair value if determined to be impaired. 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 and cash equivalents, restricted cash, 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, 2021	December 31, 2020
	(In millions)	
Face value of Series 2019-1 Fixed Rate Senior Secured Notes	$ 1,287.0	$ 1,296.8
Fair value of Series 2019-1 Fixed Rate Senior Secured Notes	$ 1,312.9	$ 1,259.5

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 basis 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 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 (Loss).

The Company is taxed on global intangible low-tax income ("GILTI") earned by certain foreign subsidiaries and recognizes the current tax on GILTI as an expense in the period the tax is incurred. The Company includes the current tax impact of GILTI in our effective tax rate.

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 based on its technical merits, including all appeals or litigation processes. 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 Dine Brands Global, Inc. 2019 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.

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

The Company accounts for all stock-based payments to employees and non-employee directors, including grants of stock options, restricted stock, restricted stock units and performance 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 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. The Company estimates the grant date fair value of awards with performance-based market conditions using a Monte Carlo simulation method which considers, among other factors, the performance-based market condition, a risk-free interest rate, the expected life of the award and the historical volatility of the Company's stock price. Awards of cash-settled restricted stock units 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 Income (Loss) Per Share

Net income (loss) per share is calculated using the two-class method prescribed in U.S. GAAP. Basic net income (loss) per share is computed by dividing the net income (loss) available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by dividing the net income (loss) available to common stockholders for the period by the weighted average number of common shares and potential shares of 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, 2021, 2020 and 2019, 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 dividend declaration. Dividends declared 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 reporting 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.

<u>Franchise Segment</u>

As of December 31, 2021, the franchise operations reportable segment consisted of 1,611 restaurants operated by Applebee's franchisees in the United States, two United States territories and 11 countries outside the United States and 1,751 restaurants operated by IHOP franchisees and area licensees in the United States, two United States territories and seven countries outside the United States. Franchise operations revenue consists primarily of royalties and advertising fees based on a percentage of the franchisee's gross sales, sales of proprietary products (primarily IHOP pancake and waffle dry mixes) and other franchise fees.

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

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

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 finance 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.

Financing Segment

Financing operations revenue primarily consists of interest income from the financing of IHOP franchise fees and equipment leases, notes receivable from Applebee's and IHOP franchisees and sales of equipment associated with refranchised IHOP restaurants. Financing expenses are the cost of restaurant equipment.

Company Segment

As of December 31, 2021, the Company operated 69 Applebee's restaurants that were acquired from a former franchisee in December 2018. 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 in the Current Fiscal Year

In December 2019, the Financial Accounting Standards Board ("FASB") issued new guidance intended to simplify the accounting for income taxes, change the accounting for certain income tax transactions, and make other minor changes. The Company adopted the new guidance at the beginning of the first fiscal quarter of 2021. Adoption did not have any material effect on the consolidated financial statements.

Additional new accounting guidance became effective for the Company as of the beginning of fiscal 2021 that the Company reviewed and concluded was either not applicable to its operations or had no material effect on its consolidated financial statements in the current or future fiscal years.

Newly Issued Accounting Standards Not Yet Adopted

In March 2020, with an update in January 2021, the FASB issued guidance which provides optional expedients and exceptions for applying current U.S. GAAP to contracts, hedging relationships, and other transactions affected by the discontinuation of the London Interbank Offered Rate ("LIBOR") or by another reference rate expected to be discontinued. The guidance can be adopted immediately and is applicable to contracts entered into on or before December 31, 2022. The Company is currently evaluating its contracts that reference LIBOR and the potential effects of adopting this new guidance.

In July 2021, the FASB issued guidance which affect lessors with lease contracts that (i) have variable lease payments that do not depend on a reference index or a rate and (ii) would have resulted in the recognition of a selling loss at lease commencement if classified as sales-type or direct financing. The amendments are effective for fiscal years beginning after December 15, 2021. The Company is currently evaluating lease contracts and the potential effects of adopting this new guidance.

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 when adoption is required in the future.

3. Revenue Disclosures

The following table disaggregates our franchise revenues by major type for the years ended December 31, 2021, 2020 and 2019:

3. Revenue Disclosures (Continued)

	Year ended December 31,		
	2021	2020	2019
		(In thousands)	
Franchise Revenues:			
Royalties	$ 292,372	$ 215,214	$ 302,169
Advertising fees	274,790	201,494	283,015
Pancake and waffle dry mix sales and other	51,250	38,936	53,973
Franchise and development fees	13,524	13,809	12,029
Total franchise revenues	$ 631,936	$ 469,453	$ 651,186

Accounts and other receivables related to franchise revenues as of December 31, 2021 and 2020 were $66 million (net of allowance of $1.1 million) and $76.3 million (net of allowance of $11.4 million), respectively, and were included in receivables, net in the Consolidated Balance Sheets.

Changes in the Company's deferred franchise revenue during the year ended December 31, 2021 were as follows:

	Deferred Franchise Revenue (short- and long-term)
	(In thousands)
Balance at December 31, 2020	59,919
Recognized as revenue during the year ended December 31, 2021	(12,101)
Fees deferred during the year ended December 31, 2021	5,528
Balance at December 31, 2021	$ 53,346

The balance of deferred franchise revenue as of December 31, 2021 is expected to be recognized as follows:

	(In thousands)
2022	$ 7,246
2023	6,800
2024	6,191
2025	5,416
2026	4,597
Thereafter	23,096
Total	$ 53,346

4. Current Expected Credit Losses (“CECL”)

The CECL reserve methodology requires companies to measure expected credit losses on financial instruments based on the total estimated amount to be collected over the lifetime of the instrument. Under the CECL model, reserves may be established against financial asset balances even if the risk of loss is remote or has not yet manifested itself.

In applying the CECL methodology, the Company developed its estimated loss reserves in the following manner. The Company continued to record specific reserves against account balances of franchisees deemed “at-risk” when a potential loss is likely or imminent as a result of prolonged payment delinquency (greater than 90 days past due) and where notable credit deterioration has become evident. For financial assets that are not currently deemed “at-risk,” an allowance is recorded based on expected loss rates derived pursuant to the following CECL methodology that assesses four components - historical losses, current conditions, reasonable and supportable forecasts, and a reversion to history, if applicable.

Historical Losses

Historical loss rates over a five-year span were calculated for financial assets with common risk characteristics. The Company determined historical loss rate data for each franchise brand concept was more relevant than a single blended rate. Historical losses were determined based on the average charge-off method. Historical loss rates are further adjusted by factors related to current conditions and forecasts of future economic conditions.

4. Current Expected Credit Losses (Continued)

Current Conditions

The Company identified three metrics that it believes provide the most relevant reflection of the current risks inherent in the Company’s franchisee-based restaurant business, as follows: (1) delinquency status, (2) system-wide same-restaurant sales, and (3) restaurant unit-level economics. The current conditions adjustment factor was adjusted to account for the impact of the COVID-19 pandemic.

Reasonable and Supportable Forecasts

The third component in the CECL methodology involves consideration of macroeconomic conditions that can impact the estimate of expected credit losses in the future. The Company has not developed an internal methodology in this regard; rather, the Company utilizes existing, publicly accessible sources of economic data, primarily forecasts of overall unemployment rate as well as consumer spending based on the personal consumption expenditure index.

Reversion to History

The Company has determined that reversion to history was not required since the remaining average lives of the Company’s financial assets are not exceedingly lengthy.

The Company considers its portfolio segments to be the following:

Accounts Receivable (Franchise-Related)

Most of the Company’s short-term receivables due from franchisees are derived from royalty, advertising and other franchise-related fees.

Gift Card Receivables

Gift card receivables consist primarily of amounts due from third-party vendors. Receivables related to gift card sales are subject to seasonality and usually peak around year end as a result of the December holiday season.

Notes Receivable

Notes receivable balances primarily relate to the conversion of certain Applebee's franchisee accounts receivable to notes receivable, cash loans to franchisees for working capital purposes, a note receivable in connection with the sale of IHOP company restaurants in June 2017, and IHOP franchise fee and other notes. The notes are typically collateralized by the franchise. The notes have a term from one to seven years and bear interest averaging 4.0% and 4.7% per annum at December 31, 2021 and 2020, respectively. Due to the risk inherent in Applebee's notes that were converted from previously delinquent franchisee accounts receivable balances, a significant portion of these notes have specific reserves recorded against them totaling $10.4 million as of December 31, 2021.

Equipment Leases Receivable

Equipment leases receivable primarily relate to IHOP franchise development activity prior to 2003. IHOP provided the financing for the leasing of the equipment. Equipment lease contracts are collateralized by the equipment in the restaurant. Equipment lease contracts are due in equal weekly installments, and bear interest averaging 9.9% and 9.8% per annum at December 31, 2021 and 2020, respectively. The term of an equipment lease contract typically coincides with the term of the corresponding restaurant building lease. The weighted average remaining life of the Company’s equipment leases is 4.7 years as of December 31, 2021. The estimated fair value of the equipment collateralizing these lease contracts are not deemed to be significant given the very seasoned and mature nature of this portfolio.

4. Current Expected Credit Losses (Continued)

Direct Financing Leases Receivable

Direct financing lease receivables also primarily relate to IHOP franchise development activity prior to 2003 when IHOP typically leased or purchased the restaurant site, built and equipped the restaurant, and then franchised the restaurant to a franchisee. IHOP provided the financing for leasing or subleasing the site. Direct financing leases at December 31, 2021, comprised 70 leases with a weighted average remaining life of 5.2 years, and relate to locations that IHOP is leasing from third parties and subleasing to franchisees. Where applicable, building leases and equipment contracts contain cross-default provisions wherein a default under one constitutes a default under all.

Distributor Receivables

Receivables due from distributors are related to the sale of IHOP's proprietary pancake and waffle dry mix to franchisees through the Company's network of suppliers and distributors and are included as part of Other receivables.

Total receivables balances at December 31, 2021 and 2020 were as follows:

Receivables

	2021	2020
	(In millions)	
Accounts receivable	$ 63.6	$ 85.7
Gift card receivables	33.4	22.5
Notes receivable	19.7	18.6
Financing receivables:		
Equipment leases receivable	33.4	43.9
Direct financing leases receivable	16.7	22.7
Other	7.6	6.1
	174.4	199.5
Less: allowance for doubtful accounts and notes receivable	(11.9)	(23.1)
	162.5	176.4
Less: current portion	(120.0)	(121.9)
Long-term receivables	$ 42.5	$ 54.5

Changes in the allowance for credit losses during the years ended December 31, 2021 and 2020 were as follows:

	Accounts Receivable	Notes receivable, short-term	Notes receivable, long-term	Lease Receivables	Equipment Receivables	Other [1]	Total
				(In millions)			
Balance, December 31, 2019	$ 0.7	$ 2.4	$ 8.2	$ —	$ —	$ —	$ 11.3
Increase due to CECL adoption	0.3	—	0.1	0.1	0.1	0.1	0.7
Bad debt expense for the year ended December 31, 2020	5.0	2.5	0.5	1.2	3.4	0.2	12.8
Advertising provision adjustment	5.4	(0.7)	(1.2)	—	—	—	3.5
Write-offs	(0.2)	(0.6)	(2.3)	(0.9)	(1.2)	—	(5.2)
Recoveries	0.0	—	—	0.0	—	—	—
Balance, December 31, 2020	$ 11.2	$ 3.6	$ 5.3	$ 0.4	$ 2.3	$ 0.3	$ 23.1
Bad debt (credit) expense for the year ended December 31, 2021	(8.2)	1.4	1.1	0.1	0.8	(0.1)	(4.9)
Advertising provision adjustment	(1.8)	(0.3)	0.2	—	—	—	(1.9)
Write-offs	(0.2)	(0.9)	—	(0.5)	(3.0)	—	(4.6)
Recoveries	0.0	—	—	0.2	—	—	0.2
Balance, December 31, 2021	$ 1.0	$ 3.8	$ 6.6	$ 0.2	$ 0.1	$ 0.2	$ 11.9

[1] Primarily distributor receivables, gift card receivables and credit card receivables

4. Current Expected Credit Losses (Continued)

The Company's primary credit quality indicator for all portfolio segments is delinquency. The delinquency status of receivables (other than accounts receivable, gift card receivables and distributor receivables) at December 31, 2021 was as follows:

	Notes receivable, short-term	Notes receivable, long-term	Lease Receivables	Equipment Receivables	Other [1]	Total
	(In millions)					
Current	$ 5.0	$ 13.3	$ 16.7	$ 33.4	$ 1.8	$ 70.2
30-59 days	0.0	—	—	—	—	0.0
60-89 days	0.0	—	—	—	—	—
90-119 days	—	—	—	—	—	—
120+ days	1.4	—	—	—	—	1.4
Total	$ 6.4	$ 13.3	$ 16.7	$ 33.4	$ 1.8	$ 71.6

[1] Primarily credit card receivables

The year of origination of the Company's financing receivables is as follows:

	Notes receivable, short and long-term	Lease Receivables	Equipment Receivables	Total
	(In millions)			
2021	$ 13.1	$ 2.7	$ —	$ 15.8
2020	0.6	1.4	—	2.0
2019	0.2	0.8	—	1.0
2018	—	—	—	—
2017	5.7	—	—	5.7
Prior	0.1	11.8	33.4	45.3
Total	$ 19.7	$ 16.7	$ 33.4	$ 69.8

The Company does not place its financing receivables in non-accrual status.

The following table summarizes the activity in the allowance for doubtful accounts and notes receivable for the year ended December 31, 2019, prior to the adoption of CECL:

Allowance for Doubtful Accounts	(In millions)
Balance at December 31, 2018	$ 17.2
Provision	(0.4)
Write-offs	(5.0)
Recoveries	(0.5)
Balance at December 31, 2019	$ 11.3

5. Property and Equipment

Property and equipment by category at December 31, 2021 and 2020 were as follows:

	2021	2020
	(In millions)	
Leaseholds and improvements	$ 221.1	$ 221.7
Properties under finance leases	94.6	95.2
Equipment and fixtures	52.5	51.3
Buildings and improvements	54.2	55.4
Land	51.3	52.1
Internal-use software	55.7	47.8
Construction in progress	5.5	5.0
Property and equipment, gross	534.9	528.5
Less: accumulated depreciation and amortization	(355.5)	(340.5)
Property and equipment, net	$ 179.4	$ 188.0

The Company recorded depreciation expense on property and equipment of $29.2 million, $31.9 million and $30.8 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Accumulated depreciation and amortization includes accumulated amortization for properties under finance leases in the amount of $52.7 million and $49.6 million at December 31, 2021 and 2020, respectively.

6. 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, 2021, 2020 and 2019 are as follows:

	Applebee's Franchise Unit	Applebee's Company Unit	IHOP Franchise Unit	Total
		(In millions)		
Balance at December 31, 2018	$ 328.4	$ 6.1	$ 10.8	$ 345.3
Purchase price adjustment related to business acquisition	—	(1.5)	—	(1.5)
Balance at December 31, 2019	328.4	4.6	10.8	343.9
Impairment loss	(92.2)	—	—	(92.2)
Balance at December 31, 2020	236.2	4.6	10.8	251.6
Balance at December 31, 2021	$ 236.2	$ 4.6	$ 10.8	$ 251.6

Gross and net carrying amounts of goodwill at December 31, 2021 and 2020 are as follows:

	December 31, 2021			December 31, 2020		
	Gross	Accumulated Impairment Loss	Net	Gross	Accumulated Impairment Loss	Net
			(In millions)			
Applebee's Franchise Unit	$ 686.7	$ (450.5)	$ 236.2	$ 686.7	$ (450.5)	$ 236.2
Applebee's Company Unit	4.6	—	4.6	4.6	—	4.6
IHOP Franchise Unit	10.8	—	10.8	10.8	—	10.8
Total	$ 702.1	$ (450.5)	$ 251.6	$ 702.1	$ (450.5)	$ 251.6

The Company assesses goodwill for impairment in accordance with its policy described in *Note 2 - Basis of Presentation and Summary of Significant Accounting Policies*.

6. Goodwill (Continued)

The Company evaluates its goodwill and the indefinite-lived Applebee's tradename for impairment annually in the fourth quarter of each year or on an interim basis if events or changes in circumstances between annual tests indicate a potential impairment. Definite-lived intangible assets and long-lived tangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable based on estimated undiscounted future cash flows.

2021 Assessment

In the fourth quarter of 2021, the Company performed qualitative assessments of its goodwill in accordance with its accounting policies. As result of the qualitative assessment, the Company concluded it was more likely than not that the fair values of each unit exceeded the respective carrying amounts and therefore, a quantitative test of impairment was not necessary.

2020 Assessment

Because of the risks and uncertainties associated with the COVID-19 pandemic, the Company performed an interim assessment to determine whether the impact of COVID-19 indicated a potential impairment to its goodwill and intangible assets. In the second quarter of 2020, the Company noted that its common stock had recovered less of its early March 2020 (pre-pandemic) market value than the overall U.S. stock market had recovered. The Company also was able to assess several months of data as to the impact of the COVID-19 pandemic on its operations and, in turn, assess the impact that might have on the risk premium incorporated into its discount rate. Based on these developments, the Company determined that an interim quantitative test for impairment of the goodwill of the Applebee's Franchise and Company units should be performed as of May 24, 2020. In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The fair value technique used in this instance is classified as Level 3, where unobservable inputs are used when little or no market data is available.

In performing the quantitative test for impairment of goodwill, the Company 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 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.

As a result of performing the quantitative test of impairment, the Company recognized an impairment loss of $92.2 million in 2020 to the goodwill of the Applebee's Franchise unit. The majority of the impairment was due to an increase in the assessed risk premium incorporated into the discount rate assumption. There was no impairment of the Applebee's Company unit.

2019 Assessment

In the fourth quarter of 2019, the Company performed qualitative assessments of its goodwill in accordance with its accounting policies. As result of the qualitative test, the Company concluded it was more likely than not that the fair values of each unit exceeded the respective carrying amounts and therefore, a quantitative test of impairment was not necessary.

7. 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 amounts for the years ended December 31, 2021, 2020 and 2019 are as follows:

	Not Subject to Amortization		Subject to Amortization			
	Tradename	Other	Franchising Rights	Reacquired Franchise Rights	Favorable Leaseholds	Total
			(In millions)			
Balance at December 31, 2018	$ 479.0	$ 2.7	$ 89.0	$ 11.5	$ 3.6	$ 585.9
Amortization expense	—	—	(10.0)	(1.7)	(0.1)	(11.7)
Additions	—	0.5	—	—	0.5	1.0
Balance at December 31, 2019	479.0	3.2	79.0	9.8	4.1	575.1
Impairment	(11.0)	—	—	(3.3)	(0.8)	(15.1)
Amortization expense	—	—	(10.0)	(0.8)	(0.1)	(10.9)
Additions	—	0.6	—	—	—	0.5
Balance at December 31, 2020	468.0	3.8	69.0	5.7	3.2	549.7
Amortization expense	—	—	(10.0)	(0.6)	(0.1)	(10.7)
Additions	—	0.4	—	—	—	0.4
Balance at December 31, 2021	$ 468.0	$ 4.2	$ 59.0	$ 5.1	$ 3.1	$ 539.4

In December 2018, the Company acquired 69 Applebee's restaurants. In its allocation of the purchase price, the Company recorded $11.6 million of reacquired franchise rights as an intangible asset. Additions other intangibles for the years ended December 31, 2021, 2020 and 2019 are individually insignificant.

Impairments in 2020

As discussed in *Note 6 - 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 and reacquired franchise rights in the second quarter of 2020. 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 the quantitative test of impairment, the Company recognized an impairment of $11.0 million to Applebee's tradename. The majority of the impairment was due to an increase in the assessed risk premium incorporated into the discount rate assumption. In addition, the Company determined that the carrying amounts of reacquired franchise rights and favorable leaseholds exceeded the estimated fair value by $3.3 million and $0.8 million, respectively, and recorded impairments to those intangible assets.

Annual amortization expense for the next five fiscal years is estimated to be approximately $10.7 million per year.

Gross and net carrying amounts of intangible assets subject to amortization at December 31, 2021 and 2020 are as follows:

	December 31, 2021			December 31, 2020		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
			(In millions)			
Franchising rights	$ 200.0	$ (141.0)	$ 59.0	$ 200.0	$ (131.0)	$ 69.
Reacquired franchise rights	8.3	(3.2)	5.1	8.3	(2.6)	5.
Favorable leaseholds	3.4	(0.3)	3.1	$ 3.4	$ (0.2)	3.
Total	$ 211.7	$ (144.5)	$ 67.2	$ 211.7	$ (133.7)	$ 78.

In the fourth quarter of fiscal 2021 and 2019, the Company performed a qualitative assessment of the Applebee's tradename and concluded the fair value exceeded the carrying amount.

8. Long-Term Debt

Long-term debt at December 31, 2021 and 2020 consists of the following components:

	2021	2020
	(In millions)	
Series 2019-1 4.194% Fixed Rate Senior Secured Notes, Class A-2-I	$ 693.0	$ 698.3
Series 2019-1 4.723% Fixed Rate Senior Secured Notes, Class A-2-II	594.0	598.5
Series 2019-1 Variable Funding Senior Notes Class A-1, variable interest rate of 2.42% at December 31, 2021	—	220.0
Debt issuance costs	(7.4)	(11.8)
Long-term debt, net of debt issuance costs	1,279.6	1,505.0
Current portion of long-term debt	—	(13.0)
Long-term debt	$ 1,279.6	$ 1,492.0

Long-Term Debt

On June 5, 2019, Applebee's Funding LLC and IHOP Funding LLC (the "Co-Issuers"), each a special purpose, wholly-owned indirect subsidiary of the Company, issued two tranches of fixed rate senior secured notes, the Series 2019-1 4.194% Fixed Rate Senior Secured Notes, Class A-2-I ("Class A-2-I Notes") in an initial aggregate principal amount of $700 million and the Series 2019-1 4.723% Fixed Rate Senior Secured Notes, Class A-2-II ("Class A-2-II Notes") in an initial aggregate principal amount of $600 million (the "Class A-2-II Notes" and, together with the Class A-2-I Notes, the "2019 Class A-2 Notes"). The 2019 Class A-2 Notes were issued pursuant to an offering exempt from registration under the Securities Act of 1933, as amended.

The Co-Issuers also replaced their existing revolving financing facility, the 2018-1 Variable Funding Senior Notes, Class A-1 ("2018 Class A-1 Notes"), with a new revolving financing facility, the 2019-1 Variable Funding Senior Notes, Class A-1 (the "Credit Facility"), on substantially the same terms as the 2018 Class A-1 Notes in order to conform the term of the Credit Facility to the anticipated repayment dates for the 2019 Class A-2 Notes. The Credit Facility and the 2019 Class A-2 Notes are referred to collectively herein as the "New Notes."

The New Notes were issued in a securitization transaction pursuant to which substantially all of the domestic revenue-generating assets and domestic intellectual property, as further described below, held by the Co-Issuers and certain other special-purpose, wholly-owned indirect subsidiaries of the Company (the "Guarantors") were pledged as collateral to secure the New Notes.

2019 Class A-2 Notes

The New Notes were issued under a Base Indenture, dated as of September 30, 2014, amended and restated as of June 5, 2019 (the "Base Indenture"), and the related Series 2019-1 Supplement to the Base Indenture, dated June 5, 2019 (the "Series 2019-1 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 2019-1 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 2019 Class A-2 Notes are outstanding, payment of principal and interest is required to be made on the Class A-2 Notes on a quarterly basis. The payment of principal on the 2019 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. Exceeding the leverage ratio of 5.25x does not violate any covenant related to the New Notes.

As of December 31, 2021 the Company's leverage ratio was 3.86x. Therefore, quarterly principal payments are not required. During 2021, the Company's leverage ratio exceeded 5.25x until the quarterly payment period ended September 30, 2021. Accordingly, the Company made three principal payments totaling $9.75 million in 2021.

The Company may voluntarily repay the New Notes at any time; however, if the Company repays the New Notes prior to certain dates, it would be required to pay make-whole premiums. As of December 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-I Notes was approximately $10 million; this amount declines each quarter to zero in June 2022. As of December 31, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-II Notes was approximately $39 million; this amount declines each quarter to zero in June 2024. The Company would also be subject to a make-whole premium in the event of a mandatory prepayment required following a Rapid Amortization Event or certain asset dispositions. The mandatory make-whole premium requirements are considered derivatives embedded in the New Notes that must be bifurcated for separate valuation. The Company estimated the fair value of these derivatives to be immaterial as of December 31, 2021, based on the probability-weighted discounted cash flows associated with either event.

The legal final maturity of the 2019 Class A-2 Notes is in June 2049, but it is anticipated that, unless earlier prepaid to the extent permitted under the Indenture, the Class A-2-I Notes will be repaid in June 2024 (the “Class A-2-I Anticipated Repayment Date”) and the Class A-2-II Notes will be repaid in June 2026 (the “Class A-2-II Anticipated Repayment Date”). If the Co-Issuers have not repaid or refinanced the Class A-2-I Notes by the Class A-2-I Anticipated Repayment Date or the Class A-2-II Notes by the Class A-2-II Anticipated Repayment Date, then additional interest will accrue on the Class A-2-I Notes and the Class A-2-II Notes, as applicable, at the greater of: (A) 5.0% and (B) the amount, if any, by which the sum of the following exceeds the applicable Class A-2 Note interest rate: (x) the yield to maturity (adjusted to a quarterly bond-equivalent basis) on the applicable anticipated repayment date of the United States Treasury Security having a term closest to 10 years plus (y) 5.0%, plus (z) 2.15% for the Class A-2-I Notes and 2.64% for the Class A-2-II Notes.

2019 Class A-1 Notes

The Co-Issuers also entered into the Credit Facility that allows for drawings up to $225 million of variable funding notes and the issuance of letters of credit. The 2019 Class A-1Notes were issued under the Indenture. Drawings and certain additional terms related to the Credit Facility are governed by the 2019 Class A-1 Note Purchase Agreement, dated June 5, 2019, among the Co-Issuers, certain special-purpose, wholly-owned indirect subsidiaries of the Company, each as a Guarantor (“the Guarantors”), the Company, as manager, certain conduit investors, financial institutions and funding agents, and Barclays Bank PLC, as provider of letters of credit, swingline lender and administrative agent (the “Purchase Agreement”).

The Credit Facility is governed, in part, by the Purchase Agreement and by certain generally applicable terms contained in the Indenture. The applicable interest rate under the Credit Facility depends on the type of borrowing by the Co-Issuers. The applicable interest rate for advances is generally calculated at a per annum rate equal to the commercial paper funding rate or one-, two-, three- or six-month Eurodollar Funding Rate, in either case, plus 2.15%. The applicable interest rate for swingline advances and unreimbursed draws on outstanding letters of credit is a per annum base rate equal to the sum of (a) 1.15% plus (b) the greatest of (i) the Prime Rate in effect from time to time, (ii) the Federal Funds Rate in effect from time to time plus 0.50% and (iii) the one-month Eurodollar Funding Rate plus 1.00%. There is no upfront fee for the Credit Facility. There is a fee of 50 basis points on any unused portion of the Credit Facility. Undrawn face amounts of outstanding letters of credit that are not cash collateralized accrue a fee of 2.15% per annum. It is anticipated that the principal and interest on the Credit Facility will be repaid in full on or prior to the quarterly payment date in June 2024 (the “2019 Class A-1 Anticipated Repayment Date”), subject to two additional one-year extensions at the option of the Company upon the satisfaction of certain conditions.

Management Agreement

Under the terms of the Management Agreement, dated September 30, 2014, as amended and restated as of September 5, 2018, as further amended and restated as of June 5, 2019 and as amended by that certain Amendment No. 1 to Management Agreement dated November 21, 2019, among the Co-Issuers and the Guarantors (collectively, the “Securitization Entities”), the Company, Applebee’s Services, Inc., International House of Pancakes, LLC and the Trustee, the Company will act as the manager with respect to substantially all of the assets of the Securitization Entities (the “Securitized Assets”) . The primary responsibilities of the manager will be to perform certain franchising, distribution, intellectual property and operational functions on behalf of the Securitization Entities with respect to the Securitized Assets pursuant to the Management Agreement. The manager will be entitled to the payment of the weekly management fee, as set forth in the Management Agreement and will be subject to the liabilities set forth in the Management Agreement. The Company, as Manager, voluntarily began waiving its receipt of the weekly management fee in April 2020 and resumed its receiving the weekly management fee in July 2020.

Covenants and Restrictions

The New 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 New Notes, (ii) provisions relating to optional and mandatory prepayments, and the related payment of specified amounts, including specified call redemption premiums in the case of 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 New Notes are in stated ways defective or ineffective and (iv) covenants relating to recordkeeping, access to information and similar matters. The New Notes are 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 ratio (“DSCR”), the sum of domestic retail sales for all restaurants being below certain levels on certain measurement dates, certain manager termination events, certain events of default and the failure to repay or refinance the Class A-2 Notes on the anticipated repayment dates. The New 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 New Notes, failure of the Securitization Entities to maintain the stated DSCR, failure to comply with covenants within certain time frames, certain bankruptcy events, breaches of specified representations and warranties and certain judgments.

In general, the DSCR ratio is Net Cash Flow (as defined in the Indenture) for the four quarters preceding the calculation date divided by the total debt service payments (as defined in the Indenture) of the preceding four quarters. The complete definitions of the DSCR and all calculation elements are contained in the Indenture. Failure to maintain a prescribed DSCR can trigger a Cash Flow Sweeping Event, a Rapid Amortization Event, a Manager Termination Event or a Default Event as described below. In a Cash Flow Sweeping Event, the Trustee is required to retain 50% of excess Cash Flow (as defined in the Indenture) in a restricted account. In a Rapid Amortization Event, all excess Cash Flow is retained and used to retire principal amounts of debt. In a Manager Termination Event, the Company may be replaced as manager of the assets securitized under the Indenture. In a Default Event, the outstanding principal amount and any accrued but unpaid interest can be called to become immediately due and payable. Key DSCRs are as follows:

- DSCR less than 1.75x - Cash Flow Sweeping Event
- DSCR less than 1.20x - Rapid Amortization Event
- Interest-only DSCR less than 1.20x - Manager Termination Event
- Interest-only DSCR less than 1.10x - Default Event

The Company's DSCR for the reporting period ended December 31, 2021 was approximately 4.7x.

Use of Credit Facilities

In March 2020, the Co-Issuers drew down a total of $220.0 million of the amount then available under the Credit Facility. The entire $220.0 million was repaid on March 5, 2021, and there have been no new borrowings since that date. The maximum amount of borrowings from the Credit Facility outstanding during the year ended December 31, 2021 was $220.0 million. At December 31, 2021, there were no borrowings outstanding under the Credit Facility. It is anticipated that any principal and interest on the Credit Facility outstanding will be repaid in full on or prior to the quarterly payment date in June 2024, subject to two additional one-year extensions at the option of the Company upon the satisfaction of certain conditions.

The current interest rate for borrowings under the Credit Facility is the three-month LIBOR rate plus 2.15% for 60% of the advances and the commercial paper funding rate of our conduit investor plus 2.15% for 40% of the advances. The weighted average interest rate on Credit Facility borrowings for the period outstanding during the year ended December 31, 2021 was 2.42%.

At December 31, 2021, $3.3 million was pledged against the Credit Facility for outstanding letters of credit, leaving $221.7 million of the Credit Facility available for borrowing. The letters of credit are used primarily to satisfy insurance-related collateral requirements.

Loss on Extinguishment of Debt

In connection with the repayment of the 2014 Class A-2 Notes, during the year ended December 31, 2019, the Company recognized a loss on extinguishment of debt of $8.3 million, representing the remaining unamortized costs related to the 2014 Class A-2 Notes at the time of repayment. Prior to the extinguishment on June 5, 2019, amortization costs of $1.4 million associated with the 2014 Class A-2 Notes were included in interest expense for the year ended December 31, 2019.

8. Long-Term Debt (Continued)

Debt Issuance Costs

The Company incurred costs of approximately $12.9 million in connection with the issuance of the 2019 Class A-2 Notes. These debt issuance costs are being amortized using the effective interest method over estimated life of each tranche of the 2019 Class A-2 Notes. Amortization costs of $2.2 million, $2.1 million and $1.2 million included in interest expense for the years ended December 31, 2021, 2020 and 2019, respectively. Unamortized debt issuance costs of $7.4 million are reported as a direct reduction of the Class A-2 Notes in the Consolidated Balance Sheets.

The Company incurred costs of approximately $0.2 million in connection with the replacement of the 2018-1 Class A-1 Notes with the Credit Facility in 2019. These debt issuance costs have been added to the remaining unamortized costs of approximately $2.8 million related to the 2018 Class A-1 Notes, the total of which costs is now being amortized using the effective interest method over the estimated five-year life of the Credit Facility. Amortization costs of $0.6 million, $0.6 million and $0.8 million were included in interest expense for the years ended December 31, 2021, 2020 and 2019, respectively.

Total unamortized debt issuance costs of $1.5 million related to the Credit Facility and prior credit facility are classified as other long-term assets because there are no borrowings outstanding against the Credit Facility at December 31, 2021. At December 31, 2020, unamortized debt issuance costs of $2.2 million were reported as a direct reduction of the Class A-1 Notes in the Consolidated Balance Sheets.

Maturities of Long-term Debt

- The anticipated repayment date of the Class A-2-I Notes is June 2024.
- The anticipated repayment date of the Class A-2-II Notes is June 2026.
- Quarterly principal payments on the Class A-2-I and Class A-2-II Notes totaling $3.25 million ($13.0 million per annum) are required if the Company's leverage ratio is greater than 5.25x.

9. 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 Sale-Leaseback Transaction does not qualify as a sale under current U.S. GAAP. Accordingly, the Sale-Leaseback Transaction continues to be recorded under the financing method. 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 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, 2021, the portion of the original Sale-Leaseback Transaction related to 158 of the 181 Properties has qualified as a sale by assignment of the lease obligation to a qualified franchisee or a release from the lessor. In accordance with the accounting described above, the property and equipment and financing obligations have each been cumulatively reduced by approximately $284.2 million.

9. Financing Obligations (Continued)

As of December 31, 2021, 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)
2022	$ 4.5
2023	4.4
2024	5.0
2025	5.0
2026	5.4
Thereafter	29.4
Total minimum lease payments	53.7
Less: interest	(20.9)
Total financing obligations	32.8
Less: current portion[1]	(0.8)
Long-term financing obligations	$ 32.0

[1] Included in current maturities of finance lease and financing obligations on the consolidated balance sheets.

10. Lease Disclosures

The Company engages in leasing activity as both a lessee and a lessor. The majority of the Company's lease portfolio originated when the Company was actively involved in the development and financing of IHOP restaurants prior to the franchising of the restaurant to the franchisee. This activity included the Company's purchase or leasing of the site on which the restaurant was located and subsequently leasing/subleasing the site to the franchisee. With a few exceptions, the Company ended this practice in 2003 and the Company's current lease activity is predominantly comprised of renewals of existing lease arrangements and exercises of options on existing lease arrangements.

The Company currently leases from third parties the real property on which approximately 540 IHOP franchisee-operated restaurants and one Applebee's franchisee-operated restaurant are located; the Company (as lessor) subleases the property to the franchisees that operate those restaurants. The Company also leases property it owns to the franchisees that operate 55 IHOP restaurants and one Applebee's restaurant. The Company leases from third parties the real property on which 69 Applebee's company-operated restaurants are located. The Company also leases office space for its principal corporate office in Glendale, California and restaurant support centers in Leawood, Kansas and Raleigh, North Carolina. The Company does not have a significant amount of non-real estate leases.

The Company's existing leases/subleases related to IHOP restaurants generally provide for an initial term of 20 to 25 years, with most having one or more five-year renewal options. Leases related to Applebee's restaurants generally have an initial term of 10 to 20 years, with renewal terms of five to 20 years. Option periods were not included in determining liabilities and right-of-use assets related to operating leases. Restaurants associated with approximately 330 of the Company's leases met the sales levels that required variable rent payments to the Company (as lessor), based on a percentage of restaurant sales in 2021. Restaurants associated with approximately 65 of the Company's leases met the sales levels that required variable rent payments by the Company (as lessee), based on a percentage of restaurant sales in 2021.

The individual lease agreements do not provide information to determine the implicit interest rate in the agreements. The Company made significant judgments in determining the incremental borrowing rates that were used in calculating operating lease liabilities as of the adoption date. Due to the large number of leases, the Company applied a portfolio approach by grouping the leases based on the original lease term. The Company estimated the interest rate for each grouping primarily by reference to (i) yield rates on debt issuances by companies of a similar credit rating as the Company; (ii) U.S. Treasury rates as of the adoption date; and (iii) adjustments for differences in years to maturity.

10. Lease Disclosures (Continued)

The Company's lease cost for the years ended December 31, 2021, 2020, and 2019 was as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Finance lease cost:			
Amortization of right-of-use assets	$ 4.6	$ 5.0	$ 5.3
Interest on lease liabilities	5.4	6.6	7.7
Operating lease cost	98.7	109.8	106.2
Variable lease cost	7.0	0.8	2.7
Short-term lease cost	0.1	0.0	0.0
Sublease income	(104.6)	(96.8)	(110.9)
Lease cost	$ 11.2	$ 25.4	$ 11.0

Future minimum lease payments under noncancelable leases as lessee as of December 31, 2021 were as follows:

	Finance Leases	Operating Leases
	(In millions)	
2022	$ 14.3	$ 91.8
2023	11.7	76.6
2024	9.9	72.0
2025	8.1	59.5
2026	7.5	49.9
Thereafter	44.3	126.8
Total minimum lease payments	95.8	476.6
Less: interest/imputed interest	(26.3)	(83.7)
Total obligations	69.5	392.9
Less: current portion	(9.9)	(72.1)
Long-term lease obligations	$ 59.6	$ 320.8

The weighted average remaining lease term as of December 31, 2021 was 9.5 years for finance leases and 6.8 years for operating leases. The weighted average discount rate as of December 31, 2021 was 10.1% for finance leases and 5.5% for operating leases.

During the years ended December 31, 2021, 2020 and 2019, the Company made the following cash payments for leases:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Principal payments on finance lease obligations	$ 10.2	$ 12.5	$ 13
Interest payments on finance lease obligations	$ 5.4	$ 6.6	$ 7
Payments on operating leases	$ 91.7	$ 101.1	$ 91
Variable lease payments	$ 6.2	$ 0.7	$ 2

The Company's income from operating leases for the years ended December 31, 2021, 2020 and 2019 was as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Minimum lease payments	$ 96.0	$ 97.2	$ 102
Variable lease income	15.3	5.2	11
Total operating lease income	$ 111.3	$ 102.4	$ 114

10. Lease Disclosures (Continued)

Future minimum payments to be received as lessor under noncancelable operating leases as of December 31, 2021 were as follows:

	(In millions)
2022	$ 102.3
2023	98.1
2024	89.9
2025	76.9
2026	62.4
Thereafter	131.1
Total minimum rents receivable	$ 560.7

The Company's income from direct financing leases at December 31, 2021, 2020 and 2019 was as follows:

	Year Ended December 31,		
	2021	2020	2019
	(In millions)		
Interest income	$ 2.1	$ 3.4	$ 5.0
Variable lease income	0.5	0.3	1.3
Total financing lease income	$ 2.6	$ 3.7	$ 6.3

Future minimum payments to be received as lessor under noncancelable direct financing leases as of December 31, 2021 were as follows:

	(In millions)
2022	$ 7.8
2023	3.9
2024	1.8
2025	1.0
2026	0.9
Thereafter	4.4
Total minimum rents receivable	19.8
Less: unearned income	(3.1)
Total direct financing leases receivable	16.7
Less: current portion	(6.6)
Long-term direct financing leases receivable	$ 10.1

11. 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, 2021, the outstanding purchase commitments were $78.1 million, of which $62.7 million related to advertising commitments over the next twelve months.

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 $223.1 million and $245.6 million as of December 31, 2021 and 2020, respectively. These amounts represent the maximum potential liability of future payments under these leases. These leases have been assigned to the buyers and expire at the end of the respective lease terms, which range from 2022 through 2048. Excluding unexercised option periods, the Company's potential liability for future payments under these leases as of December 31, 2021 was $49.2 million. 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, 2021.

11. Commitments and Contingencies (Continued)

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 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, 2021, the Company had approximately $3.3 million of unused letters of credit outstanding that reduce the Company's available borrowing under its 2019 Class A-1 Notes. These letters of credit expire on various dates in 2021 and are automatically renewed for an additional year if no cancellation notice is submitted.

12. Stockholders' Deficit

Stock Repurchase Programs

In February 2019, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase up to $200 million of the Company's common stock (the "2019 Repurchase Program") on an opportunistic basis from time to time in the open market or in privately negotiated transactions based on business, market, applicable legal requirements and other considerations. The 2019 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. In connection with the approval of the 2019 Repurchase Program, the Board of Directors terminated the prior repurchase program approved in October 2015 (the "2015 Repurchase Program") which had authorized the Company to repurchase up to $150 million of the Company's common stock.

A summary of shares repurchased under the 2019 Repurchase Program and the 2015 Repurchase Program, during the years ended December 31, 2021, 2020 and 2019, and cumulatively for each program, is as follows:

	Shares	Cost of shares (In millions)
2019 Repurchase Program:		
Repurchased during the year ended December 31, 2021	59,099	$ 4.5
Repurchased during the year ended December 31, 2020	459,899	$ 26.5
Repurchased during the year ended December 31, 2019	1,237,698	$ 103.3
Cumulative (life-of-program) repurchases	1,756,696	$ 134.3
Remaining dollar value of shares that may be repurchased	n/a	$ 65.7
2015 Repurchase Program:		
Repurchased during the year ended December 31, 2019	110,499	$ 8.4
Cumulative (life-of-program) repurchases	1,589,995	$ 126.2
Remaining dollar value of shares that may be repurchased	n/a	n/a

12. Stockholders' Deficit (Continued)

Dividends

On October 28, 2021, the Board of Directors declared a fourth quarter 2021 cash dividend of $0.40 per share of common stock, payable on January 7, 2022 to the stockholders of record as of the close of business on December 17, 2021. Dividends were not declared for the first, second and third quarters of 2021.

During the fiscal years ended December 31, 2021, 2020 and 2019, the Company declared and paid dividends on common stock as follows:

Year ended December 31, 2021	Declaration Date	Payment Date	Dividends declared per share	Dividends paid per share	Total dividends paid[1]
					(In millions)
Fourth quarter	December 20, 2021	(2)	0.40	—	—
Total			$ 0.40	$ —	$ —

Year ended December 31, 2020	Declaration Date	Payment Date	Dividends declared per share	Dividends paid per share	Total dividends paid[1]
Payment of prior year declaration	(3)	January 10, 2020	—	$ 0.69	$ 11.7
First quarter	February 20, 2020	April 3, 2020	$ 0.76	0.76	12.7
Total			$ 0.76	$ 1.45	$ 24.4
Year ended December 31, 2019					
Payment of prior year declaration	(4)	January 4, 2019	$ —	$ 0.63	$ 11.4
First quarter	February 20, 2019	April 5, 2019	$ 0.69	0.69	12.5
Second quarter	May 13, 2019	July 12, 2019	0.69	0.69	12.2
Third quarter	August 1, 2019	October 4, 2019	0.69	0.69	11.8
Fourth quarter	October 8, 2019	(3)	0.69	—	—
Total			$ 2.76	$ 2.70	$ 47.9

(1) Includes dividend equivalents paid on restricted stock units
(2) The fourth quarter 2021 dividend of $6.9 million was paid on January 7, 2022.
(3) The fourth quarter 2019 dividend of $11.7 million was paid on January 10, 2020.
(4) The fourth quarter 2018 dividend of $11.4 million was paid on January 4, 2019.

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. All dividends declared during the fiscal years ended December 31, 2021, 2020 and 2019 were declared from retained earnings.

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 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 660,718 shares, 433,477 shares and 285,302 shares, respectively, during the years ended December 31, 2021, 2020 and 2019 at a total FIFO cost of $26.8 million, $19.4 million and $12.5 million, respectively.

13. Closure and Long-lived Tangible Asset Impairment Charges

Closure and long-lived tangible asset impairment charges for the years ended December 31, 2021, 2020 and 2019 were as follows:

	Year Ended December 31,		
	December 31, 2021	2020	2019
	(In millions)		
Closure charges	$ 3.7	$ 3.0	$ 1.5
Long-lived tangible asset impairment	1.7	22.3	—
Total closure and long-lived tangible asset impairment charges	$ 5.4	$ 25.3	$ 1.5

Closure Charges

The closure charges of $3.7 million for the year ended December 31, 2021 comprised $2.1 million related to 20 IHOP restaurants closed in 2021 and $1.6 million for revisions to existing closure reserves, including accretion, primarily for 28 IHOP restaurants closed prior to December 31, 2020.

Approximately $1.6 million of closure charges for the year ended December 31, 2020 related to seven IHOP restaurants closed during 2020, with the remainder primarily related to adjustments to the reserve for IHOP and Applebee's restaurants closed prior to 2020. Approximately $0.5 million of closure charges for the year ended December 31, 2019 related to two IHOP restaurants and one Applebee's restaurant closed during 2019, with the remainder primarily related to adjustments to the reserve for IHOP and Applebee's restaurants closed prior to 2019.

Long-lived Tangible Asset Impairment

The long-lived asset impairment of $1.7 million for the year ended December 31, 2021 related to five IHOP franchisee-operated restaurants for which the carrying amount exceeded the future projected cash flows. The primary method of estimating fair value is based on a discounted cash flow analysis. The Company also considers factors such as the number of years the restaurant has been in operation, sales trends, cash flow trends, remaining lease life and other factors which apply on a case-by-case basis. For locations owned by the Company, current purchase offers, if any, or valuations from independent third party sources are utilized, if available. The analysis is performed at the restaurant level for indicators of permanent impairment. The impairment recorded represented the difference between the carrying value and the estimated fair value. The impairments primarily related to operating lease right-of-use assets.

The long-lived asset impairment of $22.3 million for the year ended December 31, 2020 related to 29 Applebee's company-operated restaurants and 41 IHOP franchisee-operated restaurants for which the carrying amount exceeded the undiscounted cash flows. Approximately $15.1 million of the total impairment related to operating lease right-of-use assets, while $7.2 million related to impairments of land, building, leasehold improvements and finance leases. The impairments by individual property varied in amount, ranging from the largest single-property impairment of $1.3 million to less than $5,000.

There were no long-lived tangible asset impairment charges for the year ended December 31, 2019.

14. 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 Dine Brands Global, Inc. 2019 Stock Incentive Plan (the "2019 Plan"). The 2019 Plan was approved by stockholders on May 14, 2019 to permit the issuance of up to 2,050,000 shares (subject to adjustment as defined in the 2019 Plan for shares that may become available from prior plans) of the Company's common stock for incentive stock awards. The 2019 Plan will expire in May 2029.

The Dine Brands Global, Inc. 2016 Stock Incentive Plan (the "2016 Plan") was adopted in 2016 to permit the issuance of up to 3,750,000 shares of the Company's common stock for incentive stock awards. The 2016 Plan was terminated upon adoption of the 2019 Plan, but there are stock options (vested and unvested) and unvested restricted stock and restricted stock units issued under the 2016 Plan that are outstanding as of December 31, 2021.

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 vested stock options issued under the 2011 Plan that are outstanding as of December 31, 2021.

The 2019 Plan, 2016 Plan and the 2011 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 either three years from the date of grant or in one-third increments over three years, as well as 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. See *Note 13*, *Stockholders' Deficit*, of Notes to the Consolidated Financial Statements, for treasury shares utilized related to equity grants during the years ended December 31. 2021, 2020 and 2019.

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,		
	2021	2020	2019
	(In millions)		
Total stock-based compensation expense:			
Equity classified awards expense	$ 11.6	$ 12.6	$ 10.9
Liability classified awards expense	2.3	1.0	3.2
Total pretax stock-based compensation expense	13.9	13.6	14.1
Book income tax benefit	(3.5)	(3.4)	(3.5)
Total stock-based compensation expense, net of tax	$ 10.4	$ 10.2	$ 10.6

As of December 31, 2021, total unrecognized compensation cost related to restricted stock and restricted stock units of $15.9 million and $2.9 million related to stock options is expected to be recognized over a weighted average period of approximately 1.3 years for restricted stock and restricted stock units and 1.5 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.

14. Stock-Based Incentive Plans (Continued)

The following table summarizes the assumptions used in the Black-Scholes model for stock options granted in the years ended December 31, 2021, 2020 and 2019:

	2021	2020	2019
Risk free interest rate	0.5 %	1.2 %	2.5 %
Weighted average historical volatility	67.7 %	30.5 %	30.3 %
Dividend yield	— %	3.5 %	2.8 %
Expected years until exercise	4.5	4.6	4.7
Weighted average fair value of options granted	$ 40.25	$ 17.53	$ 21.93

Stock option activity for the years ended December 31, 2021, 2020 and 2019 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, 2018	1,439,708	$ 63.21		
Granted	132,832	98.97		
Exercised	(211,352)	57.36		
Forfeited	(106,745)	72.19		
Expired	(37,005)	93.06		
Outstanding at December 31, 2019	1,217,438	66.43		
Granted	167,969	87.17		
Exercised	(270,024)	76.01		
Forfeited	(45,247)	86.39		
Expired	(55,466)	107.78		
Outstanding at December 31, 2020	1,014,670	64.16		
Granted	95,891	75.28		
Exercised	(524,536)	48.79		
Forfeited	(59,468)	88.39		
Expired	(50,653)	98.61		
Outstanding at December 31, 2021	475,904	$ 76.65	6.8	$ 3.5
Vested and Expected to Vest at December 31, 2021	462,179	$ 76.59	6.7	$ 3.5
Exercisable at December 31, 2021	296,959	$ 73.28	5.7	$ 3.0

The total intrinsic value of options exercised during the years ended December 31, 2021, 2020 and 2019 was $17.9 million, $4.3 million and $6.9 million, respectively.

Cash received from options exercised under all stock-based payment arrangements for the years ended December 31, 2021, 2020 and 2019 was $25.3 million, $20.5 million and $12.0 million, respectively. The actual tax benefit realized for the tax deduction from option exercises under the stock-based payment arrangements totaled $4.5 million, $1.1 million and $1.8 million, respectively, for the years ended December 31, 2021, 2020 and 2019.

14. 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, 2021, 2020 and 2019 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, 2018	267,242	$ 64.21	374,529	$ 31.05
Granted	75,556	96.86	23,427	95.77
Released	(76,962)	76.25	(12,347)	90.34
Forfeited	(41,321)	67.20	(27,802)	34.53
Outstanding at December 31, 2019	224,515	70.52	357,807	30.35
Granted	163,522	73.68	30,997	77.33
Released	(95,211)	55.75	(33,234)	63.98
Forfeited	(38,495)	85.03	—	—
Outstanding at December 31, 2020	254,331	76.50	355,570	28.01
Granted	141,264	83.24	68,998	63.04
Released	(60,407)	66.90	(318,976)	23.19
Forfeited	(58,577)	82.09	—	—
Outstanding at December 31, 2021	276,611	$ 80.85	105,592	$ 71.00

Liability Classified Awards - Cash-settled Restricted Stock Units

The Company has granted cash-settled restricted stock units to certain employees. These instruments are recorded as liabilities at fair value as of the respective period end.

	Cash-Settled Restricted Stock Units
Outstanding at December 31, 2018	53,766
Granted	20,989
Released	(462)
Forfeited	(10,441)
Outstanding at December 31, 2019	63,852
Granted	2,658
Released	(1,426)
Forfeited	(12,128)
Outstanding at December 31, 2020	52,956
Granted	—
Released	(38,916)
Forfeited	(1,241)
Outstanding at December 31, 2021	12,799

For the years ended December 31, 2021, 2020 and 2019, $1.5 million, $0.3 million and, $1.6 million respectively, was included as stock-based compensation expense related to cash-settled restricted stock units. At December 31, 2021 and 2020, liabilities of $0.9 million and $2.5 million, respectively, related to cash-settled restricted stock units were included as part of accrued employee compensation and benefits in the Consolidated Balance Sheets.

Liability Classified Awards - Long-Term Incentive 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 stockholder return of the Company's common stock compared to the total stockholder returns of a peer group of companies. Though LTIP awards are only paid in cash, since the multiplier is primarily 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, 2021, 2020 and 2019, expense of $0.8 million, $0.7 million and $1.7 million, respectively, was included in stock-based compensation expense related to the LTIP awards. At December 31, 2021 and 2020, liabilities of $1.5 million and $2.1 million, respectively, were included as accrued employee compensation and benefits in the Consolidated Balance Sheets.

15. Employee Benefit Plans

401(k) Savings and Investment Plan

Effective January 1, 2013, the Company amended the Dine Brands Global, 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 $2.9 million, $2.8 million and $3.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

16. Income Taxes

The provision (benefit) for income taxes for the years ended December 31, 2021, 2020 and 2019 was as follows:

	Year Ended December 31,		
	2021	2020	2019
Provision (benefit) for income taxes:	(In millions)		
Current			
Federal	$ 20.2	$ 11.0	$ 31.2
State	4.6	3.1	6.5
Foreign	1.4	1.3	1.9
	26.2	15.4	39.6
Deferred			
Federal	(2.3)	(17.3)	(3.8)
State	0.2	(2.7)	(1.7)
	(2.1)	(20.0)	(5.5)
Provision (benefit) for income taxes	$ 24.1	$ (4.6)	$ 34.1

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

	Year Ended December 31,		
	2021	2020	2019
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Non-deductibility of goodwill impairment	—	(17.9)	—
Non-deductibility of officer's compensation	2.2	(0.9)	1.0
State and other taxes, net of federal tax benefit	3.1	1.2	2.8
Excess tax deficiencies or benefits	(7.1)	0.1	(0.6)
Change in unrecognized tax benefits	(0.1)	2.0	1.8
Change in valuation allowance	0.5	(1.5)	0.5
Changes in tax rates and state tax laws	0.2	(0.4)	(0.5)
General business credits	(0.9)	0.8	(1.3)
Other	0.8	(0.2)	(0.1)
Effective tax rate	19.7 %	4.2 %	24.6 %

The 2021 effective tax rate of 19.7% applied to pretax book income was different than the statutory Federal income tax rate of 21% primarily due to the one-time recognition of excess tax benefits on stock-based compensation, offset by non-deductibility of executive compensation and state and local income taxes.

The 2020 effective tax rate of 4.2% applied to pretax book loss was significantly different than the statutory Federal income tax rate of 21% primarily because of the $92.2 million impairment of goodwill incurred, which was not deductible for income tax purposes and therefore had no associated tax benefit.

Note 16. Income Taxes (Continued)

The 2019 effective tax rate of 24.6% applied to pretax book income was higher than the statutory Federal tax rate of 21% primarily due to tax expense associated with unrecognized tax benefits and state and local income taxes, offset by the recognized benefit from general business credits.

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 tax examinations by tax authorities for years before 2017 and state or non-United States tax examinations by tax authorities for years before 2011. The Company believes that adequate reserves have been recorded relating to all matters contained in the tax periods open to examination.

Net deferred tax assets (liabilities) at December 31, 2021 and 2020 consisted of the following components:

	2021	2020
	(In millions)	
Lease liabilities	$ 112.9	$ 119.6
Employee compensation	12.1	7.5
Revenue recognition	35.4	36.6
Other	8.4	10.2
Deferred tax assets	168.8	173.9
Valuation allowance	(4.2)	(3.0)
Total deferred tax assets after valuation allowance	164.6	170.9
Recognition of franchise and equipment sales	(8.2)	(10.7)
Capitalization and depreciation [2]	(122.7)	(123.2)
Lease assets	(108.6)	(114.2)
Other	(1.3)	(1.1)
Deferred tax liabilities	(240.8)	(249.2)
Net deferred tax liabilities	$ (76.2)	$ (78.3)

[1] Primarily related to the 2007 Applebee's acquisition.

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, 2021, management determined it is more likely than not that the benefit from foreign tax credit carryforward and certain state deferred tax assets, including net operating loss carryforwards, from the Applebee's company-operated restaurants will not be realized. In recognition of this risk, the Company provided a valuation allowance of $4.2 million.

The Company had gross operating loss carryforwards for state tax purposes of $23.6 million and $13.3 million as of December 31, 2021 and 2020, respectively. The net operating loss carryforwards begin to expire in 2034 if not utilized.

The total gross unrecognized tax benefit as of December 31, 2021 and 2020 was $1.9 million and $2.2 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 less than $0.1 million related to settlements with taxing authorities, statutes of limitations expirations and method changes. For the remaining liability, due to the uncertainties related to these tax matters, the Company is unable to make a reasonable estimate as to when cash settlement with a taxing authority will occur. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended December 31,		
	2021	2020	2019
		(In millions)	
Unrecognized tax benefit as of January 1	$ 2.2	$ 7.6	$ 5.2
Changes for tax positions of prior years	0.5	—	2.1
Increases for tax positions related to the current year	0.3	0.2	0.5
Decreases relating to settlements and lapsing of statutes of limitations	(1.1)	(5.6)	(0.2)
Unrecognized tax benefit as of December 31	$ 1.9	$ 2.2	$ 7.6

Note 16. Income Taxes (Continued)

As of December 31, 2021, the accrued interest was $0.6 million and accrued penalties were less than $0.1 million, excluding any related income tax benefits. As of December 31, 2020, the accrued interest and penalties were $0.9 million and less than $0.1 million, respectively, excluding any related income tax benefits. 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 Income (Loss).

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARP Act”) was enacted in response to the COVID-19 pandemic. The ARP Act did not result in a material impact on our income tax provision for the year ended December 31, 2021.

17. Net Income (Loss) Per Share

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands, except per share data)		
Numerator for basic and diluted income (loss) per common share:			
Net income (loss)	$ 97,864	$ (103,994)	$ 104,346
Less: Net income allocated to unvested participating restricted stock	(2,295)	(420)	(3,532)
Net income (loss) available to common stockholders - basic	95,569	(104,414)	100,814
Effect of unvested participating restricted stock	13	—	33
Numerator - income (loss) available to common shareholders - diluted	$ 95,582	$ (104,414)	$ 100,847
Denominator:			
Weighted average outstanding shares of common stock - basic	16,799	16,230	16,934
Effect of dilutive securities:			
Stock options	91	—	311
Weighted average outstanding shares of common stock - diluted	16,890	16,230	17,245
Net income (loss) per common share:			
Basic	$ 5.69	$ (6.43)	$ 5.95
Diluted	$ 5.66	$ (6.43)	$ 5.85

For the year ended December 31, 2020, diluted loss per common share was computed using the basic weighted average number of shares outstanding during the period as the 100,056 shares from common stock equivalents would have been antidilutive.

18. Segment Reporting

Information on segments and a reconciliation of gross profit to income (loss) before income taxes is as follows:

	Year Ended December 31,		
	2021	2020	2019
		(In millions)	
Revenues			
Franchise operations	$ 631.9	$ 469.5	$ 651.2
Rental operations	114.0	105.9	120.7
Company restaurants	146.0	108.1	131.2
Financing operations	4.3	5.8	7.1
Total	$ 896.2	$ 689.3	$ 910.2
Gross profit (loss), by segment			
Franchise operations	$ 336.0	$ 230.5	$ 338.4
Rental operations	26.1	16.4	29.9
Company restaurants	9.3	(3.5)	8.0
Financing operations	3.8	5.3	6.5
Total gross profit	375.2	248.7	382.8
Corporate and unallocated expenses, net	(253.3)	(357.3)	(244.3)
Income (loss) before income taxes	$ 121.9	$ (108.6)	$ 138.5
Interest expense			
Rental operations	$ 4.9	$ 6.3	$ 7.7
Company restaurants	3.3	2.7	2.1
Corporate	63.3	66.9	60.4
Total	$ 71.5	$ 75.9	$ 70.2
Depreciation and amortization			
Franchise operations	$ 10.1	$ 10.1	$ 10.3
Rental operations	11.1	12.3	13.4
Company restaurants	7.0	7.0	6.4
Corporate	11.7	13.4	12.4
Total	$ 39.9	$ 42.8	$ 42.5
Impairment of goodwill and intangible assets, closure and other impairment charges			
Franchise operations	$ 1.7	$ 122.1	$ —
Company restaurants	3.7	10.5	1.5
Total	$ 5.4	$ 132.6	$ 1.5
Capital expenditures			
Franchise operations	$ —	$ —	$ 0.6
Company restaurants	6.5	2.7	3.2
Corporate	10.3	8.2	15.6
Total	$ 16.8	$ 10.9	$ 19.4
Goodwill			
Franchise operations	$ 247.0	$ 247.0	$ 339.3
Company restaurants	4.6	4.6	4.6
Total	$ 251.6	$ 251.6	$ 343.9
Total assets			
Franchise operations	$ 991.0	$ 997.7	$ 1,116.2
Rental operations	426.5	451.5	503.8
Company restaurants	117.2	121.1	134.3
Financing operations	39.7	49.9	72.0
Corporate	425.0	454.7	223.2
Total	$ 1,999.4	$ 2,074.9	$ 2,049.5

19. Subsequent Events

On February 17, 2022, the Company's Board of Directors declared a first quarter 2022 cash dividend of $0.46 per share of common stock, payable on April 1, 2022 to the stockholders of record as of the close of business on March 21, 2022.

On February 17, 2022, the Company's Board of Directors authorized a new share repurchase program, effective April 1, 2022, of up to $250 million (the "2022 Repurchase Program"). Approximately $66 million remained available for repurchases under the existing 2019 Share Repurchase Program as of December 31, 2021. In connection with the approval of the 2022 Repurchase Program, effective April 1, 2022, the 2019 Share Repurchase Program will terminate.

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 January 2, 2022 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 January 2, 2022.

The effectiveness of our internal control over financial reporting as of January 2, 2022 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 Stockholders and the Board of Directors of Dine Brands Global, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Dine Brands Global, Inc. and Subsidiaries' internal control over financial reporting as of January 2, 2022, 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 January 2, 2022, 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 consolidated balance sheets of the Company as of January 2, 2022 and January 3, 2021, the related consolidated statements of comprehensive income (loss), stockholders' deficit and cash flows for each of the three years in the period ended January 2, 2022, and the related notes and our report dated March 2, 2022 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's 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
March 2, 2022

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 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not Applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information included in the sections entitled “Corporate Governance,” “Information about our Executive Officers” and “Proposal One: Election of Directors” to be set forth in our Proxy Statement for the 2022 Annual Meeting of Shareholders (“2022 Proxy Statement”) is hereby incorporated by reference into this Item.

Item 11. Executive Compensation.

The information included in the sections entitled “Executive Compensation” and “Director Compensation” to be set forth in our 2022 Proxy Statement is hereby incorporated by reference into this Item.

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

The information included in the section entitled “Security Ownership of Certain Beneficial Owners and Management” to be set forth in our 2022 Proxy Statement is hereby incorporated by reference into this Item.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of December 31, 2021, regarding shares outstanding and available for issuance under the Dine Brands Global, Inc. 2019 Stock Incentive Plan (the “2019 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	475,904	$ 76.65	1,087,403
Equity compensation plans not approved by security holders	—	—	—
Total	475,904	$ 76.65	1,087,403

The number of securities remaining available for future issuance represents shares under the 2019 Plan. Please refer to *Note 14 - Stock-Based Incentive Plans*, of the Notes to the Consolidated Financial Statements for a description of the 2019 Plan.

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

The information included in the sections entitled “Corporate Governance—Certain Relationships and Related Person Transactions” and “Corporate Governance—Director Independence” to be set forth in our 2022 Proxy Statement is hereby incorporated by reference into this item.

Item 14. Principal Accountant Fees and Services.

The information included in the section entitled “Audit-Related Matters” to be set forth in our 2022 Proxy Statement is hereby incorporated by reference into this item.

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, 2021 and December 31, 2020.
- Consolidated Statements of Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2021.
- Consolidated Statements of Stockholders' Deficit for each of the three years in the period ended December 31, 2021.
- Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2021.
- 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. (Exhibit 3.1 to Registrant's Form 10-K filed on February 20, 2018 is incorporated herein by reference).
3.2	Certificate of Amendment to Restated Certificate of Incorporation (Exhibit 3.1 to Registrant's Form 8-K filed on May 14, 2019 is incorporated herein by reference).
3.3	Amended and Restated Bylaws of Dine Brands Global, Inc. (Exhibit 3.2 to Registrant's Form 8-K filed on May 14, 2019 is incorporated herein by reference).
4.1	Base Indenture, dated as of September 30, 2014, and amended and restated as of June 5, 2019, 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 June 5, 2019 is incorporated herein by reference).
4.2	Series 2019-1 Supplement to Base Indenture, dated as of June 5, 2019, among Applebee's Funding LLC and IHOP Funding LLC, each as Co-Issuer, and Citibank, N.A., as Trustee and Securities Intermediary (Exhibit 4.2 to Registrant's Form 8-K filed on June 5, 2019 is incorporated herein by reference).
4.3	Omnibus Supplement to Series 2019-1 Base Indenture and Series 2019-1 Supplement (Exhibit 4.1 to Registrant's Form 10-Q filed on July 29, 2020 is incorporated herein by reference).
4.4	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (Exhibit 4.3 to Registrant's Form 10-K filed on February 24, 2020 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 Dine Brands Global, Inc. and Thomas H. Song dated May 7, 2018 (Exhibit 10.2 to Registrant's Form 8-K filed May 8, 2018 is incorporated herein by reference).
†10.6	Offer Letter between Dine Brands Global, Inc. and Thomas H. Song dated May 7, 2018 (Exhibit 10.1 to Registrant's Form 8-K filed May 8, 2018 is incorporated herein by reference).
†10.7	Dine Brands Global, Inc. 2019 Stock Incentive Plan (Appendix B to Registrant's Definitive Proxy Statement with respect to the 2019 Annual Meeting of Stockholders filed on April 1, 2019 is incorporated herein by reference).

†10.8 Dine Brands Global, Inc. 2019 Stock Incentive Plan Cash-Settled Restricted Stock Unit Agreement - Employees - 3-year Ratable Vesting (Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.9 Dine Brands Global, Inc. 2019 Stock Incentive Plan Cash-Settled Restricted Stock Unit Agreement - Employees - 3-year Cliff Vesting (Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.10 Dine Brands Global, Inc. 2019 Stock Incentive Plan Stock-Settled Restricted Stock Unit Agreement - Employees - Performance-Based Vesting (Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.11 Dine Brands Global, Inc. 2019 Stock Incentive Plan Stock-Settled Restricted Stock Unit Agreement - International Employees -- 3-year Ratable Vesting (Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.12 Dine Brands Global, Inc. 2019 Stock Incentive Plan Stock-Settled Restricted Stock Unit Agreement - International Employees - 3-year Cliff Vesting (Exhibit 10.6 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.13 Dine Brands Global, Inc. 2019 Stock Incentive Plan Stock-Settled Restricted Stock Unit Agreement - Non-Employee Directors - 1-year Cliff Vesting (Exhibit 10.7 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.14 Dine Brands Global, Inc. 2019 Stock Incentive Plan Nonqualified Stock Option Agreement - Employees - 3-year Ratable Vesting (Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.15 Dine Brands Global, Inc. 2019 Stock Incentive Plan Nonqualified Stock Option Agreement - International Employees - 3-year Ratable Vesting (Exhibit 10.9 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.16 Dine Brands Global, Inc. 2019 Stock Incentive Plan Nonqualified Stock Option Agreement - Employees - Performance-Based Vesting (Exhibit 10.10 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.17 Dine Brands Global, Inc. 2019 Stock Incentive Plan Performance Unit Award Agreement - Double Metric (Exhibit 10.11 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.18 Dine Brands Global, Inc. 2019 Stock Incentive Plan Restricted Stock Award Agreement - Employees - 3-year Ratable Vesting (Exhibit 10.12 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.19 Dine Brands Global, Inc. 2019 Stock Incentive Plan Restricted Stock Award Agreement - Employees - 3-year Cliff Vesting (Exhibit 10.13 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.20 Dine Brands Global, Inc. 2019 Stock Incentive Plan Restricted Stock Award Agreement - Employees - 3-year Cliff Vesting with Accelerated Vesting for Termination without Cause (Exhibit 10.14 to Registrant's Form 10-Q for the quarter ended June 30, 2019 is incorporated herein by reference).

†10.21 Dine Brands Global, Inc. 2019 Stock Incentive Plan Restricted Stock Award Agreement - Employees - 4-year Ratable Vesting (Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended June 30, 2021 is incorporated herein by reference).

†10.22 Dine Brands Global, Inc. 2016 Stock Incentive Plan (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.23 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement One-Fourth Annual Vesting - Employees (Exhibit 10.22 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.24 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement One-Third Annual Vesting - Employees (Exhibit 10.23 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.25 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement 25/25/50% Annual Vesting - Employees (Exhibit 10.17 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.26 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Employees (Exhibit 10.18 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.27 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Non-Employee Directors (Exhibit 10.19 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.28 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Employees - Specified Date Vesting (Exhibit 10.20 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.29 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Employees - 50/50% Annual Vesting (Exhibit 10.21 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.30 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Employees - Annual Vesting (Exhibit 10.24 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.31 Dine Brands Global, Inc. 2016 Stock Incentive Plan Restricted Stock Agreement - Employees - 20/40/20/20 Vesting (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended June 30, 2018 is incorporated herein by reference).

†10.32 Dine Brands Global, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement -Employees (Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.33 Dine Brands Global, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement -Employees - Performance Based (Exhibit 10.5 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.34 Dine Brands Global, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement - Non-Employee Directors - 1 Year Vesting. (Exhibit 10.21 to Registrant's Form 10-K for the year ended December 31, 2018 is incorporated herein by reference).

†10.35 Dine Brands Global, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement 50/50% Annual Vesting - International Employees (Exhibit 10.6 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.36 Dine Brands Global, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement - International Employees (Exhibit 10.7 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.37 DineEquity, Inc. 2016 Stock Incentive Plan Stock-Settled RSU Agreement - Non-Employee Directors - 3 Year Vesting (Exhibit 10.8 to Registrant's Form 10-Q for the quarter ended June 30, 2016 is incorporated herein by reference).

†10.38 Dine Brands Global, Inc. 2016 Stock Incentive Plan Cash-Settled RSU Agreement - Employees (Exhibit 10.3 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.39 Dine Brands Global, Inc. 2016 Stock Incentive Plan Cash-Settled RSU Agreement - Non-Employee Directors (Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.40 Dine Brands Global, Inc. 2016 Stock Incentive Plan Cash-Settled RSU Agreement - International Employees (Exhibit 10.4 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.41 Dine Brands Global, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - Employees (Exhibit 10.9 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.42 Dine Brands Global, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - Employees - Accelerated Retirement Vesting (Exhibit 10.29 to Registrant's Form 10-K for the year ended December 31, 2018 is incorporated herein by reference).

†10.43 Dine Brands Global, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - Non-Employee Directors (Exhibit 10.11 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.44 Dine Brands Global, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - International Employees (Exhibit 10.10 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.45 Dine Brands Global, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - International Employees - Accelerated Retirement Vesting (Exhibit 10.32 to Registrant's Form 10-K for the year ended December 31, 2018 is incorporated herein by reference).

†10.46 Dine Brands Global, Inc. 2016 Stock Incentive Plan Nonqualified Stock Option Agreement - Employees - Performance Based (Exhibit 10.12 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.47 Dine Brands Global, 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).

†10.48 Dine Brands Global, 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).

†10.49 Dine Brands Global, Inc. 2016 Stock Incentive Plan Performance Award Agreement - Employees - Single Metric (Exhibit 10.15 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.50 Dine Brands Global, Inc. 2016 Stock Incentive Plan Performance Award Agreement - Employees - Double Metric (Exhibit 10.16 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.51 Dine Brands Global, Inc. 2016 Stock Incentive Plan Performance Award Agreement - Employees - Double Metric - Accelerated Retirement Vesting (Exhibit 10.38 to Registrant's Form 10-K for the year ended December 31, 2018 is incorporated herein by reference).

†10.52 Dine Brands Global, Inc. 2016 Stock Incentive Plan SAR Agreement - Employees (Exhibit 10.25 to Registrant's Form 10-Q for the quarter ended March 31, 2018 is incorporated herein by reference).

†10.53 Dine Brands Global, Inc. 2016 Stock Incentive Plan Performance Award Agreement - Employees - Double Metric - Cycle 10 (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended March 31, 2019 is incorporated herein by reference).

†10.54 DineEquity, Inc. 2011 Stock Incentive Plan (Annex A to Registrant's Proxy Statement, filed on April 13, 2011 is incorporated herein by reference).

†10.55 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).

†10.56 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).

†10.57 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).

†10.58 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).

†10.59 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).

†10.60 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).

†10.61 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).

†10.62 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).

†10.63 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).

†10.64 DineEquity, Inc. Senior Executive Incentive Plan as amended and restated (Annex A to Registrant's Proxy Statement, filed on April 5, 2012 is incorporated herein by reference).

†10.65 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).

†10.66 Dine Brands Global, Inc. Nonqualified Deferred Compensation Plan (Exhibit 10.53 to Registrant's Form 10-K for the year ended December 31, 2018 is incorporated herein by reference).

†10.67 Amendment to Dine Brands Global, Inc. Nonqualified Deferred Compensation Plan (Exhibit 10.54 to Registrant's Form 10-K for the year ended December 31, 2018 is incorporated herein by reference).

10.68 Purchase Agreement, dated May 28, 2019, among the Registrant, certain subsidiaries of the Registrant, Barclays Capital Inc. and Credit Suisse Securities (USA) LLC. (Exhibit 99.1 to the Registrant's Form 8-K filed on May 28, 2019 is incorporated herein by reference).

10.69 Class A-1 Note Purchase Agreement, dated June 5, 2019, among Applebee's Funding LLC and IHOP Funding LLC, each a 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, Barclays Bank PLC as provider of letters credit and swingline lender and as administrative agent (Exhibit 10.1 to Registrant's Form 8-K filed on June 5, 2019 is incorporated herein by reference).

10.70 Guarantee and Collateral Agreement, dated September 30, 2014, and amended and restated as of June 5, 2019, 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 June 5, 2019 is incorporated herein by reference).

10.71 Management Agreement, dated September 30, 2014, and amended and restated as of September 5, 2018, and further amended and restated as of June 5, 2019, among Applebee's Funding LLC and IHOP Funding LLC, each 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 June 5, 2019 is incorporated herein by reference).

10.72	Amendment No. 1 to Management Agreement, dated November 21, 2019, among Applebee's Funding LLC and IHOP Funding LLC, other securitization entities party thereto from time to time, the Registrant, Applebee's Services, Inc. and International House of Pancakes, LLC. LLC, other securitization entities party thereto from time to time, the Registrant, Applebee's Services, Inc. and International House of Pancakes, LLC (Exhibit 10.73 to Registrant's Form 10-K for the year ended December 31, 2019 is incorporated herein by reference).
†10.73	Separation Agreement and General Release between Greggory H. Kalvin and Dine Brands Global, Inc. dated February 20, 2019 (Exhibit 10.1 to Registrant's Form 8-K filed on February 21, 2019 is incorporated herein by reference).
†10.74	Employment Agreement dated as of November 13, 2020 by and between the Registrant and John W. Peyton (Exhibit 10.76 to Registrant's Form 10-K for the year ended December 31, 2020 is incorporated herein by reference).
†10.75	Amendment to Employment Agreement, dated as of November 16, 2020, by and between the Registrant and Stephen P. Joyce (Exhibit 10.77 to Registrant's Form 10-K for the year ended December 31, 2020 is in incorporated herein by reference).
†10.76	Nonqualified Stock Option Agreement, dated January 4, 2021, by and between the Registrant and John W. Peyton (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended March 31, 2021 is incorporated herein by reference)
†10.77	Restricted Stock Unit Agreement, dated January 4, 2021, by and between the Registrant and John W. Peyton (Exhibit 10.2 to Registrant's Form 10-Q for the quarter ended March 31, 2021 is incorporated herein by reference)
†10.78	Employment Agreement, dated May 10, 2021, by and between the Registrant and Vance Y. Chang (Exhibit 10.1 to Registrant's Form 10-Q for the quarter ended June 30, 2021 is incorporated herein by reference)
†10.79	Employment Agreement, dated effective March 9, 2022 by and between the Registrant and John C. Cywinski (Exhibit 10.1 to Registrant's Form 8-K filed on February 18, 2022 is incorporated herein by reference.)
†10.80	Employment Agreement, dated effective March 9, 2022 by and between the Registrant and Jay D. Johns (Exhibit 10.2 to Registrant's Form 8-K filed on February 18, 2022 is incorporated herein by reference.)
*†10.81	Dine Brands Global, Inc. Executive Severance and Change in Control Plan
*21	Subsidiaries of Dine Brands Global, 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.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Schema Document.***
101.CAL	Inline XBRL Calculation Linkbase Document.***
101.DEF	Inline XBRL Definition Linkbase Document.***
101.LAB	Inline XBRL Label Linkbase Document.***
101.PRE	Inline XBRL Presentation Linkbase Document.***
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** The certifications attached as Exhibits 32.1 and 32.2 accompany this Annual 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.

*** Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 and 104 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

† 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 2nd day of March, 2022.

DINE BRANDS GLOBAL, INC.

By: /s/ JOHN W. PEYTON

John W. Peyton
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 2nd day of March, 2022.

Name	Title
/s/ JOHN W. PEYTON John W. Peyton	Chief Executive Officer (Principal Executive Officer), Director
/s/ VANCE Y. CHANG Vance Y. Chang	Chief Financial Officer (Principal Financial Officer)
/s/ ALLISON HALL Allison Hall	Chief Accounting Officer (Principal Accounting Officer)
/s/ RICHARD J. DAHL Richard J. Dahl	Chairman, Director
/s/ HOWARD M. BERK Howard M. Berk	Director
/s/ DANIEL J. BRESTLE Daniel J. Brestle	Director
/s/ SUSAN M. COLLYNS Susan M. Collyns	Director
/s/ MICHAEL C. HYTER Michael C. Hyter	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/ MARTHA C. POULTER Martha C. Poulter	Director
/s/ LILIAN C. TOMOVICH Lilian C. Tomovich	Director

Exhibit 10.81

DINE BRANDS GLOBAL, INC.
EXECUTIVE SEVERANCE AND CHANGE IN CONTROL PLAN

1. Purpose. The Dine Brands Global, Inc. Executive Severance and Change in Control Plan, as set forth herein or as hereafter amended from time to time (the "**Plan**"), is effective as of January 1, 2022 ("**Effective Date**"). The purpose of the Plan is to provide severance benefits under specified circumstances to eligible employees of Dine Brands Global, Inc. or its wholly-owned subsidiaries (collectively the "**Corporation**") who are in a position to contribute materially to the success of the Corporation. As consideration for severance benefits under this Plan, the Participant (as defined below) shall release the Corporation from any and all actions, suits, proceedings, claims and demands related to employment with the Corporation and to the termination of such employment by signing a waiver and release document in a form provided by the Corporation. Such document shall include a statement that benefits under this Plan are conditioned upon the Corporation's receipt of a signed release. This Plan supersedes and replaces in its entirety the Dine Brands Global, Inc. Amended and Restated Executive Severance and Change in Control Policy, which shall terminate immediately prior to the Effective Date.

2. Definitions.

For purposes of the Plan, the following terms are defined as follows:

a. "**Base Salary**" means the fixed annual base salary (excluding bonuses and other benefits) paid to an employee regularly each pay period for performing assigned job responsibilities.

b. "**Cause**" means, as determined by the Corporation:

(i) the willful failure by the Participant to substantially perform his or her duties with the Corporation (other than any such failure resulting from the Participant's incapacity due to physical or mental illness);

(ii) the Participant's willful misconduct that is demonstrably and materially injurious to the Corporation, monetarily or otherwise;

(iii) the Participant's willful violation of the Corporation's code of conduct or any policy applicable to the Participant;

(iv) the Participant's commission of such acts of dishonesty, fraud, misrepresentation or other acts of moral turpitude as would prevent the effective performance of the Participant's duties; or

(v) the Participant's conviction or plea of no contest to a felony or a crime of moral turpitude.

For purposes of this subsection b., no act, or failure to act, on the Participant's part shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without the reasonable belief that the Participant's action or omission was in the best interest of the Corporation.

c. A "**Change in Control**" shall be deemed to have occurred if:

(i) any “person,” as such term is used in Sections 13(d) and 14(d) of the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”) (other than the Corporation; any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation; or any company owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of Stock of the Corporation) is or becomes after the Effective Date the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation (not including in the securities beneficially owned by such person any securities acquired directly from the Corporation or its affiliates) representing 35% or more of the combined voting power of the Corporation’s then outstanding securities;

(ii) during any period of two consecutive years (not including any period prior to the Effective Date), individuals who at the beginning of such period constitute the Board of Directors of the Corporation (“**Board**”), and any new director (other than a director designated by a person who has entered into an agreement with the Corporation to effect a transaction described in subsections (i), (iii) or (iv) of this Section 2.c.) whose election by the Board or nomination for election by the Corporation’s stockholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof; or

(iii) the consummation of a merger or consolidation of the Corporation with any other corporation, other than (A) a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity), in combination with the ownership of any trustee or other fiduciary holding securities under an employee benefit plan of the Corporation, at least 75% of the combined voting power of the voting securities of the Corporation or such surviving entity outstanding immediately after such merger or consolidation or (B) a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no person acquires more than 50% of the combined voting power of the Corporation’s then outstanding securities; or

(iv) the stockholders of the Corporation approve a plan of complete liquidation of the Corporation or an agreement for the sale or disposition by the Corporation of all or substantially all of the Corporation’s assets;

provided, that with respect to any non-qualified deferred compensation that becomes payable on account of the Change in Control, the transaction or event described in subsection i., ii., iii. or iv. also constitutes a “change in control event,” as defined in Treasury Regulation §1.409A-3(i)(5) if required in order for the payment not to violate Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**”).

d. “**Change in Control Period**” means the period beginning on the date of a Change in Control and ending 24 months after such Change in Control.

e. “**Change in Control Severance Benefits**” means the severance pay and benefits set forth in Section 5 of this Plan.

f. “**Participant**” means any employee without an employment contract (i) who serves as an officer of the Corporation with the title of Senior Vice President or higher, (ii) who is selected by the Compensation Committee of the Board of Directors of the Corporation (the "**Committee**") to be eligible for severance benefits under this Plan as a person in a position to contribute materially to the success of the Corporation and is notified of such participation in writing, or (iii) who is grandfathered into this Plan by virtue of being an officer in the Corporation prior to the Effective Date and who has been notified before the Effective Date that this Plan shall apply to that individual.

g. "**Good Reason**" for voluntary termination of employment pursuant to Section 5 below means that the Corporation (i) materially breaches its obligations to pay any salary, benefit or bonus due to a Participant or otherwise materially breaches any material term of this Agreement, (ii) requires the Participant to relocate more than 50 miles from the Participant's principal place of employment, (iii) assigns to the Participant any duties inconsistent with the Participant's position with the Corporation or significantly and adversely alters the nature or status of the Participant's responsibilities or the conditions of the Participant's employment, or (iv) reduces the Participant's Base Salary and/or target bonus opportunity, except for across-the-board reductions similarly affecting all management personnel of the Corporation and all management personnel of any corporation or other entity which is in control of the Corporation; and in the event of any of (i), (ii), (iii) or (iv), the Participant has given written notice to the Plan Administrator, as defined in Section 13, as to the details of the basis for such Good Reason within 30 days following the date on which the Participant alleges the event giving rise to such Good Reason occurred, the Corporation has failed to provide a reasonable cure within 30 days after its receipt of such notice and the effective date of the termination for Good Reason occurs within 90 days after the initial existence of the facts or circumstances constituting Good Reason.

h. "**Severance Benefits**" means the severance pay and benefits set forth in Section 4 of this Plan.

3. Participation. Each Participant shall be eligible for severance benefits pursuant to, and subject to the terms of, Section 4 or Section 5, below. For the avoidance doubt, an employee of the Corporation who would otherwise qualify as a Participant but who is entitled to severance benefits pursuant to a separate severance benefit arrangement, change in control severance agreement, employment agreement or other written agreement with the Corporation shall not be eligible for severance benefits under this Plan.

4. Severance Benefits. Any Participant whose employment with the Corporation is involuntarily terminated by the Corporation without Cause, other than a termination that occurs within a Change in Control Period, shall be eligible for Severance Benefits under this Section 4, provided the Participant has returned a signed general release of all claims, substantially in the form attached hereto as **Exhibit A** (the "**Release**"), to the Corporation within the time period requested by the Corporation and has not revoked the Release within the time permitted under the terms of the Release or any applicable state and federal laws. The Release may be revised from time to time to comply with applicable law or to reflect changes made to the Corporation's standard form of general release of all claims for all Participants. Regardless of whether a Participant signs and returns a Release, a Participant shall be entitled to receive (1) within 10 business days following the effective date of such Participant's termination of employment the payment of that portion of the Participant's Base Salary accrued through the date of termination to the extent not previously paid, any annual bonus earned during the prior fiscal year but not yet paid to the Participant, any incurred but unreimbursed expenses owed to the Participant in accordance with the Corporation's policy, and any accrued but unused vacation pay owed to the Participant in accordance with the Corporation's policy (the

"**Accrued Obligations**") and (2) all amounts arising from the Participant's participation in, or benefits under, any employee benefit plans, programs or arrangements, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements (the "**Other Benefits**").

a. **Severance Pay**. The severance pay to which a Participant is eligible pursuant to this Section 4 shall be a payment equal to the sum of (i) 12 months' Base Salary and (ii) 100% of the Participant's target annual bonus for the performance period during which the termination of employment occurs. The payment described in this Section 4.a. shall be paid to the eligible Participant in a lump sum within 30 days after the effective date of the Participant's termination of employment, except to the extent payment is required to be delayed pursuant to Section 11, and provided that if such 30-day period straddles two consecutive calendar years, payment shall be made in the second of such years.

b. **Continued Benefits.** In the event a Participant elects COBRA coverage, such coverage shall be provided to the Participant at the same cost that applies to similarly situated active employees of the Corporation for up to 12 months, or until Participant becomes eligible for benefits through another employer, whichever is earlier. To the extent that Participant becomes eligible for benefits through another employer during this time, Participant shall give prompt written notice to the Corporation, no later than 30 days after Participant becomes eligible for such benefits.

c. **Accelerated Vesting of Equity and Long-Term Incentive Awards.** Any unvested stock options, stock appreciation rights, restricted stock awards, restricted stock units and any other equity-based awards held by the Participant that are subject only to service or time-based vesting conditions (and not performance-based vesting conditions) and that would have vested during the 12-month period following the Participant's termination will vest as of the day immediately preceding the effective date of the Participant's termination of employment. Any unvested equity-based or long-term cash-based awards held by the Participant that are subject to any performance-based vesting conditions shall become vested on a prorated basis, based on the portion of the performance period that has elapsed prior to the date of termination, determined in accordance with the Corporation's administrative practices, and shall be paid at the time such award would have been paid to the Participant had he or she remained employed through the end of the applicable performance period, based on actual performance during such performance period. Any stock options or stock appreciation rights held by the Participant shall remain exercisable until the earlier of 24 months after the date of termination or their original expiration date.

d. **Death of Participant.** If a Participant dies after signing the Release and prior to receiving Severance Benefits to which he or she is entitled pursuant to the Plan, payment shall be made to the beneficiary designated by the Participant to the Corporation or, in the event of no designation of beneficiary, then to the estate of the deceased Participant.

e. **Outplacement Benefit.** The Corporation shall provide standard outplacement services at the expense of the Corporation from an outplacement firm selected by the Corporation. In order to receive outplacement services, the Participant must begin utilizing the services within 90 days of his or her date of termination.

5. **Change in Control Severance Benefits**. Any Participant whose employment with the Corporation is involuntarily terminated by the Corporation without Cause or whose employment is voluntarily terminated by the Participant for Good

Reason, in either case during a Change in Control Period, shall be eligible for the Change in Control Severance Benefits under this Section 5, provided the Participant has returned a signed Release to the Corporation within the time period requested by the Corporation and has not revoked the Release within the time permitted under the terms of the Release or any applicable state and federal laws. Change in Control Severance Benefits payable pursuant to this Section 5 shall be in lieu of any Severance Benefits which accrue under Section 4 of this Plan. Regardless of whether a Participant signs and returns a Release, such Participant shall be entitled to receive all Accrued Obligations and Other Benefits.

a. Severance Pay. The amount of severance pay for which a Participant is eligible hereunder shall be a payment equal to the sum of (i) 24 months' Base Salary and (ii) 200% of the Participant's target annual bonus for the performance period during which the termination of employment occurs. Additionally, the Participant shall receive a payment equal to the Participant's target annual bonus under the Corporation's annual incentive plan for the then current fiscal year, prorated based on the portion of the performance period that has elapsed prior to the date of termination. The severance pay payable pursuant to this Section 5.a. shall be paid to an eligible Participant in a lump sum issued within 30 days after the effective date of the Participant's termination of employment, except to the extent payment is required to be delayed pursuant to Section 11, and provided that if such 30-day period straddles two consecutive calendar years, payment shall be made in the second of such years.

b. Continued Benefits. In the event the Participant elects COBRA coverage, the Corporation will pay the COBRA premium cost for the Participant and such dependent(s) as are designated as of the separation date for 18 months, or until the Participant becomes eligible for benefits through another employer, whichever is earlier. To the extent that the Participant becomes eligible for benefits through another employer during this time, the Participant shall give prompt written notice to the Corporation, no later than 30 days after the Participant becomes eligible for such benefits.

c. Accelerated Vesting of Equity and Long-Term Incentive Awards.

Any unvested stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other equity-based awards held by the Participant that are subject only to service and time based vesting conditions (and not performance-based vesting conditions) will vest as of the day immediately preceding the effective date of the termination of the Participant's employment and, to the extent applicable, will become exercisable, and any restrictions or conditions on such equity-based awards shall immediately lapse and be deemed satisfied. Any stock options or stock appreciation rights held by the Participant shall remain exercisable until the earlier of 24 months after the date of termination or their original expiration date.

Upon the occurrence of a Change in Control, each Participant shall, with respect to all outstanding, unvested performance units and any other equity-based and long-term cash-based compensation awards subject to performance-based vesting criteria that are held by such Participant immediately prior to the Change in Control, be deemed to have satisfied any performance-based vesting criteria based on the Corporation's actual performance through the date of the Change in Control, and following the Change in Control any such awards shall continue to vest based upon the time or service-based vesting criteria, if any, to which the award is subject. If the Participant's employment terminates in accordance with the terms and conditions of this Section 5 after such Change in Control, such performance-based awards shall become immediately and fully vested, and shall be paid to the Participant not later than 30 days after the date of such termination.

d. Death of Participant. If a Participant dies after signing the Release and prior to receiving Change in Control Severance Benefits to which he or she is entitled pursuant to the Plan, payment shall be made to the beneficiary designated by the Participant to the Corporation or, in the event of no designation of beneficiary, then to the estate of the deceased Participant.

e. Outplacement Benefit. The Corporation shall provide standard outplacement services at the expense of the Corporation from an outplacement firm selected by the Corporation. In order to receive outplacement services, the Participant must begin utilizing the services within 90 days of his or her date of termination.

6. No Duplication of Benefits. This Plan supersedes any and all prior policies or practices in effect from time to time relating to severance, separation or termination pay for the Participant. The acceptance of any Severance Benefits or Change in Control Severance Benefits under this Plan shall constitute a waiver of any severance pay or other severance benefits the Participant would have been entitled to under any prior policies or practices, any employment or other agreement between the Corporation and the Participant, and under any other severance policy of the Corporation.

7. Funding. The Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of the Corporation for payment of any Severance Benefits or Change in Control Severance Benefits hereunder. No Participant or other person shall have any interest in any particular assets of the Corporation by reason of the right to receive Severance Benefits or Change in Control Severance Benefits under the Plan and any such Participant or any other person shall have only the rights of a general unsecured creditor of the Corporation with respect to any rights under the Plan.

8. Taxation. All Severance Benefits and Change in Control Severance Benefits shall be subject to federal, state and local tax deductions and withholding for the same.

9. Non-Exclusivity of Rights. The terms of the Plan shall not prevent or limit the right of a Participant to receive any base annual salary, pension or welfare benefit, perquisite, bonus or other payment provided by the Corporation to the Participant, except for severance benefits under any other policy or arrangement and such other rights as the Participant may have specifically waived in writing. Amounts that are vested benefits or which the Participant is otherwise entitled to receive under any benefit policy or program provided by the Corporation shall be payable in accordance with the terms of such policy or program.

10. Amendment and Termination. This Plan may be amended or terminated by the Committee acting in its sole discretion at any time; provided that unless the affected Participant consents to an amendment or termination in writing: (i) no Plan termination or amendment that adversely affects the rights of a Participant shall take effect until 12 months after the Corporation provides written notice of such termination or amendment to the affected Participant, (ii) the Plan shall not be terminated or amended in a manner that adversely affects the rights of a Participant during a Change in Control Period and (iii) no such termination or amendment shall adversely affect the rights of any individual who is then entitled to receive Severance Benefits or Change in Control Severance Benefits at the time of such amendment or termination. Severance Benefits and Change in Control Severance Benefits are not intended to be a vested right.

11. Compliance with IRC Section 409A. This Plan is intended to comply with the requirements of Section 409A of the Code and shall be interpreted and construed consistently with such intent. The payments to a Participant pursuant to this Plan are also intended to be exempt from Section 409A of the Code to the maximum extent possible, under either the separation pay exemption pursuant to Treasury regulation §1.409A-1(b)(9)(iii) or as short-term deferrals pursuant to Treasury regulation §1.409A-1(b)(4), and for this purpose each payment shall constitute a "separately identified" amount within the meaning of Treasury Regulation §1.409A-2(b)(2). In the event the terms of this Plan would subject a Participant to taxes or penalties under Section 409A of the Code ("**409A Penalties**"), the Corporation and the Participant shall cooperate diligently to amend the terms of this Plan to avoid such 409A Penalties, to the extent possible; provided that in no event shall the Corporation be responsible for any 409A Penalties that arise in connection with any amounts payable under this Plan. To the extent any amounts under this Plan are payable by reference to a Participant's "termination of employment," such term shall be deemed to refer to the Participant's "separation from service," within the meaning of Section 409A of the Code. Notwithstanding any other provision in this Plan, if a Participant is a "specified employee," as defined in Section 409A of the Code, as of the date of such Participant's separation from service, then to the extent any amount payable to the Participant (i) constitutes the payment of nonqualified deferred compensation, within the meaning of Section 409A of the Code, (ii) is payable upon the Participant's separation from service and (iii) under the terms of this Plan would be payable prior to the six-month anniversary of the Participant's separation from service, such payment shall be delayed until the earlier to occur of (a) the first business day following the six-month anniversary of the separation from service and (b) the date of the Participant's death. Any reimbursement or advancement payable to a Participant pursuant to this Plan or otherwise shall be conditioned on the submission by the Participant of all expense reports reasonably required by the Corporation under any applicable expense reimbursement policy, and shall be paid to the Participant not later than the last day of the calendar year following the calendar year in which the Participant incurred the reimbursable expense. Any amount of expenses eligible for reimbursement, or in-kind benefit provided, during a calendar year shall not affect the amount of expenses eligible for reimbursement, or in-kind benefit to be provided, during any other calendar year. The right to any reimbursement or in-kind benefit pursuant to this Plan or otherwise shall not be subject to liquidation or exchange for any other benefit.

12. Parachute Payment Matters. Notwithstanding any other provision of this Plan, if by reason of Section 280G of the Code any payment or benefit received or to be received by a Participant in connection with a Change in Control or the termination of the Participant's employment (whether payable pursuant to the terms of this Plan ("**Plan Payments**") or any other plan, arrangements or agreement with the Corporation or an Affiliate (as defined below) (collectively with the Plan Payments, "**Total Payments**")) would not be deductible (in whole or part) by the Corporation, an Affiliate or other person making such payment or providing such benefit, then the Plan Payments shall be reduced and, if Plan Payments are reduced to zero, other Total Payments shall be reduced (first, by reducing payments to which Treas. Reg. § 1.280G-1 Q&A 24(a) applies ("**Full Value Payments**"), and second, by reducing payments to which Treas. Reg. § 1.280G-1 Q&A 24(c) applies; and, in each case, (i) reducing the payments furthest in time from the date of the Change in Control and (ii) in compliance with Section 409A of the Code) until no portion of the Total Payments is not deductible by reason of Section 280G of the Code, provided, however, that no such reduction shall be made unless the net after-tax benefit received by the Participant after such reduction would exceed the net after-tax benefit received by the Participant if no such reduction was made. The foregoing determination and all determinations under this Section 12 shall be made by the Accountants (as defined below). For purposes of this Section 12, "net after-tax benefit" shall mean (i) the Total Payments that would constitute "parachute payments" within the meaning of Section 280G of the Code, less (ii) the amount of all federal, state and local income taxes payable with respect to such payments calculated at the maximum marginal income tax rate for each year in which the foregoing shall be paid to the Participant (based on the rate in effect for such year as set forth in the Code as in effect at the time of the first payment of the foregoing), less (iii) the amount of excise taxes imposed with respect to the payments and benefits described in (i) above by Section 4999 of the Code. For purposes of the foregoing determinations, (a) no portion of the Total Payments the receipt or enjoyment of which the Participant shall have effectively waived in writing prior to the date of payment of any Plan Payment shall be taken into account; (b) no portion of the Total Payments shall be taken into account which in the opinion of the Accountants does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (without regard to subsection (A)(ii) thereof); (c) the Plan Payments (and, thereafter, other Total Payments) shall be reduced only to the extent necessary so that the Total Payments in their entirety constitute reasonable compensation for services actually rendered within the meaning of Section 280G(b)(4) of the Code, in the opinion of the Accountants; and (d) the value of any non-cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Accountants in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. For purposes of this Section 12, the term "**Affiliate**" means the Corporation's successors, any Person whose actions result in a Change in Control or any company affiliated (or which, as a result of the completion of the transactions causing a Change in Control shall become affiliated) with the Corporation within the meaning of Section 1504 of the Code and "**Accountants**" shall mean the Corporation's independent certified public accountants serving immediately prior to the Change in Control, unless the Accountants are also serving as accountant or auditor for the individual, entity or group effecting the Change in Control, in which case the Corporation shall appoint another nationally recognized public accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accountants hereunder). For purposes of making the determinations and calculations required herein, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code, provided that the Accountant's determinations must be made on the basis of "substantial authority" (within the meaning of Section 6662 of the Code). All fees and expenses of the Accountants shall be borne solely by the Corporation.

13. Administration.

a. This Plan shall be interpreted and administered by the Chief Executive Officer of the Corporation (the "**Plan Administrator**"), who shall have complete authority, in his or her sole discretion subject to the express provisions of this Plan, to prescribe, amend and rescind rules and regulations relating to this Plan and to make all other determinations necessary or advisable for the administration of this Plan; provided, however, that the Chief Executive Officer must receive approval from the Committee in order to authorize severance benefits outside of the terms of this Plan to the employees covered by this Plan. The Plan Administrator shall be the "administrator" and a "named fiduciary" under this Plan for purposes of the Employee Retirement Income Security Act of 1974, as amended ("***ERISA***"). All questions arising in connection with the interpretation of this Plan or its administration shall be submitted to and determined by the Plan Administrator in an equitable and fair manner in accordance with the procedure for claims and appeals described in Section 13.c. hereof.

b. The Plan Administrator may from time to time delegate any of his or her duties hereunder to such person or persons as the Plan Administrator may designate. The Plan Administrator is empowered, on behalf of this Plan, to engage accountants, legal counsel and such other persons as the Plan Administrator deems necessary advisable for the performance of his or her duties under this Plan. The functions of any such persons engaged by the Plan Administrator shall be limited to the specified services and duties for which they are engaged, and such persons shall have no other duties, obligations or responsibilities under this Plan. Such persons shall exercise no discretionary authority or discretionary control respecting the administration of this Plan. All reasonable fees and expenses of such persons shall be borne by the Corporation.

c. Any Participant or other person who believes that he or she is entitled to receive benefits under this Plan, including benefits other than those initially determined by the Plan Administrator to be payable, may file a claim in writing with the Plan Administrator, specifying the reasons for such claim. The Plan Administrator shall, within 60 days of after receipt of such written claim, send a written notification to the Participant or other person Employee as to the disposition of such claim. In the event that such claim is denied in whole or in part, such written notification shall be written in a manner calculated to be understood by the claimant and shall (1) state the specific reason or reasons for the denial, (2) make specific reference to the pertinent Plan provisions on which the denial is based, (3) provide a description of any additional material or information necessary for the Participant to perfect the claim and an explanation of why such material or information is necessary, and (4) set forth the procedure by which the Participant or other person may appeal the denial of such claim. The Participant or other person (or his or her duly authorized representative) may request a review of the denial of any such claim or portion thereof by making application in writing to the Plan Administrator within 60 days after receipt of such denial. Such Participant or other person (or his or her duly authorized representative) may, upon written request to the Plan Administrator, review any documents pertinent to such claim, and submit in writing issues and comments in support of such claim. Within 60 days after receipt of a written appeal (unless special circumstances, such as the need to hold a hearing, require an extension of time but in no event more than 120 days after such receipt), the Plan Administrator shall notify the Participant or other person of the final decision with respect to such claim. Such final decision shall be in writing and shall include specific reasons for such decision, written in a manner calculated to be understood by the claimant, with specific references to the pertinent Plan provisions on which such decision is based.

14. Non-Assignability. Severance Benefits and Change in Control Severance Benefits pursuant to the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge prior to actual receipt thereof by a Participant; and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge prior to such receipt shall be void; and the Corporation shall not be liable in any manner for, or subject to, the debts, contracts, liabilities, engagements or torts of any person entitled to any Severance Benefits or Change in Control Severance Benefits under this Plan.

15. Termination of Employment. Nothing in the Plan shall be deemed to entitle a Participant to continued employment with the Corporation, and the rights of the Corporation to terminate the employment of a Participant shall continue as though the Plan were not in effect.

16. General Provisions.

a. A Participant shall not be entitled to any severance pay, notice pay or other similar benefits except as provided in this Plan. Subject to the foregoing, all rights of a Participant under any employee benefit plan maintained by the Company shall be determined in accordance with provisions of such plan.

b. If the Corporation is obligated by law or contract to pay severance pay, notice pay or other similar benefits, or if the Corporation is obligated by law or by contract to provide advance notice or separation ("**Notice Period**"), then any Severance Benefits or Change in Control Severance Benefits hereunder shall be reduced by the amount of any such severance pay, notice pay or other similar benefits, as applicable, and by the amount of any severance pay, notice pay or other similar benefits received during any Notice Period.

c. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of giving a receipt therefor shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Employer, the Plan Administrator and all other parties with respect thereto.

d. This Plan shall be binding upon the heirs, executors, administrators, successors and assigns of the parties, including each Participant, present and future, and any successor to the Corporation. This Plan shall not be terminated by any merger or consolidation of the Company whereby the Company is or is not the surviving or resulting corporation or as a result of any transfer of all or substantially all of the assets of the Company. In the event of any such merger, consolidation or transfer of assets, the provisions of this Plan shall be binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred.

e. The headings and captions herein are provided for reference and convenience only, shall not be considered part of this Plan and shall not be employed in the construction of this Plan.

f. If any provision of this Plan shall be held invalid or unenforceable, such invalidity or unenforceability shall not affect any other provision hereof, and this Plan shall be construed and enforced as if such provision had not been included.

g. Any notice or other communication required or permitted pursuant to the terms hereof shall have been duly given when delivered or mailed by United States mail, first class, postage prepaid, addressed to the intended recipient at his, her or its last known address or by email to the recipient's email address as set forth in the records of the Corporation.

h. This Plan shall be administered on a calendar year basis.

i. This Plan shall be governed by, and construed and enforced in accordance with (1) ERISA and all applicable rules and regulations thereunder and (2) the internal laws of the State of California (without regard to principles of conflicts of laws) to the extent not preempted by Federal law, which shall otherwise control.

<u>Exhibit A</u>

CONFIDENTIAL SEVERANCE AGREEMENT AND GENERAL RELEASE

This Confidential Severance Agreement and General Release (the "**Agreement**") dated as of ______________ is entered into by and between _____________ (hereinafter referred to as "**Executive**") and [Dine Brands Global, Inc. / International House of Pancakes, LLC, / Applebee's Services, Inc.], its parents, affiliates, and subsidiaries (hereinafter referred to as the "**Corporation**"). Throughout this Agreement, Executive and the Corporation may be referred to individually as a "**Party**" and collectively as the "**Parties**."

<u>Recitals</u>

A. Executive has been employed by the Corporation. Executive's last day of employment by the Corporation will be ______________ (the "**Separation Date**").

B. Executive is a Participant in the Corporation's Executive Severance and Change in Control Plan (the "**Plan**").

C. Executive and the Corporation wish to enter into an Agreement to set forth all of the Separation Benefits payable pursuant to the terms of the Plan and to clarify and resolve any potential or actual disputes that may exist between them arising out of the employment relationship and termination thereof, and any continuing obligations of one Party to another following the end of the employment relationship.

D. In consideration of the Corporation's agreement to pay Executive the Separation Benefits set forth herein, Executive agrees to waive any and all rights Executive may have in potential or actual actions, suits, proceedings, claims, and demands against the Corporation, directly or indirectly, except for those rights provided in this Agreement and Executive's continuing right to enforce the terms and provisions of this Agreement against the Corporation.

E. The Corporation has advised Executive of Executive's right to consult an attorney at Executive's own expense prior to signing this Agreement and has provided Executive with 21 calendar days in which to consider this Agreement and seek legal assistance. Executive has either consulted an attorney of Executive's choice or voluntarily elected not to consult legal counsel and understands that except for Executive's rights preserved, and provided for above and elsewhere in this Agreement, Executive is waiving all potential or actual actions, suits, proceedings, claims, and demands against the Corporation and its agents.

F. This Agreement is not and should not be construed as an admission or statement by either Party that it or any other party has acted wrongfully or unlawfully. Both Parties expressly deny any wrongful or unlawful action and enter into this Agreement for the sole purpose of addressing any potential or actual issues between them.

G. The Effective Date of this Agreement is defined in Paragraph 11(d) herein. Each of the covenants and obligations set forth herein is contingent upon the occurrence of the Effective Date.

<u>Agreement</u>

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual rights and obligations contained below, the Parties agree as follows:

1. Employment Ending Date. Executive's employment with the Corporation will terminate effective on the Separation Date. Executive will have no further employment duties or responsibilities to the Corporation after the Separation Date.

2. Payments and Benefits. In full satisfaction of Executive's rights under the Plan and in exchange for the promises contained in this Agreement, and so long as Executive does not revoke this Agreement:

a. Severance Pay: The Corporation shall pay to Executive the total sum of $____________, representing the sum of (i) 12 months of base salary and (ii) 100% of Executive's target annual bonus for the year in which the Separation Date occurs, less applicable tax, withholdings, and deductions required by law, as severance pay and in exchange for the promises, agreements, understandings, and releases contained in this Agreement. This sum will be paid as a lump sum through the Corporation's payroll within 30 days following the Effective Date, except to the extent payment is required to be delayed pursuant to Paragraph 13, and provided that if such 30-day period straddles two consecutive calendar years, payment shall be made in the second of such years. Executive understands that, under applicable law, no Corporation match of 401(k) contributions can be made based on the severance pay.

b. Benefits: All of Executive's benefits shall cease on Executive's last day of work except that Executive's medical, vision, and dental benefits coverage, if any, will end as of the last day of month in which the Separation Date occurs. In the event Executive elects COBRA coverage, the Corporation will pay the COBRA premium cost for Executive and such dependent(s) as are designated as of the Separation Date. Such coverage shall be provided to the Executive at the same cost that applies to similarly situated active employees of the Corporation for up to 12 months, or until Executive becomes eligible for benefits through another employer, whichever is earlier. To the extent that Executive becomes eligible for benefits through another employer during this time, Executive shall give prompt written notice to the Corporation, no later than 30 days after Executive becomes eligible for such benefits.

c. Accelerated Vesting of Equity and Long-Term Incentive Awards. The stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other equity-based awards held by Executive that are subject only to service or time-based vesting conditions (and not performance-based vesting conditions) and that would have vested during the 12-month period following Executive's termination, as set forth on **Schedule 1** hereto, will vest as of the day immediately preceding the Separation Date. The unvested equity-based or long-term cash-based awards held by Executive that are subject to performance-based vesting conditions, as set forth on **Schedule 1** hereto, shall become vested on a prorated basis, based on the portion of the performance period that has elapsed prior to the Separation Date, determined in accordance with the Corporation's administrative practices, and shall be paid at the time such award would have been paid to Executive had he or she remained employed through the end of the applicable performance period, based on actual performance during such performance period. All stock options or stock appreciation rights held by Executive shall remain exercisable until the earlier of 24 months after the Separation Date or their original expiration date.

d. Outplacement Services: The Corporation shall provide standard outplacement services at the expense of the Corporation from an outplacement firm selected by the Corporation. In order to receive outplacement services, Executive must begin utilizing the services within 90 days of the Separation Date.

The benefits described in (a) through (d) of this Paragraph constitute the "**Separation Benefits**" payable under the Plan; provided that if a Change in Control, as defined in the Plan, occurs within three months after the Separation Date, then the Severance Benefits shall be adjusted in accordance with Section 5 of the Plan. Executive agrees to indemnify and hold the Corporation harmless from and against any potential or actual actions, suits, proceedings, claims, and demands for any non-payment of taxes by Executive. In addition to the Separation Benefits set forth above, Executive will receive all Accrued Obligations and Other Benefits, as defined in the Plan, separate and apart from this Agreement.

3. Valid Consideration. The Parties hereto acknowledge and agree that Executive's right to be paid the Separation Benefits identified in Paragraph 2 is expressly conditioned on Executive signing this Agreement and not thereafter revoking this Agreement. The Parties further acknowledge and agree that the mutual promises and covenants contained herein constitute good, valid, and sufficient consideration for this Agreement.

4. Unvested Equity. Except as set forth in Paragraph 2 above, Executive is not entitled to any unvested stock options, stock appreciation rights, restricted stock awards, restricted stock units, and any other equity or cash-based awards held by Executive as of the Separation Date.

5. Return of Corporation Property. Executive covenants, represents, and warrants to the Corporation that by the Separation Date, Executive will return to the Corporation any and all materials and property of the Corporation of any type whatsoever (including, without limitation, any vehicles and vehicles' keys, mobile phones, office or other keys, access cards, identification badges, computer equipment, correspondence, tangible proprietary information or intellectual property, documents, records, notes, contracts, and other confidential or proprietary materials) that are in Executive's possession or control.

6. Non-Disclosure of Confidential Information

(a) Executive acknowledges that during the term of Executive's employment with the Corporation, Executive has had access to material intellectual property, trade secrets, proprietary, and confidential information of the Corporation including, but not limited to, information concerning the Corporation's services; products; product formulas; recipes; business models; marketing; employees; franchisees; technology; consultants and experts; customer, dealer, vendor, and partner data including history, usage, pricing, preferences, incentives, and rebate data for each; business plans, records, and affairs; business partners; methods of doing business; merchandising concepts, strategies, and plans; financial matters; pricing information; trade secrets; and suppliers, as well as other information including, but not limited to, information learned by Executive from employees, contractors, or agents of the Corporation through inspection of the Corporation's premises or financial statements, or that relates to the Corporation's products, services, packaging, designs, business plans, business opportunities, customers, dealers, clients, consultants, experts, finances, research, development, know-how, personnel, litigation, workouts, or third-party confidential information disclosed to Executive by the Corporation, together with any material prepared by Executive which contains or otherwise relates to such information (the "**Confidential Information**"). Notwithstanding the forgoing, the following information shall be excluded from the above-referenced definition of Confidential Information: any item of Confidential Information which: (i) was publicly known at the time of its disclosure by the Corporation to Executive; (ii) was already in the Executive's possession at the time of its disclosure by the Corporation to Executive; (iii) was lawfully received by Executive from a third party without violation of any obligation of confidentiality to the Corporation; (iv) becomes publicly known through no fault of the Executive; (v) is approved for Executive's disclosure by written authorization of the Corporation; or (vi) is required to be disclosed pursuant to any applicable law, rule, regulation, or order of a court.

(b) Executive hereby represents, warrants, and covenants that Executive shall not use or disclose any Confidential Information and shall refrain from any action or conduct which might reasonably or foreseeably be expected to compromise the confidentiality or proprietary nature of Confidential Information. Further, Executive hereby represents, warrants, and covenants that Executive will not use Confidential Information in a manner that is adverse to the interests of the Corporation or in any manner not otherwise sanctioned by law, without prior written approval of the Corporation in each instance.

(c) Executive acknowledges and agrees that breach of the covenants in this Paragraph 6 will irreparably harm the Corporation for which the Corporation may not have an adequate remedy at law. As such, Executive agrees that the Corporation shall be entitled to any proper injunction including, but not limited to, temporary, preliminary, final injunctions, temporary restraining orders, and temporary protective orders, to enforce said covenants in the event of breach or threatened breach by Executive, in addition to any other remedies available to the Corporation at law or in equity. Executive further agrees that no bond or other security shall be required in obtaining such equitable relief and hereby agrees to comply with an order of a court of competent jurisdiction, issuing such injunction and ordering specific performance thereof. The covenants contained in this Agreement are independent of any other obligations between the Parties, and the existence of any other claim or cause of action against the Corporation is not a defense to enforcement of said covenants by injunction.

7. Confidentiality of Separation Agreement; Non-Disparagement.

(a) Executive agrees to keep the terms of this Agreement (including, but not limited to, the Separation Benefits) completely confidential and that Executive will not disclose any information concerning this Agreement or its terms to anyone other than Executive’s immediate family, legal counsel, and/or financial advisors, who will be informed of and bound by this confidentiality clause, or in response to a subpoena issued by a court of competent jurisdiction or as otherwise required by law.

(b) Executive shall not disparage the Corporation, its officers, directors, independent contractors, and employees.

(c) The Corporation will respond to requests for information from prospective employers by stating Executive's dates of employment and position held.

(d) Nothing in this Agreement prevents Executive from discussing or disclosing information about unlawful acts in the workplace, such as harassment, discrimination, or retaliation or any other conduct that Executive has reason to believe is unlawful (“**Underlying Claim**”) unless: (1) the purpose of this Agreement is to resolve an Underlying Claim that has been filed by Executive in court, before an administrative agency, in an alternative dispute resolution forum, or through the Corporation’s internal complaint process; and (2) Executive was given notice and an opportunity to retain an attorney or was represented by an attorney.

8. General Release of Claims. Executive expressly waives any and all claims against the Corporation and releases it including, without limitation, each of its officers, directors, partners, members, stockholders, managers, employees, consultants, agents, insurers, attorneys, parent and subsidiary corporations, and representatives (the "**Corporation Releasees**"), from any and all claims, demands, lawsuits, causes of action, obligations, and liabilities of whatever kind, which Executive may have or thinks Executive may have against the Corporation Releasees or any of them based upon events or facts arising at any time on or before the Effective Date of this Agreement including, but not limited to, claims that relate to Executive’s employment, compensation, and/or the separation of employment with the Corporation. Executive agrees this General Release of claims includes, but is not limited to, claims for breach of any implied or express contract or covenant; claims for promissory estoppel; claims of entitlement to any pay; claims of wrongful denial of insurance and employee benefits; claims for wrongful termination,

public policy violations, defamation, invasion of privacy, fraud, misrepresentation, emotional distress, or other common law or tort matters; claims of harassment, retaliation, or discrimination based on age, race, color, religion, sex, national origin, ancestry, physical or mental disability, legally protected medical condition, genetic information, marital or family status, sexual orientation, gender identity or expression, union activity, military status or veteran status, or any other status protected by law; claims based upon the California or United States Constitutions; any claims based on alleged restrictions on the Corporation's right to terminate, not to hire or promote employees, or on the Corporation's ability to change an employee's compensation or other terms and conditions of employment; and claims based on any federal, state, or local law including, without limitation: Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Equal Pay Act, 29 U.S.C. § 206(d)(1); the Americans with Disabilities Act; the Americans with Disabilities Act Amendments Act; the Labor Management Relations Act; the Family and Medical Leave Act; the Employee Retirement Income Security Act; the Worker Adjustment and Retraining Notification Act ("**WARN**"); the California WARN Act; the California Fair Employment and Housing Act; the California Labor Code; the California Family Rights Act, the California Constitution; the California Industrial Welfare Commission Wage Orders; and the California Government Code, as well as any amendments to those laws. Executive expressly understands that among the various claims and rights being waived by Executive in this Agreement are those arising under the Age Discrimination in Employment Act ("ADEA"), as amended, and in that regard, Executive specifically acknowledges that Executive has read and understands the provisions of Paragraph 11 below before signing this Agreement.

9. Exclusions From General Release/Additional Protections. Excluded from the General Release above are: (i) rights and claims which cannot be waived by law including claims for Workers' Compensation, unemployment compensation, and accrued and vested retirement benefits; (ii) claims arising after the Effective Date of this Agreement; and (iii) claims for breach of the Agreement. Neither the General Release above nor anything else in this Agreement limits Executive's rights to file a charge with an administrative agency (such as the U.S. Equal Employment Opportunity Commission), provide information to an administrative agency, or participate in an agency investigation. The exclusions and protections contained in this Paragraph 9 override any language to the contrary in any other part of this Agreement. Executive is, however, waiving all rights to receive money or other individual relief in connection with an administrative charge or investigation, regardless of whether that charge or investigation was initiated by Executive, on Executive's behalf, on behalf of a group or class to which Executive purportedly belongs, or otherwise, provided, however, that Executive may accept bounty money properly awarded by the U.S. Securities and Exchange Commission.

10. Release of Unknown Claims. It is the intention of Executive and the Corporation that this Agreement is a General Release which shall be effective as a bar to each and every claim, demand, or cause of action it releases. Executive recognizes that Executive may have some claim, demand, or cause of action against the Corporation that Executive is totally unaware and unsuspecting of which Executive is giving up by execution of the General Release. It is the intention of the Executive in executing this Agreement that it will deprive Executive of each such claim, demand, or cause of action and prevent Executive from asserting it against the Corporation. In furtherance of this intention, Executive expressly waives any rights or benefits conferred by the provisions of Section 1542 of the Civil Code of the State of California (and/or other similar provision(s) of any other jurisdiction), which provides as follows:

> **"A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her would have materially affected his or his/her settlement with the debtor or released party."**

11. Right of Revocation. In compliance with the Older Workers Benefit Protection Act (P.L. 101-433), Executive does hereby acknowledge and agree as follows:

(a) That this Agreement does not purport to waive rights or claims that may arise from acts or events occurring after the date that this Agreement is executed by the Parties;

(b) That this Agreement specifically applies to any rights or claims Executive may have against the Corporation under the federal Age Discrimination in Employment Act of 1967, as amended;

(c) That the consideration provided for in this Agreement is in addition to that to which Executive is already entitled;

(d) That this Agreement shall be revocable by Executive for a 7-day period following execution of this Agreement by Executive. Accordingly, this Agreement shall not become effective or enforceable until the expiration of the 7-day revocation period has occurred without a revocation by Executive ("**Effective Date**"); and

(e) That Executive, having carefully read this Agreement and knowing the contents hereof, freely and voluntarily consents to all the terms and conditions herein, understands the final and binding effect of this Agreement, has been advised of Executive's right to and has been given a chance to consult with and review this Agreement with an attorney of Executive's choice prior to signing this Agreement, and has been given a period of 21 days within which to consider whether to sign this Agreement. In the event that Executive chooses to waive this 21-day period, Executive acknowledges that Executive was given a reasonable period of time within which to consider this Agreement and that Executive's waiver was made freely and voluntarily and without duress or any coercion by any other person, including anyone at the Corporation or the Corporation Releasees.

12. Payment of Moneys Owed. The Parties acknowledge and agree that the Corporation has paid Executive or shall pay Executive all wages or salary earned, including any accrued but unused or unpaid vacation pay, according to the Corporation's policy and eligibility requirements, business expenses, and other benefits, if any, to which Executive was entitled during employment through the Separation Date. Executive shall provide the Corporation with final expense report(s) no later than 7 days before the Separation Date, and the Corporation shall reimburse Executive for such expenses, in accordance with the Corporation's policy. Executive is entitled to this payment regardless of whether Executive signs this Agreement.

13. Section 409A. The payments made under this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended, and applicable guidance issued thereunder ("**Section 409A**"). Payments made under this Agreement will be interpreted and construed, to the extent possible, to be distributed in the short-term deferral period, as defined under Treasury Regulation Section 1.409A-1(b)(4), or the separation pay exemption, as provided in Treasury Regulation Section 1.409A-1(b)(9). For purposes of this Agreement, the phrase "**Separation Date**" means the date in which Executive's "separation from service," as defined in Treasury Regulation Section 1.409A-1(h), occurred. For purposes of this Agreement, each payment made and benefits provided under this Agreement is hereby designated as a separate payment and will not collectively be treated as a single payment, as provided in Treasury Regulation Section 1.409A-2(b)(2)(iii).

14. No Assignment. Executive represents and warrants that Executive has made no assignment or other transfer and covenants that Executive will make no assignment or other transfer of any interest in any Claim which Executive may have against the Corporation Releasees, or any of them.

15. Indemnification of Released Parties. Executive agrees to indemnify and hold harmless the Corporation Releasees, and each of them, against any loss, claim, demand, damages, expenses, or any other liability whatsoever, including reasonable attorneys' fees and costs resulting from: (a) any breach of this release by Executive or Executive's successors in interest; (b) any assignment or transfer, or attempted assignment or transfer, of any claims released hereunder; or (c) any action or proceeding brought by Executive or Executive's successors in interest, or any other, if such action or proceeding arises out of, is based upon, or is related to any claims, demands, or causes of action released herein; provided, however, that this indemnification provision shall not apply to any challenge by Executive of the release of claims under the ADEA, Title VII, or similar discrimination laws, and any right of the released Parties to recover reasonable attorneys' fees and/or expenses for such breach shall be governed by applicable law. It is the intention of the Parties that this indemnity does not require payment as a condition precedent to recovery by any of the Corporation Releasees under this indemnity

16. No On-the-Job Injury. Executive represents and warrants that Executive has not experienced a job-related illness or injury during employment with the Corporation for which Executive has not already filed a claim and that Executive has disclosed to the Corporation any pending or previously filed claim relating to an on-the-job injury or illness.

17. Cooperation**.** Executive agrees to cooperate fully with the Corporation and its subsidiaries and affiliates in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Corporation or its subsidiaries or affiliates which relate to events or occurrences that transpired while Executive was employed by the Corporation; and in connection with any investigation or review by any federal, state, or local regulatory, quasi-regulatory, or self-governing authority (including, without limitation, the Securities and Exchange Commission) as any such investigation or review relates to events or occurrences that transpired while Executive was employed by the Corporation. Executive's full cooperation shall include, but not be limited to, being available to meet and speak with officers or employees of the Corporation and/or its counsel at reasonable times and locations, executing accurate and truthful documents, appearing at the Corporation's request as a witness at depositions, trials, or other proceedings without the necessity of a subpoena, with reasonable advance notice, providing truthful testimony and taking such other actions as may reasonably be requested by of the Corporation and/or its counsel to effectuate the foregoing. In requesting such services, the Corporation will consider other commitments that Executive may have at the time of the request, and Executive's availability and obligations under this Paragraph shall in all instances reasonably be subject to Executive's other commitments. The Corporation agrees to reimburse Executive for any reasonable, out-of-pocket travel, hotel, and meal expenses incurred in connection with Executive's performance of obligations pursuant to this Paragraph for which Executive has obtained prior written approval from the Corporation, and the Corporation shall pay Executive $150 per hour for any services performed by Executive at the request of the Corporation pursuant to this Paragraph.

18. Truthful Testimony; Notice of Request for Testimony**.** Nothing in this Agreement is intended to or shall preclude either Party from providing testimony that such Party reasonably and in good faith believes to be truthful in response to a valid subpoena, court order, regulatory request, or other judicial, administrative, or legal process or otherwise as required by law. Executive shall notify the Corporation in writing as promptly as practicable after receiving any such request of the anticipated testimony and at least 10 days prior to providing such testimony (or, if such notice is not possible under the circumstances, with as much prior notice as is possible) to afford the Corporation a reasonable opportunity to challenge the subpoena, court order, or similar legal process. Moreover, nothing in this Agreement shall be construed or applied so as to limit any person from providing candid statements that such Party reasonably and in good faith believes to be truthful to any governmental or regulatory body or any self-regulatory organization.

19. Non-Solicitation. During a period of two years following the Separation Date, Executive will not, directly or indirectly, whether as owner, partner, shareholder, consultant, agent, employee, co-venturer, or otherwise, or through any other "person" (which, for the purposes of this Paragraph, shall mean an individual, a corporation, a partnership, an association, a joint-stock company, a trust, any unincorporated organization, or a government or political subdivision thereof): (1) solicit, encourage, or assist any employee of the Corporation or any affiliate of the Corporation to terminate his or her relationship with the Corporation or any affiliate of the Corporation; or (2) request or cause customers, suppliers, or other parties with whom the Corporation or any of its affiliates has a business relationship to cancel or terminate any such business relationship with the Corporation or any of its affiliates.

20. Tax Indemnification. It is understood between the Parties that Executive has not relied upon any representation, express or implied, made by the Corporation or any of its representatives as to the tax consequences of this Agreement and that Executive releases the Corporation Releasees from any and all liability in connection with any such tax consequences. The Corporation's payments to Executive described above in Paragraph 2 represent a compromise of any and all of Executive's known or unknown claims against the Corporation Releasees. Executive agrees that any liability for state or federal income tax payments or penalties arising from said payments shall be Executive's sole responsibility. Executive agrees to indemnify and to hold harmless the Corporation Releasees from any and all actions, claims, or demands brought by any tax or other authority based upon Executive's tax obligations arising from payments to be made pursuant to this Agreement, and Executive agrees specifically to reimburse the Corporation for any taxes, interest, and penalties paid by the Corporation and for the costs, legal fees, and any other expenses incurred by the Corporation as a result of any such actions, claims, or demands.

21. Arbitration. Except for an action for injunctive relief to enforce the terms of this Agreement, any dispute concerning the application of this Agreement, and any other dispute from time to time between Executive and the Corporation, shall be settled by arbitration, to take place in Los Angeles, California before an arbitrator selected by the Parties. Any arbitration shall be in accordance with and under the auspices and rules of the Judicial Arbitration and Mediation Services, Inc. ("JAMS") for the resolution of disputes. The arbitration shall be held in accordance with the JAMS then current Arbitration Rules & Procedures (and no other JAMS rules), which currently are available at https://www.jamsadr.com/rules-comprehensive-arbitration/. Unless otherwise provided by law, the Parties will each share 50% of the arbitration costs and fees. The decision of the arbitrator shall be final and conclusive, and the Parties waive the right to trial de novo or appeal.

22. Binding Agreement. This Agreement shall be binding upon each Party and its and his or her heirs, administrators, representatives, executors, successors, and assigns and shall inure to the benefit of the Corporation Releasees and each of them and to their heirs, administrators, representatives, executors, successors, and assigns.

23. Contract Interpretation. The language of this Agreement shall not be construed for or against any particular Party. The Paragraph headings are inserted as a matter of convenience and in no way define, limit, or describe the scope of such Paragraph or affect the interpretation of this Agreement. The invalidity or enforceability, in whole or in part, of any provision of this Agreement will not affect the validity or enforceability of any other provision. In the event of a conflict or inconsistency between the terms of this Agreement and any other agreement between the Parties, the terms of this Agreement shall control.

24. Entire Agreement/Survival. Executive acknowledges that no promises or representations other than those set forth in this Agreement have been made to Executive to induce Executive to sign this Agreement and that Executive only has relied on promises

expressly stated herein. This Agreement sets forth the entire understanding between Executive and the Corporation and supersedes any prior agreements or understandings, express or implied, pertaining to the terms of Executive’s employment with the Corporation and the termination of the employment relationship. The provisions of this Agreement shall survive the Separation Date and the termination of Executive’s employment.

25. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the internal laws of the State of California, without regard to its conflict of laws provisions.

26. Waiver. No purported waiver of a breach or default will be valid unless specifically stated in writing by the waiving Party. No such waiver waives any subsequent breach or default of the same or any other term in this Agreement.

27. No Further Amendment. No amendment or modification of this Agreement will be binding unless executed in writing by the Parties or their permitted successors or assigns. No course of conduct or course of performance under this Agreement or any other agreement between the Parties will be deemed to amend or modify this Agreement.

28. Attorneys’ Fees. Executive acknowledges and agrees that Executive is solely responsible for paying any attorneys’ fees and costs that Executive has incurred in connection with this matter. The Parties also agree that execution of this Agreement does not make Executive the “substantially prevailing party” or “prevailing party” under any statute or regulation, and Executive agrees not to seek an award of attorneys’ fees or costs from the Corporation in any forum. However, should legal action be necessary to enforce or interpret this Agreement, the prevailing party shall be entitled to reasonable attorneys’ fees and costs.

29. Counterparts. This Agreement may be executed in any number of counterparts and by any electronic means, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same agreement.

PLEASE READ CAREFULLY. THIS AGREEMENT INCLUDES THE RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

The Parties have executed this Agreement, consisting of 11 pages, including this page, as of the dates indicated below.

Dated: ___________ [Dine Brands International, Inc. / Applebee’s Services, Inc. / International House Of Pancakes, LLC] the “Corporation”

By: __________________________

Its: __________________________

Dated: ___________

_______________ the “Executive”

____

Exhibit 21

SUBSIDIARIES OF DINE BRANDS GLOBAL, INC.
As of December 31, 2021

Name of Entity	State or Other Jurisdiction of Incorporation or Organization
Dine Brands Global, Inc.	DE
Dine Brands 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 Massachusetts, LLC	MA
Gourmet Systems of New York, Inc.	NY
Gourmet Systems of Tennessee, Inc.	TN
Gourmet Systems USA	KS

Gourmet Systems USA, LLC	KS
Neighborhood Insurance, Inc.	VT
Shanghai Applebee's Restaurant Management Co., Ltd.	Xuhui District, Puxi, China
Dine Brands 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:

- Registration Statement (Form S-8 No. 333-71768) pertaining to the IHOP Corp. 2001 Stock Incentive Plan of DineEquity, Inc.,
- Registration Statement (Form S-8 No. 333-151682) pertaining to the 2001 Stock Incentive Plan of DineEquity, Inc.,
- Registration Statement (Form S-8 No. 333-174847) pertaining to the 2011 Stock Incentive Plan of DineEquity, Inc.,
- Registration Statement (Form S-8 No. 333-211429) pertaining to the 2016 Stock Incentive Plan of Dine Brands Global, Inc., and
- Registration Statement (Form S-8 No. 333-231473) pertaining to the 2019 Stock Incentive Plan of Dine Brands Global, Inc.;

of our reports dated March 2, 2022, with respect to the consolidated financial statements of Dine Brands Global, 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 January 2, 2022.

/s/ Ernst & Young LLP

Los Angeles, California
March 2, 2022

Exhibit 31.1

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

I, John W. Peyton, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dine Brands Global, 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.

Dated: 2nd day of March, 2022

/s/ John W. Peyton
John W. Peyton
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, Vance Y. Chang, certify that:

1. I have reviewed this Annual Report on Form 10-K of Dine Brands Global, 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.

Dated: 2nd day of March, 2022

/s/ Vance Y. Chang
Vance Y. Chang
Chief Financial Officer
(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 Dine Brands Global, Inc. (the "Company") for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the 2nd day of March, 2022 (the "Report"), John W. Peyton, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(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.

Dated:	2nd day of March, 2022	/s/ John W. Peyton
		John W. Peyton *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. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent the Company expressly and specifically incorporates it by reference in such filing.

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 Dine Brands Global, Inc. (the "Company") for the year ended December 31, 2021, as filed with the Securities and Exchange Commission on the 2nd day of March, 2022 (the "Report"), Vance Y. Chang, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(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.

Dated: 2nd day of March, 2022

/s/ Vance Y. Chang
Vance Y. Chang
Chief Financial Officer
(Principal 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. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act except to the extent the Company expressly and specifically incorporates it by reference in such filing.