

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 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

(State or other jurisdiction of incorporation or organization)

**450 North Brand Boulevard,  
Glendale, CA**

(Address of principal executive offices)

95-3038279

(I.R.S. Employer Identification No.)

91203-1903

(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

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  No

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  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of July 29, 2021, the Registrant had 17,176,018 shares of Common Stock outstanding.

**Dine Brands Global, Inc. and Subsidiaries**  
**Index**

	<u>Page</u>
<b><u>PART I.</u></b>	
<b><u>FINANCIAL INFORMATION</u></b>	<b><u>3</u></b>
<b><u>Item 1—Financial Statements</u></b>	<b><u>3</u></b>
<b><u>Consolidated Balance Sheets - June 30, 2021 (unaudited) and December 31, 2020</u></b>	<b><u>3</u></b>
<b><u>Consolidated Statements of Comprehensive Income (unaudited) - Three and Six Months Ended June 30, 2021 and 2020</u></b>	<b><u>4</u></b>
<b><u>Consolidated Statements of Stockholders' Deficit (unaudited) - Three and Six Months Ended June 30, 2021 and 2020</u></b>	<b><u>5</u></b>
<b><u>Consolidated Statements of Cash Flows (unaudited) - Six Months Ended June 30, 2021 and 2020</u></b>	<b><u>7</u></b>
<b><u>Notes to Consolidated Financial Statements (unaudited)</u></b>	<b><u>8</u></b>
<b><u>Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations</u></b>	<b><u>27</u></b>
<b><u>Item 3—Quantitative and Qualitative Disclosures about Market Risk</u></b>	<b><u>47</u></b>
<b><u>Item 4—Controls and Procedures</u></b>	<b><u>47</u></b>
<b><u>PART II.</u></b>	
<b><u>OTHER INFORMATION</u></b>	<b><u>48</u></b>
<b><u>Item 1—Legal Proceedings</u></b>	<b><u>48</u></b>
<b><u>Item 1A—Risk Factors</u></b>	<b><u>48</u></b>
<b><u>Item 2—Unregistered Sales of Equity Securities and Use of Proceeds</u></b>	<b><u>48</u></b>
<b><u>Item 3—Defaults Upon Senior Securities</u></b>	<b><u>48</u></b>
<b><u>Item 4—Mine Safety Disclosures</u></b>	<b><u>48</u></b>
<b><u>Item 5—Other Information</u></b>	<b><u>48</u></b>
<b><u>Item 6—Exhibits</u></b>	<b><u>49</u></b>
<b><u>Signatures</u></b>	<b><u>50</u></b>

### **Cautionary Statement Regarding Forward-Looking Statements**

Statements contained in this Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q include, among other things: uncertainty regarding the duration and severity of the ongoing COVID-19 pandemic 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 report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 and in our other filings with the Securities and Exchange Commission, many of which are beyond our control.

### **Fiscal Quarter End**

The Company’s fiscal quarters end on the Sunday closest to the last day of each calendar quarter. For convenience, the fiscal quarters of each year are referred to as ending on March 31, June 30, September 30 and December 31. The first fiscal quarter of 2021 began on January 4, 2021 and ended on April 4, 2021; the second fiscal quarter of 2021 ended on July 4, 2021. The first fiscal quarter of 2020 began on December 30, 2019 and ended on March 29, 2020; the second fiscal quarter of 2020 ended on June 28, 2020.

**PART I. FINANCIAL INFORMATION**
**Item 1. Financial Statements.**

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

Assets	June 30, 2021 (Unaudited)	December 31, 2020
Current assets:		
Cash and cash equivalents	\$ 259,461	\$ 383,369
Receivables, net of allowance of \$10,095 (2021) and \$15,057 (2020)	99,308	121,897
Restricted cash	72,137	39,884
Prepaid gift card costs	21,716	29,080
Prepaid income taxes	397	6,178
Other current assets	8,134	6,098
Total current assets	461,153	586,506
Other intangible assets, net	544,587	549,671
Operating lease right-of-use assets	331,826	346,086
Goodwill	251,628	251,628
Property and equipment, net	178,571	187,977
Long-term receivables, net of allowance of \$5,503 (2021) and \$7,999 (2020)	47,839	54,512
Deferred rent receivable	53,017	56,449
Non-current restricted cash	16,400	32,800
Other non-current assets, net	10,902	9,316
Total assets	\$ 1,895,923	\$ 2,074,945
<b>Liabilities and Stockholders' Deficit</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 3,250	\$ 13,000
Accounts payable	40,126	37,424
Gift card liability	120,842	144,159
Current maturities of operating lease obligations	70,491	69,672
Current maturities of finance lease and financing obligations	10,954	11,293
Accrued employee compensation and benefits	22,785	21,237
Accrued advertising	52,707	21,641
Deferred franchise revenue, short-term	7,447	7,682
Other accrued expenses	16,253	22,460
Total current liabilities	344,855	348,568
Long-term debt	1,278,504	1,491,996
Operating lease obligations, less current maturities	325,278	345,163
Finance lease obligations, less current maturities	64,095	69,012
Financing obligations, less current maturities	32,393	32,797
Deferred income taxes, net	67,780	78,293
Deferred franchise revenue, long-term	47,794	52,237
Other non-current liabilities	17,975	11,530
Total liabilities	2,178,674	2,429,596
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$1 par value, 10,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, \$0.01 par value; shares: 40,000,000 authorized; June 30, 2021 - 25,011,253 issued, 17,177,950 outstanding; December 31, 2020 - 24,882,122 issued, 16,452,174 outstanding	250	249
Additional paid-in-capital	250,509	257,625
Accumulated deficit	(588)	(55,553)
Accumulated other comprehensive loss	(57)	(55)
Treasury stock, at cost; shares: June 30, 2021 - 7,833,303; December 31, 2020 - 8,429,948	(532,865)	(556,917)
Total stockholders' deficit	(282,751)	(354,651)
Total liabilities and stockholders' deficit	\$ 1,895,923	\$ 2,074,945

See the accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
<b>Revenues:</b>				
Franchise revenues:				
Royalties, franchise fees and other	\$ 94,630	\$ 38,781	\$ 174,721	\$ 122,095
Advertising revenues	72,324	29,095	133,209	90,818
Total franchise revenues	166,954	67,876	307,930	212,913
Company restaurant sales	38,194	16,774	74,143	48,074
Rental revenues	27,382	23,707	53,524	52,716
Financing revenues	1,089	1,355	2,221	2,893
Total revenues	233,619	109,712	437,818	316,596
<b>Cost of revenues:</b>				
Franchise expenses:				
Advertising expenses	72,324	29,095	133,209	90,818
Bad debt (credit) expense	(291)	5,053	(2,284)	5,571
Other franchise expenses	7,224	2,932	13,275	10,141
Total franchise expenses	79,257	37,080	144,200	106,530
Company restaurant expenses	34,759	21,139	67,643	51,471
Rental expenses:				
Interest expense from finance leases	893	1,137	1,855	2,347
Other rental expenses	19,718	20,106	39,714	41,429
Total rental expenses	20,611	21,243	41,569	43,776
Financing expenses	115	128	243	270
Total cost of revenues	134,742	79,590	253,655	202,047
<b>Gross profit</b>	98,877	30,122	184,163	114,549
General and administrative expenses	39,276	30,870	79,187	68,478
Interest expense, net	15,739	17,127	32,235	32,299
Impairment and closure charges	2,571	124,365	4,581	124,353
Amortization of intangible assets	2,663	2,755	5,351	5,581
(Gain) loss on disposition of assets	(30)	1,776	137	1,543
Income before income taxes	38,658	(146,771)	62,672	(117,705)
Income tax (provision) benefit	(9,296)	11,992	(7,707)	5,254
<b>Net income (loss)</b>	29,362	(134,779)	54,965	(112,451)
<b>Other comprehensive income net of tax:</b>				
Foreign currency translation adjustment	(1)	—	(2)	—
<b>Total comprehensive income (loss)</b>	\$ 29,361	\$ (134,779)	\$ 54,963	\$ (112,451)
<b>Net income (loss) available to common stockholders:</b>				
Net income (loss)	\$ 29,362	\$ (134,779)	\$ 54,965	\$ (112,451)
Less: Net income allocated to unvested participating restricted stock	(657)	—	(1,431)	(420)
<b>Net income (loss) available to common stockholders</b>	\$ 28,705	\$ (134,779)	\$ 53,534	\$ (112,871)
<b>Net income (loss) available to common stockholders per share:</b>				
Basic	\$ 1.70	\$ (8.33)	\$ 3.21	\$ (6.96)
Diluted	\$ 1.69	\$ (8.33)	\$ 3.19	\$ (6.96)
<b>Weighted average shares outstanding:</b>				
Basic	16,886	16,177	16,673	16,215
Diluted	16,977	16,177	16,802	16,215

See the accompanying Notes to Consolidated Financial Statements.

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

**Three Months ended June 30, 2021**

	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Shares	Cost	Total
<b>Balance at March 31, 2021</b>	17,142	\$ 250	\$ 247,498	\$ (29,950)	\$ (56)	7,891	\$ (535,144)	\$ (317,402)
Net income	—	—	—	29,362	—	—	—	29,362
Other comprehensive loss	—	—	—	—	(1)	—	—	(1)
Reissuance of treasury stock	58	—	748	—	—	(58)	2,279	3,027
Net issuance of shares for stock plans	(20)	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(2)	—	(183)	—	—	—	—	(183)
Stock-based compensation	—	—	2,518	—	—	—	—	2,518
Tax payments for share settlement of restricted stock units	—	—	(72)	—	—	—	—	(72)
<b>Balance at June 30, 2021</b>	<u>17,178</u>	<u>\$ 250</u>	<u>\$ 250,509</u>	<u>\$ (588)</u>	<u>\$ (57)</u>	<u>7,833</u>	<u>\$ (532,865)</u>	<u>\$ (282,751)</u>

**Six Months ended June 30, 2021**

	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss	Shares	Cost	Total
<b>Balance at December 31, 2020</b>	16,452	\$ 249	\$ 257,625	\$ (55,553)	\$ (55)	8,430	\$ (556,917)	\$ (354,651)
Net income	—	—	—	54,965	—	—	—	54,965
Other comprehensive loss	—	—	—	—	(2)	—	—	(2)
Reissuance of treasury stock	597	1	(1,542)	—	—	(597)	24,052	22,511
Net issuance of shares for stock plans	146	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(17)	—	(1,403)	—	—	—	—	(1,403)
Stock-based compensation	—	—	5,612	—	—	—	—	5,612
Tax payments for share settlement of restricted stock units	—	—	(9,783)	—	—	—	—	(9,783)
<b>Balance at June 30, 2021</b>	<u>17,178</u>	<u>\$ 250</u>	<u>\$ 250,509</u>	<u>\$ (588)</u>	<u>\$ (57)</u>	<u>7,833</u>	<u>\$ (532,865)</u>	<u>\$ (282,751)</u>

See the accompanying Notes to Consolidated Financial Statements.

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

	Three Months ended June 30, 2020							
	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Shares	Cost	Total
<b>Balance at March 31, 2020</b>	16,421	\$ 249	\$ 252,443	\$ 70,769	\$ (58)	8,496	\$ (559,780)	\$ (236,377)
Net loss	—	—	—	(134,779)	—	—	—	(134,779)
Reissuance of treasury stock	14	—	(600)	—	—	(13)	599	(1)
Net issuance of shares for stock plans	(14)	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(3)	—	(129)	—	—	—	—	(129)
Stock-based compensation	—	—	2,632	—	—	—	—	2,632
Dividends on common stock	—	—	261	—	—	—	—	261
Tax payments for share settlement of restricted stock units	—	—	(178)	—	—	—	—	(178)
<b>Balance at June 30, 2020</b>	<u>16,418</u>	<u>\$ 249</u>	<u>\$ 254,429</u>	<u>\$ (64,010)</u>	<u>\$ (58)</u>	<u>8,483</u>	<u>\$ (559,181)</u>	<u>\$ (368,571)</u>

	Six Months ended June 30, 2020							
	Common Stock					Treasury Stock		
	Shares Outstanding	Amount	Additional Paid-in Capital	(Accumulated Deficit) Retained Earnings	Accumulated Other Comprehensive Loss	Shares	Cost	Total
<b>Balance at December 31, 2019</b>	16,522	\$ 249	\$ 246,192	\$ 61,653	\$ (58)	8,404	\$ (549,810)	\$ (241,774)
Adoption of credit loss accounting guidance (Note 3)	—	—	—	(497)	—	—	—	(497)
Net loss	—	—	—	(112,451)	—	—	—	(112,451)
Purchase of Company common stock	(460)	—	—	—	—	460	(26,527)	(26,527)
Reissuance of treasury stock	381	—	3,367	—	—	(381)	17,156	20,523
Net issuance of shares for stock plans	4	—	—	—	—	—	—	—
Repurchase of restricted shares for taxes	(29)	—	(2,129)	—	—	—	—	(2,129)
Stock-based compensation	—	—	6,670	—	—	—	—	6,670
Dividends on common stock	—	—	507	(12,715)	—	—	—	(12,208)
Tax payments for share settlement of restricted stock units	—	—	(178)	—	—	—	—	(178)
<b>Balance at June 30, 2020</b>	<u>16,418</u>	<u>\$ 249</u>	<u>\$ 254,429</u>	<u>\$ (64,010)</u>	<u>\$ (58)</u>	<u>8,483</u>	<u>\$ (559,181)</u>	<u>\$ (368,571)</u>

See the accompanying Notes to Consolidated Financial Statements.

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

	Six Months Ended	
	June 30,	
	2021	2020
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 54,965	\$ (112,451)
Adjustments to reconcile net income (loss) to cash flows provided by (used in) operating activities:		
Non-cash impairment and closure charges	4,514	124,343
Depreciation and amortization	19,976	21,345
Non-cash stock-based compensation expense	5,612	6,670
Non-cash interest expense	1,427	1,318
Deferred income taxes	(10,007)	(10,793)
Deferred revenue	(4,678)	(4,840)
Loss on disposition of assets	137	1,543
Other	(3,608)	(252)
Changes in operating assets and liabilities:		
Accounts receivable, net	4,928	(31,039)
Current income tax receivables and payables	5,315	(5,456)
Gift card receivables and payables	(3,837)	2,293
Other current assets	(2,036)	(2,503)
Accounts payable	6,195	(903)
Accrued employee compensation and benefits	1,466	(13,336)
Accrued advertising	31,066	13,012
Other current liabilities	(5,419)	532
Cash flows provided by (used in) operating activities	<u>106,016</u>	<u>(10,517)</u>
<b>Cash flows from investing activities:</b>		
Principal receipts from notes, equipment contracts and other long-term receivables	9,703	10,772
Net additions to property and equipment	(4,064)	(7,380)
Proceeds from sale of property and equipment	946	456
Additions to long-term receivables	—	(1,475)
Other	(237)	(276)
Cash flows provided by investing activities	<u>6,348</u>	<u>2,097</u>
<b>Cash flows from financing activities:</b>		
Repayment of long-term debt	(6,500)	—
Borrowing from revolving credit facility	—	220,000
Repayment of revolving credit facility	(220,000)	—
Dividends paid on common stock	—	(23,934)
Repurchase of common stock	—	(29,853)
Principal payments on finance lease obligations	(5,244)	(5,993)
Proceeds from stock options exercised	22,511	20,523
Repurchase of restricted stock for tax payments upon vesting	(1,403)	(2,129)
Tax payments for share settlement of restricted stock units	(9,783)	(178)
Cash flows (used in) provided by financing activities	<u>(220,419)</u>	<u>178,436</u>
Net change in cash, cash equivalents and restricted cash	(108,055)	170,016
Cash, cash equivalents and restricted cash at beginning of period	456,053	172,475
Cash, cash equivalents and restricted cash at end of period	<u>\$ 347,998</u>	<u>\$ 342,491</u>
<b>Supplemental disclosures:</b>		
Interest paid in cash	\$ 33,405	\$ 34,108
Income taxes paid in cash	\$ 13,341	\$ 11,103
Non-cash conversion of accounts receivable to notes receivable	\$ 1,640	\$ —

See the accompanying Notes to Consolidated Financial Statements.



**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**1. General**

The accompanying unaudited consolidated financial statements of Dine Brands Global, Inc. (the “Company” or “Dine Brands Global”) have been prepared in accordance with United States generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The operating results for the six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the twelve months ending December 31, 2021.

The consolidated balance sheet at December 31, 2020 has been derived from the audited consolidated financial statements at that date but does not include all of information and footnotes required by U.S. GAAP for complete financial statements.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

**2. Basis of Presentation**

The Company’s fiscal quarters end on the Sunday closest to the last day of each calendar quarter. For convenience, the fiscal quarters of each year are referred to as ending on March 31, June 30, September 30 and December 31. The first fiscal quarter of 2021 began on January 4, 2021 and ended on April 4, 2021; the second fiscal quarter of 2021 ended on July 4, 2021. The first fiscal quarter of 2020 began on December 30, 2019 and ended on March 29, 2020; the second fiscal quarter of 2020 ended on June 28, 2020.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries that are consolidated in accordance with U.S. GAAP. All intercompany balances and transactions have been eliminated.

The preparation of financial statements in conformity with U.S. GAAP requires the Company’s management to make assumptions and estimates 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 may include the calculation and assessment of the following: impairment of goodwill, other intangible assets and tangible assets; income taxes; allowance for credit losses on 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 was subject to risks and uncertainties as a result of the continuing outbreak of a novel strain of coronavirus, designated “COVID-19.” The extent of the continued impact of the COVID-19 pandemic on the Company’s business is highly uncertain and difficult to predict, as measures taken in response to and the effect of the pandemic have varied and continue to vary by state and municipalities within states. Assessments of the success of measures taken and the timing of any further restrictions, or lifting of such restrictions, continues to evolve. The Company first began to experience impacts from COVID-19 in March 2020, as federal, state, local and international governments began to react to the public health crisis by encouraging “social distancing” 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. Subsequently, government-imposed dine-in restrictions have been relaxed in many of the locations in which the Company operates as incidents of infection decline within the respective governmental jurisdictions. As of June 30, 2021, 98% of domestic Applebee’s and IHOP restaurants were operating at 100% capacity and 99% of domestic Applebee’s and IHOP restaurants were open.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

## **2. Basis of Presentation (Continued)**

The Company took several actions to mitigate the effects of the COVID-19 pandemic on its operations and its franchisees, as follows: (i) drew down \$220 million from its revolving credit facility in March 2020 and repaid the borrowing in March 2021; (ii) suspended repurchases of common stock and the declaration of dividends on common stock after the first quarter of 2020.; (iii) deferred franchisee payment of royalty, advertising and other fees, and lease obligations for up to two months on a case-by-case basis, with 98% of Applebee's and 87% of IHOP deferrals collected as of June 30, 2021; (iv) deferred franchisee remodel and development obligations for up to 15 months; and (v) negotiated deferrals and abatements for properties on which the Company was lessee.

The severity of the continued impact of the COVID-19 pandemic on the Company's business will depend on a number of factors, including, but not limited to, how long the pandemic will last, whether/when recurrences of the virus and variants of the virus may arise, the availability and acceptance of vaccines, what restrictions on in-restaurant dining may be imposed or re-imposed, 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. The Company's future results of operations and liquidity could adversely be impacted by the length of time dine-in restrictions remain in place and the success of any initiatives or programs that the Company may undertake to address financial and operational challenges faced by itself and its franchisees. 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 is highly uncertain.

## **3. Accounting Standards Adopted and Newly Issued Accounting Standards Not Yet Adopted**

### ***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.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

#### 4. Revenue Disclosures

Franchise revenue and revenue from company-operated restaurants are recognized in accordance with current guidance for revenue recognition as codified in Accounting Standards Topic 606 (“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.

##### *Franchising Activities*

The Company owns, franchises and operates the Applebee's Neighborhood Grill & Bar<sup>®</sup> (“Applebee's”) concept in the casual dining category of the restaurant industry and the Company owns and franchises the International House of Pancakes<sup>®</sup> (“IHOP”) concept in the family dining category of the restaurant industry. 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 brands 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 respective 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. All domestic IHOP franchise agreements require franchisees to purchase proprietary pancake and waffle dry mix from the Company.

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

- Franchise and development fees are recognized as revenue 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 revenue are recognized when the franchisee's reported sales occur. Depending on timing within a fiscal period, the recognition of revenue results in either what is considered a contract asset (unbilled receivable) or once billed, accounts receivable, and are included in “receivables, net” in the Consolidated Balance Sheets.
- Revenue from the sale 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 an accounts receivable included in “receivables, net” in the Consolidated Balance Sheets.

In determining the amount and timing of revenue from contracts with customers, the Company exercises significant judgment with respect to collectability of the amount; however, the timing of recognition does not require significant judgments as it is based on either the term of the franchise agreement, the month of reported sales 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 franchising activities. The Company's franchising arrangements do not contain a significant financing component.

##### *Company Restaurant Revenue*

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.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**4. Revenue Disclosures (Continued)**

The following table disaggregates franchise revenue by major type for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
	(In thousands)			
Franchise Revenue:				
Royalties	\$ 78,124	\$ 31,011	\$ 142,401	\$ 98,611
Advertising fees	72,324	29,095	133,209	90,818
Pancake and waffle dry mix sales and other	13,525	4,037	24,415	16,885
Franchise and development fees	2,981	3,733	7,905	6,599
<b>Total franchise revenue</b>	<b>\$ 166,954</b>	<b>\$ 67,876</b>	<b>\$ 307,930</b>	<b>\$ 212,913</b>

Accounts and other receivables from franchisees as of June 30, 2021 and December 31, 2020 were \$69.4 million (net of allowance of \$6.0 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 contract liability for deferred franchise and development fees during the six months ended June 30, 2021 are as follows:

	Deferred Franchise Revenue (short- and long-term)
	(In thousands)
Balance at December 31, 2020	\$ 59,919
Recognized as revenue during the six months ended June 30, 2021	(7,433)
Fees deferred during the six months ended June 30, 2021	2,755
Balance at June 30, 2021	<u>\$ 55,241</u>

The balance of deferred revenue as of June 30, 2021 is expected to be recognized as follows:

	(In thousands)
Remainder of 2021	\$ 3,743
2022	7,278
2023	6,644
2024	6,051
2025	5,274
Thereafter	26,251
<b>Total</b>	<u>\$ 55,241</u>

**5. 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. The Company records 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 Company's CECL methodology that assesses four components - historical losses, current conditions, reasonable and supportable forecasts, and a reversion to history, if applicable.

**5. Current Expected Credit Losses (Continued)**

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 and IHOP franchise fee and other notes. The notes are typically collateralized by the franchise. A significant portion of these notes have specific reserves recorded against them amounting to \$9.2 million as of June 30, 2021.

Equipment Leases Receivable

Equipment leases receivable relate to IHOP franchise development activity prior to 2003 when IHOP typically leased or purchased the restaurant site, built and equipped the restaurant, then franchised the restaurant to a franchisee. Equipment lease contracts are collateralized by the equipment in the restaurant. 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. The weighted average remaining life of the Company's equipment leases is 5.1 years as of June 30, 2021.

Direct Financing Leases Receivable

Direct financing lease receivables also relate to IHOP franchise development activity prior to 2003. IHOP provided the financing for leasing or subleasing the site. Direct financing leases at June 30, 2021, comprised 81 leases with a weighted average remaining life of 4.4 years, and relate to locations that IHOP is leasing from third parties and subleasing to franchisees.

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.

	June 30, 2021	December 31, 2020
	(In millions)	
Accounts receivable	\$ 72.8	\$ 85.7
Gift card receivables	6.9	22.5
Notes receivable	20.1	18.6
Financing receivables:		
Equipment leases receivable	37.5	43.9
Direct financing leases receivable	18.9	22.7
Franchise fee notes receivable	0.1	0.1
Other	6.4	6.0
	<u>162.7</u>	<u>199.5</u>
Less: allowance for credit losses	(15.6)	(23.1)
	<u>147.1</u>	<u>176.4</u>
Less: current portion	(99.3)	(121.9)
Long-term receivables	<u>\$ 47.8</u>	<u>\$ 54.5</u>

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**5. Current Expected Credit Losses (Continued)**

Changes in the allowance for credit losses during the six months ended June 30, 2021 were as follows:

	Accounts Receivable	Notes receivable, short- term	Notes receivable, long- term	Lease Receivables	Equipment Notes	Other <sup>(1)</sup>	Total
	(In millions)						
Balance, December 31, 2020	\$ 11.2	\$ 3.6	\$ 5.3	\$ 0.4	\$ 2.3	\$ 0.3	\$ 23.1
Bad debt (credit) expense for the six months ended June 30, 2021	(2.2)	0.4	(0.1)	0.1	(0.4)	(0.1)	(2.3)
Advertising provision adjustment	(2.9)	0.0	—	—	—	—	(2.9)
Write-offs	(0.2)	—	—	(0.5)	(1.7)	—	(2.4)
Other	—	—	—	0.1	0.0	—	0.1
Balance, June 30, 2021	\$ 5.9	\$ 4.0	\$ 5.2	\$ 0.1	\$ 0.2	\$ 0.2	\$ 15.6

<sup>(1)</sup> Primarily distributor receivables, gift card receivables and credit card receivables

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 June 30, 2021 was as follows:

	Notes receivable, short-term	Notes receivable, long-term	Lease Receivables	Equipment Notes	Other <sup>(1)</sup>	Total
	(In millions)					
Current	\$ 5.3	\$ 12.0	\$ 18.9	\$ 37.5	\$ 1.8	\$ 75.5
30-59 days	0.2	—	—	—	—	0.2
60-89 days	0.1	—	—	—	—	0.1
90-119 days	0.1	—	—	—	—	0.1
120+ days	2.5	—	—	—	—	2.5
Total	\$ 8.2	\$ 12.0	\$ 18.9	\$ 37.5	\$ 1.8	\$ 78.4

<sup>(1)</sup> 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 Notes	Total
	(In millions)			
2021	\$ 2.3	\$ 1.0	\$ —	\$ 3.3
2020	0.8	1.5	—	2.3
2019	2.5	0.8	—	3.3
2018	8.0	—	—	8.0
2017	6.4	—	—	6.4
Prior	0.1	15.6	37.5	53.2
Total	\$ 20.1	\$ 18.9	\$ 37.5	\$ 76.5

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

**6. Lease Disclosures**

The Company engages in leasing activity as both a lessee and a lessor. 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 approximately 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 Kansas City, Missouri and Raleigh, North Carolina. The Company does not have a significant amount of non-real estate leases.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**6. Lease Disclosures (Continued)**

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. Approximately 275 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 during the six months ended June 30, 2021. Approximately 40 of the leases met the sales levels that required variable rent payments by the Company (as lessee), based on a percentage of restaurant sales during the six months ended June 30, 2021.

The Company's lease cost for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In millions)			
Finance lease cost:				
Amortization of right-of-use assets	\$ 1.1	\$ 1.3	\$ 2.3	\$ 2.5
Interest on lease liabilities	1.4	1.6	2.8	3.4
Operating lease cost	24.7	26.6	49.8	53.1
Variable lease cost	0.5	(0.1)	0.8	0.3
Short-term lease cost	0.0	0.0	0.0	0.0
Sublease income	(24.9)	(21.5)	(49.1)	(48.1)
Lease cost	<u>\$ 2.8</u>	<u>\$ 7.9</u>	<u>\$ 6.6</u>	<u>\$ 11.2</u>

Future minimum lease payments under noncancelable leases as lessee as of June 30, 2021 were as follows:

	Finance Leases	Operating Leases
	(In millions)	
2021 (remaining six months)	\$ 7.7	\$ 46.0
2022	14.4	87.9
2023	11.6	72.4
2024	9.7	67.2
2025	8.6	58.6
Thereafter	51.0	150.4
Total minimum lease payments	<u>103.0</u>	<u>482.5</u>
Less: interest/imputed interest	(28.7)	(86.7)
Total obligations	<u>74.3</u>	<u>395.8</u>
Less: current portion	(10.2)	(70.5)
Long-term lease obligations	<u>\$ 64.1</u>	<u>\$ 325.3</u>

The weighted average remaining lease term as of June 30, 2021 was 9.4 years for finance leases and 7.0 years for operating leases. The weighted average discount rate as of June 30, 2021 was 10.2% for finance leases and 5.6% for operating leases.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**6. Lease Disclosures (Continued)**

During the three and six months ended June 30, 2021 and 2020, the Company made the following cash payments for leases:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In millions)			
Principal payments on finance lease obligations	\$ 2.6	\$ 3.0	\$ 5.2	\$ 6.0
Interest payments on finance lease obligations	\$ 1.4	\$ 1.6	\$ 2.8	\$ 3.4
Payments on operating leases	\$ 22.8	\$ 23.0	\$ 45.8	\$ 46.5
Variable lease payments	\$ 0.3	\$ 0.2	\$ 0.6	\$ 0.5

The Company's income from operating leases for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In millions)			
Minimum lease payments	\$ 23.9	\$ 22.5	\$ 47.7	\$ 47.9
Variable lease income	2.8	0.4	4.4	2.8
Total operating lease income	\$ 26.7	\$ 22.9	\$ 52.1	\$ 50.7

Minimum payments to be received as lessor under noncancelable operating leases as of June 30, 2021 were as follows:

	(In millions)
2021 (remaining six months)	\$ 50.2
2022	100.0
2023	96.4
2024	87.7
2025	76.2
Thereafter	178.9
Total minimum rents receivable	\$ 589.4

The Company's income from direct financing leases for the three and six months ended June 30, 2021 and 2020 was as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In millions)			
Interest income	\$ 0.5	\$ 0.8	\$ 1.1	\$ 1.8
Variable lease income	0.2	0.0	0.3	0.2
Total operating lease income	\$ 0.7	\$ 0.8	\$ 1.4	\$ 2.0



**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**6. Lease Disclosures (Continued)**

Minimum payments to be received as lessor under noncancelable direct financing leases as of June 30, 2021 were as follows:

	(In millions)
2021 (remaining six months)	\$ 4.8
2022	7.6
2023	3.7
2024	1.6
2025	0.8
Thereafter	4.0
Total minimum rents receivable	22.5
Less: unearned income	(3.6)
Total net investment in direct financing leases	18.9
Less: current portion	(7.5)
Long-term investment in direct financing leases	\$ 11.4

**7. Long-Term Debt**

At June 30, 2021 and December 31, 2020, long-term debt consisted of the following:

	June 30, 2021	December 31, 2020
	(In millions)	
Series 2019-1 4.194% Fixed Rate Senior Secured Notes, Class A-2-I	\$ 694.8	\$ 698.3
Series 2019-1 4.723% Fixed Rate Senior Secured Notes, Class A-2-II	595.5	598.5
Series 2019-1 Variable Funding Senior Notes Class A-1, variable interest rate of 2.42% at December 31, 2020	—	220.0
Debt issuance costs	(8.5)	(11.8)
Long-term debt, net of debt issuance costs	1,281.8	1,505.0
Current portion of long-term debt	(3.3)	(13.0)
Long-term debt	\$ 1,278.5	\$ 1,492.0

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 entered into a revolving financing facility, the 2019-1 Variable Funding Senior Notes, Class A-1 (the "Credit Facility"), that allows for drawings up to \$225 million of variable funding notes and the issuance of letters of credit. 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 the domestic revenue-generating assets and domestic intellectual property 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.

The New Notes were issued under a Base Indenture, dated as of September 30, 2014, and 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.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**7. Long-Term Debt (Continued)****2019 Class A-2 Notes**

The legal final maturity of the 2019 Class A-2 Notes is June 2049, but rapid amortization will apply if the Class A-2-I Notes are not repaid by June 2024 (the "Class A-2-I Anticipated Repayment Date") and for the Class A-2-II Notes if not repaid by 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 Series 2019-1 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 Series 2019-1 Class A-2-I Notes and 2.64% for the Series 2019-1 Class A-2-II Notes.

While the 2019 Class A-2 Notes are outstanding, payment of principal and interest is required to be made on the 2019 Class A-2 Notes on a quarterly basis. The quarterly principal payment of \$3.25 million 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. In general, the leverage ratio is the Company's indebtedness (as defined in the Indenture) divided by adjusted EBITDA (as defined in the Indenture) for the four preceding quarterly periods. The complete definitions of all calculation elements of the leverage ratio are contained in the Indenture.

As of June 30, 2021, the Company's leverage ratio was 4.94x. As a result, quarterly principal payments on the 2019 Class A-2 Notes of \$3.25 million will no longer to be required after a payment is made on September 7, 2021.

The Company may voluntarily repay the 2019 Class A-2 Notes at any time; however, if the 2019 Class A-2 Notes are repaid prior to certain dates, the Company would be required to pay make-whole premiums. As of June 30, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-I Notes was approximately \$22 million; this amount declines progressively each quarter to zero in June 2022. As of June 30, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-II Notes was approximately \$57 million; this amount declines progressively 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 June 30, 2021, based on the probability-weighted discounted cash flows associated with either event.

**2019 Class A-1 Notes**

The Co-Issuers 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 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 revolving financing facility. Undrawn face amounts of outstanding letters of credit that are not cash collateralized accrue a fee of 2.15% per annum.

In March 2020, the Company borrowed \$220.0 million against the Credit Facility. The maximum amount of borrowings from the Credit Facility outstanding during the six months ended June 30, 2021 was \$220.0 million. The \$220.0 million was repaid on March 5, 2021 and there have been no new borrowings since that date. As of June 30, 2021, there were no outstanding borrowings under the Credit Facility. The 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 six months ended June 30, 2021 was 2.4%.

At June 30, 2021, \$3.3 million was pledged against the Credit Facility for outstanding letters of credit, leaving \$221.7 million available for borrowing. The letters of credit are used primarily to satisfy insurance-related collateral requirements.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

## 7. Long-Term Debt (Continued)

### 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 (as defined in the Indenture) 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 June 30, 2021 was approximately 4.6x.

### Debt Issuance Costs

Amortization of costs incurred in connection with the issuance of the 2019 Class A-2 Notes of \$0.6 million and \$0.5 million were included in interest expense for the three months ended June 30, 2021 and 2020, respectively. Amortization of costs incurred in connection with the issuance of the 2019 Class A-2 Notes of \$1.1 million and \$1.0 million were included in interest expense for the six months ended June 30, 2021 and 2020, respectively. Amortization costs incurred in connection with the Company's Credit Facility and prior credit facility of \$0.1 million and \$0.1 million were included in interest expense for the three months ended June 30, 2021 and 2020, respectively. Amortization costs incurred in connection with the Company's Credit Facility and prior credit facility of \$0.3 million and \$0.3 million were included in interest expense for the six months ended June 30, 2021 and 2020, respectively.

At June 30, 2021, total unamortized debt issuance costs of \$8.5 million are reported as a direct reduction of the 2019 Class A-2 Notes in the Consolidated Balance Sheets. At June 30, 2021, total unamortized debt issuance costs of \$1.8 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.

### 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 in 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.

## 8. Stockholders' Deficit

### *Dividends*

Dividends declared and paid per share for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Dividends declared per common share	\$ —	\$ —	\$ —	\$ 0.3
Dividends paid per common share	\$ —	\$ 0.76	\$ —	\$ 1.4

### *Stock Repurchase Program*

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.

The Company did not repurchase any shares during three and six months ended June 30, 2021. The Company did not repurchase any shares during the three months ended June 30, 2020 and repurchased 459,899 shares during the six months ended June 30, 2020. As of June 30, 2021, cumulative repurchases of stock total 1,697,597 shares at a cost of \$129.8 million, with a dollar value of \$70.2 million remaining for repurchase under the 2019 Repurchase Program.

### *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 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 ("FIFO") method. During the six months ended June 30, 2021, the Company re-issued 596,645 shares of treasury stock at a total FIFO cost of \$24.1 million.

## 9. Income Taxes

The Company's effective tax rate was 12.3% (a tax provision of \$7.7 million on pretax book income of \$62.7 million) for the six months ended June 30, 2021, as compared to 4.5% for the six months ended June 30, 2020 (a tax benefit of \$5.3 million on pretax book loss of \$117.7 million). The effective tax rate for the six months ended June 30, 2021 was lower than the statutory federal tax rate of 21% primarily due to the recognition of excess tax benefits on stock-based compensation in the first quarter of 2021. In addition, the effective tax rate for the six months ended June 30, 2021 was different than the prior comparable period due to the impairment of goodwill in the second quarter of 2020, which was not deductible for income tax purposes and therefore had no associated tax benefit.

The total gross unrecognized tax benefit as of June 30, 2021 and December 31, 2020 was \$1.9 million and \$2.2 million, respectively, excluding interest, penalties and related tax benefits. The Company estimates the unrecognized tax benefit as of June 30, 2021 may decrease over the upcoming 12 months by an amount up to \$0.2 million related to settlements with taxing authorities and expiring statutes of limitations. 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.

As of June 30, 2021, 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, accrued interest was \$0.9 million and accrued penalties were less than \$0.1 million, excluding any related income tax benefits. The Company recognizes interest accrued related to unrecognized tax benefits and penalties as a component of its income tax provision recognized in its Consolidated Statements of Comprehensive Income.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**9. Income Taxes (Continued)**

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 provided related to all matters contained in the tax periods open to examination.

On March 11, 2021, the American Rescue Plan Act of 2021 (“ARP Act”) was enacted in response to the COVID-19 pandemic. The Company is continuing to evaluate the impact of the ARP Act, but at present, does not expect the ARP Act would result in a material impact to our income tax benefit or provision.

**10. Stock-Based Compensation**

The following table summarizes the components of stock-based compensation expense included in general and administrative expenses in the Consolidated Statements of Comprehensive Income:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In millions)			
Total stock-based compensation expense:				
Equity classified awards expense	\$ 2.5	\$ 2.6	\$ 5.6	\$ 6.7
Liability classified awards expense (credit)	0.5	0.1	2.0	(0.5)
Total pre-tax stock-based compensation expense	3.0	2.7	7.6	6.2
Book income tax benefit	(0.8)	(0.7)	(1.9)	(1.6)
Total stock-based compensation expense, net of tax	\$ 2.2	\$ 2.0	\$ 5.7	\$ 4.6

As of June 30, 2021, total unrecognized compensation expense of \$20.9 million related to restricted stock and restricted stock units and \$3.9 million related to stock options are expected to be recognized over a weighted average period of 1.5 years for restricted stock and restricted stock units and 1.8 years for stock options.

**Fair Value Assumptions**

The Company granted 95,891 stock options during the six months ended June 30, 2021 for which the fair value was estimated using a Black-Scholes option pricing model. The following summarizes the weighted average assumptions used in the Black-Scholes model:

Risk-free interest rate	0.5 %
Historical volatility	67.7 %
Dividend yield	— %
Expected years until exercise	4.5
Fair value of options granted	\$40.25

**Equity Classified Awards - Stock Options**

Stock option balances at June 30, 2021, and activity for the six months ended June 30, 2021 were as follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value (in Millions)
Outstanding at December 31, 2020	1,014,670	\$ 64.16		
Granted	95,891	75.28		
Exercised	(474,686)	47.96		
Expired	(24,540)	98.26		
Forfeited	(56,582)	88.34		
Outstanding at June 30, 2021	554,753	75.97	6.4	\$ 8.3
Vested at June 30, 2021 and Expected to Vest	533,000	75.81	6.3	\$ 8.1
Exercisable at June 30, 2021	372,922	\$ 72.86	5.1	\$ 6.9

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**10. Stock-Based Compensation (Continued)**

The aggregate intrinsic value in the table above represents the total pre-tax intrinsic value (the difference between the closing stock price of the Company's common stock on the last trading day of the second quarter of 2021 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2021. The aggregate intrinsic value will change based on the fair market value of the Company's common stock and the number of in-the-money options.

**Equity Classified Awards - Restricted Stock and Restricted Stock Units**

Outstanding balances as of June 30, 2021, and activity related to restricted stock and restricted stock units for the six months ended June 30, 2021 were as follows:

	Restricted Stock	Weighted Average Grant Date Fair Value	Stock-Settled Restricted Stock Units	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2020	254,331	\$ 76.50	355,570	\$ 28.01
Granted	127,041	83.73	68,578	62.92
Released	(46,223)	67.14	(314,713)	22.84
Forfeited	(40,105)	83.34	—	—
Outstanding at June 30, 2021	<u>295,044</u>	<u>\$ 80.15</u>	<u>109,435</u>	<u>\$ 64.76</u>

**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, 2020	52,956
Released	(38,916)
Forfeited	(740)
Outstanding at June 30, 2021	<u>13,300</u>

For the three months ended June 30, 2021 and 2020, an expense of \$0.1 million and \$0.4 million, respectively, was included as stock-based compensation expense related to cash-settled restricted stock units. For the six months ended June 30, 2021 and 2020, an expense of \$1.5 million and a credit of \$0.9 million, respectively, was included as stock-based compensation expense related to cash-settled restricted stock units. At June 30, 2021 and December 31, 2020, liabilities of \$0.8 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 ("LTIP awards") to certain employees. Annual LTIP awards vest over a three-year period and are determined using multipliers from 0% to 200% of the target award based on the total stockholder return of Dine Brands Global common stock compared to the total stockholder returns of a peer group of companies. The awards are considered stock-based compensation and are classified as liabilities measured at fair value as of the respective period end. For the three months ended June 30, 2021 and 2020, an expense of \$0.3 million and a credit of \$0.3 million, respectively, were included in total stock-based compensation expense related to LTIP awards. For the six months ended June 30, 2021 and 2020, \$0.5 million and \$0.4 million, respectively, were included in total stock-based compensation expense related to LTIP awards. At June 30, 2021 and December 31, 2020, liabilities of \$1.2 million and \$2.1 million, respectively, related to LTIP awards were included as part of accrued employee compensation and benefits in the Consolidated Balance Sheets.

**11. Segments**

The Company identifies its reporting segments based on the organizational units used by management to monitor performance and make operating decisions. The Company currently has five operating segments: Applebee's franchise operations, Applebee's company-operated restaurant operations, IHOP franchise operations, rental operations and financing

**Dine Brand Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**11. Segments (Continued)**

operations. The Company has four reportable segments: franchise operations, (an aggregation of Applebee's and IHOP franchise operations), company-operated restaurant operations, rental operations and financing 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.

As of June 30, 2021, the franchise operations segment consisted of (i) 1,627 restaurants operated by Applebee's franchisees in the United States, two U.S. territories and 11 countries outside the United States and (ii) 1,744 restaurants operated by IHOP franchisees and area licensees in the United States, two U.S. territories and seven countries outside the United States. Franchise operations revenue consists primarily of franchise royalty revenues, franchise advertising revenue, sales of proprietary products to franchisees (primarily pancake and waffle dry mixes for the IHOP restaurants), and franchise fees. Franchise operations expenses include advertising expenses, the cost of IHOP proprietary products, bad debt expense, franchisor contributions to marketing funds, pre-opening training expenses and other franchise-related costs.

Company restaurant sales are retail sales at 69 Applebee's company-operated restaurants. Company restaurant expenses are operating expenses at company-operated restaurants and include food, labor, utilities, rent and other restaurant operating costs. 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 from finance leases on which the Company is the lessee. Financing revenues primarily consist of interest income from the financing of IHOP equipment leases and franchise fees and interest income on Applebee's notes receivable from franchisees. Financing expenses are the cost of taxes related to IHOP equipment leases.

Information on segments is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(In millions)			
<b>Revenues from external customers:</b>				
Franchise operations	\$ 166.9	\$ 67.8	\$ 307.9	\$ 212.9
Rental operations	27.4	23.7	53.5	52.7
Company restaurants	38.2	16.8	74.2	48.1
Financing operations	1.1	1.4	2.2	2.9
Total	\$ 233.6	\$ 109.7	\$ 437.8	\$ 316.6
<b>Interest expense:</b>				
Rental operations	\$ 1.3	\$ 1.5	\$ 2.6	\$ 3.1
Company restaurants	0.8	0.5	1.7	1.0
Corporate	15.7	17.1	32.2	32.3
Total	\$ 17.8	\$ 19.1	\$ 36.5	\$ 36.4
<b>Depreciation and amortization:</b>				
Franchise operations	\$ 2.5	\$ 2.6	\$ 5.0	\$ 5.1
Rental operations	2.8	3.1	5.6	6.3
Company restaurants	1.8	1.7	3.5	3.2
Corporate	2.9	3.4	5.9	6.7
Total	\$ 10.0	\$ 10.7	\$ 20.0	\$ 21.3
<b>Gross profit (loss), by segment:</b>				
Franchise operations	\$ 87.7	\$ 30.8	\$ 163.7	\$ 106.4
Rental operations	6.8	2.4	12.0	8.9
Company restaurants	3.4	(4.4)	6.5	(3.4)
Financing operations	1.0	1.2	2.0	2.6
Total gross profit	98.9	30.0	184.2	114.5
Corporate and unallocated expenses, net	(60.2)	(176.9)	(121.5)	(232.3)
Income (loss) before income taxes	\$ 38.7	\$ (146.8)	\$ 62.7	\$ (117.7)

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

## 12. Net Income (Loss) per Share

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	(In thousands, except per share data)			
Numerator for basic and diluted income (loss) per common share:				
Net income (loss)	\$ 29,362	\$ (134,779)	\$ 54,965	\$ (112,451)
Less: Net income allocated to unvested participating restricted stock	(657)	—	(1,431)	(420)
Net income (loss) available to common stockholders - basic	28,705	(134,779)	53,534	(112,871)
Effect of unvested participating restricted stock in two-class calculation	3	—	10	—
Net income (loss) available to common stockholders - diluted	<u>\$ 28,708</u>	<u>\$ (134,779)</u>	<u>\$ 53,544</u>	<u>\$ (112,871)</u>
Denominator:				
Weighted average outstanding shares of common stock - basic	16,886	16,177	16,673	16,215
Dilutive effect of stock options	91	—	129	—
Weighted average outstanding shares of common stock - diluted	<u>16,977</u>	<u>16,177</u>	<u>16,802</u>	<u>16,215</u>
Net income (loss) per common share:				
Basic	<u>\$ 1.70</u>	<u>\$ (8.33)</u>	<u>\$ 3.21</u>	<u>\$ (6.96)</u>
Diluted	<u>\$ 1.69</u>	<u>\$ (8.33)</u>	<u>\$ 3.19</u>	<u>\$ (6.96)</u>

For the six months ended June 30, 2020, diluted loss per common share was computed using the basic weighted average number of shares outstanding during the period as the 101,000 shares from common stock equivalents would have been antidilutive. There were no common stock equivalents for the three months ended June 30, 2020.

## 13. Impairment and Closure Charges

Closure and long-lived tangible asset impairment charges for the three and six months ended June 30, 2021 were as follows:

<b><u>Impairment and Closure Charges</u></b>	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	(In millions)			
Closure charges	\$ 1.0	\$ 0.7	\$ 2.9	\$ 0
Long-lived tangible asset impairment	1.6	17.2	1.7	17
Goodwill impairment	—	92.2	—	92
Tradename impairment	—	11.0	—	11
Impairment of reacquired franchise rights	—	3.3	—	3
Total impairment and closure charges	<u>\$ 2.6</u>	<u>\$ 124.4</u>	<u>\$ 4.6</u>	<u>\$ 124</u>

### ***Closure Charges***

The closure charges of \$1.0 million for the three months ended June 30, 2021 related to the establishment of or revision to closure reserves for approximately 30 IHOP restaurants. The closure charges of \$2.9 million for the six months ended June 30, 2021 related to the establishment of or revision to closure reserves for approximately 50 IHOP restaurants.



**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

### 13. Closure and Impairment Charges (Continued)

#### *Long-lived Tangible Asset Impairment*

The long-lived asset impairment of \$1.6 million for the three months ended June 30, 2021 related to three IHOP franchisee-operated restaurants for which the carrying amount exceeded the undiscounted cash flows. The long-lived asset impairment of \$1.7 million for the six months ended June 30, 2021 related to four IHOP franchisee-operated restaurants. The impairment recorded represented the difference between the carrying value and the estimated fair value. The impairments 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.

#### **Goodwill and Intangible Assets**

For the three and six months ended June 30, 2021, the Company determined that there were no indicators for impairment to goodwill and intangible assets.

#### *Impairment in 2020*

Most of the Company's goodwill and intangible assets arose from the November 29, 2007 acquisition of Applebee's. 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.

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 additional 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 of goodwill and indefinite-lived intangible assets for impairment 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.

In performing the impairment review 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 to be applied to the forecast revenue stream.

As a result of performing the quantitative test of impairment, the Company recognized an impairment of \$92.2 million to the goodwill of the Applebee's franchise unit and an impairment of \$11.0 million to Applebee's tradename during the three months ended June 30, 2020. 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 reviewed its reacquired franchising rights and determined that the carrying amount exceeded the estimated fair value by \$3.3 million and has recorded an impairment to that intangible asset.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

#### 14. Fair Value Measurements

The Company does not have a material amount of financial assets or liabilities that are required under U.S. GAAP to be measured on a recurring basis at fair value. The Company is not a party to any material derivative financial instruments. The Company does not have a material amount of non-financial assets or non-financial liabilities that are required under U.S. GAAP to be measured at fair value on a recurring basis. The Company has not elected to use the fair value measurement option, as permitted under U.S. GAAP, for any assets or liabilities for which fair value measurement is not presently required.

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

The fair values of the Company's 2019 Class A-2 Notes at June 30, 2021 and December 31, 2020 were as follows:

	June 30, 2021	December 31, 2020
	(In millions)	
Face Value of Class A-2 Notes	\$ 1,290.3	\$ 1,296.8
Fair Value of Class A-2 Notes	\$ 1,354.9	\$ 1,259.5

The fair values were determined based on Level 2 inputs, including information gathered from brokers who trade in the Company's 2019 Class A-2 Notes, as well as information on notes that are similar to those of the Company.

#### 15. Commitments and Contingencies

##### *Litigation, Claims and Disputes*

The Company is subject to various lawsuits, administrative proceedings, audits and claims arising in the ordinary course of business. Some of these lawsuits purport to be class actions and/or seek substantial damages. The Company is required under U.S. GAAP to record an accrual for litigation loss contingencies that are both probable and reasonably estimable. Legal fees and expenses associated with the defense of all of the Company's litigation are expensed as such fees and expenses are incurred. Management regularly assesses the Company's insurance coverage, analyzes litigation information with the Company's attorneys and evaluates the Company's loss experience in connection with pending legal proceedings. While the Company does not presently believe that any of the legal proceedings to which it 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.

##### *Lease Guarantees*

In connection with the sale of Applebee's restaurants to franchisees, the Company has, in certain cases, guaranteed or has potential continuing liability for lease payments totaling \$234.8 million as of June 30, 2021. This amount represents the maximum potential liability for 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 2021 through 2048. Excluding unexercised option periods, the Company's potential liability for future payments under these leases is \$40.1 million. In the event of default, the indemnity and default clauses in the sale or assignment agreements govern the Company's ability to pursue and recover damages incurred.

#### 16. Cash, Cash Equivalents and Restricted Cash

##### *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.

**Dine Brands Global, Inc. and Subsidiaries**  
**Notes to Consolidated Financial Statements (Continued)**

**16. Cash, Cash Equivalents and Restricted Cash (Continued)**

The components of cash and cash equivalents were as follows:

	June 30, 2021	December 31, 2020
	(In millions)	
Money market funds	\$ 30.0	\$ 175.0
IHOP advertising funds and gift card programs	76.2	71.6
Other depository accounts	153.3	136.8
Total cash and cash equivalents	<u>\$ 259.5</u>	<u>\$ 383.4</u>

The decrease in money market funds between December 31, 2020 and June 30, 2021 was due to the repayment of \$220.0 million previously drawn on the Company's Credit Facility.

*Current Restricted Cash*

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:

	June 30, 2021	December 31, 2020
	(In millions)	
Securitized debt reserves	\$ 33.7	\$ 27.0
Applebee's advertising funds	38.3	12.8
Other	0.1	0.1
Total current restricted cash	<u>\$ 72.1</u>	<u>\$ 39.9</u>

*Non-current Restricted Cash*

Non-current restricted cash was \$16.4 million and \$32.8 million at June 30, 2021 and December 31, 2020, respectively, and represents interest reserves required to be set aside for the duration of the Company's securitized debt. The minimum reserve is approximately one quarter's interest payment on the Company's securitized debt, currently approximately \$16 million. The Company voluntarily increased the amount held in the reserve account to twice the minimum amount during the year ended December 31, 2020 and, in turn, reduced the reserve to the minimum amount during the six months ended June 30, 2021.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") in conjunction with the consolidated financial statements and the related notes that appear elsewhere in this report. Statements contained in this report may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Please refer to the section of this report under the heading "Cautionary Statement Regarding Forward-Looking Statements" for more information.

### Overview

The following discussion and analysis provides information which we believe is relevant to an assessment and understanding of our consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and the MD&A contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020. Except where the context indicates otherwise, the words "we," "us," "our," "Dine Brands Global" and the "Company" refer to Dine Brands Global, Inc., together with its subsidiaries that are consolidated in accordance with United States generally accepted accounting principles ("U.S. GAAP"). The financial tables appearing in MD&A 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 crossfoot due to rounding.

Through various subsidiaries, 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 restaurant concepts, whether operated by franchisees, area licensees and their sub-licensees (collectively, "area licensees") or by us. With 3,443 restaurants combined, the substantial majority of which are franchised, we believe we are one of the largest full-service restaurant companies in the world.

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

### Events Impacting Comparability of Financial Information

Comparisons of financial results for the three and six months ended June 30, 2021 with those for the three and six months ended June 30, 2020 were significantly impacted by the degree of restrictions in place on restaurant operations during the respective periods. 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. Generally speaking, these restrictions largely limited our restaurants to off-premise sales (take-out and delivery) approximately from the second week of March 2020 until May 2020. In May 2020, governmental entities slowly began to relax restrictions as infection rates from the initial outbreak declined, but restaurants allowed to re-open were largely limited to occupancy of 50% or less of capacity as of June 30, 2020.

The operating status of our restaurants was fluid during the three and six months ended June 30, 2021 and subject to change. While many federal, state, local and international governments maintained the restrictive protocols noted above, the degree and duration of restrictions varied by individual geographic area. Restrictions on restaurant operations were increased or decreased in response to changes in the number of COVID-19 infections, the availability and acceptance of vaccines and an increase in vaccination rates within the respective jurisdictions. While the significant majority of our restaurants were open for in-restaurant dining during the three and six months ended June 30, 2021, some federal, state, local and international governments continue to maintain protocols that limit restaurant dine-in occupancy levels to less than 100% of capacity.

As of June 30, 2021, 98% of domestic Applebee's and IHOP restaurants were operating at 100% capacity and 99% of domestic Applebee's and IHOP restaurants were open. This was an improvement from March 31, 2021, as which time only one-third of domestic Applebee's restaurants and less than 20% of domestic IHOP restaurants were operating at greater than 50%

capacity. However, nearly 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. Internationally, restrictions vary by country, with restaurants in Mexico and Puerto Rico primarily operating at greater than 50% capacity, with other countries maintaining a higher level of restriction. Temporary closures occur for a variety of reasons, and the temporary closures reflected below were not necessarily related to the impact of the COVID-19 pandemic or related restrictions.

The operating status of all restaurants as of June 30, 2021 and March 31, 2021 was as follows:

Dining room capacity %/other status	Status as of June 30, 2021		
	Domestic		
	Applebee's	IHOP	International
100% capacity	1,568	1,617	16
> 50% capacity	19	12	77
26%-50% capacity	—	—	75
Up to 25% capacity	—	—	6
Off-premise/outdoors only and other	1	5	19
Restaurants temporarily closed	2	20	7
<b>Total</b>	<b>1,590</b>	<b>1,654</b>	<b>200</b>

Dining room capacity %/other status	Status as of March 31, 2021		
	Domestic		
	Applebee's	IHOP	International
100% capacity	374	183	—
> 50% capacity	142	135	31
26%-50% capacity	959	1,086	112
Up to 25% capacity	106	209	28
Off-premise/outdoors only and other	9	21	22
Restaurants temporarily closed	6	26	9
<b>Total</b>	<b>1,596</b>	<b>1,660</b>	<b>202</b>

Note that at the onset of the pandemic, information as to restaurant capacity was not available in the same detail as is available currently and therefore specific dining room capacity details are unavailable for the comparative 2020 periods. Information as to operating status of all our restaurants combined is provided for each month during the three months ended June 30, 2020, given the significant change in opening status over the course of that period.

Restaurant Status	Status as of 2020 Fiscal Month Ended			
	Mar	Apr	May	June
Dining rooms open*	271	85	1,808	3,138
Limited to off-premise sales	2,615	2,820	1,429	202
Temporarily closed	729	698	355	232
<b>Total</b>	<b>3,615</b>	<b>3,603</b>	<b>3,592</b>	<b>3,572</b>

\* In most instances limited to 50% capacity or less, and/or reduced operating hours.

We have experienced a number of temporary and permanent closures of our restaurants during the COVID-19 pandemic. These closures occurred for a variety of reasons, and all closures were not necessarily related to the impact of the COVID-19 pandemic or related restrictions. We cannot predict how long the COVID-19 pandemic and its impact on our operations will last, including recurrences of the virus and the emergence of new variants of the virus, the acceptance of vaccines worldwide and the availability of vaccines internationally, restrictions on in-restaurant dining that may be imposed or re-imposed, the timing and extent of customer re-engagement with our brands and, in general, what the short- and long-term impact on consumer discretionary spending the COVID-19 pandemic might have on our operations and the restaurant industry as a whole.

## Update on Key COVID-19 Pandemic Actions

Updates regarding several actions taken over the past 15 months to mitigate the effects of the COVID-19 pandemic on the Company, its operations and its franchisees, are discussed below:

- In March 2021, we repaid \$220 million of borrowings outstanding under our revolving credit facility (“Credit Facility”) that initially had been drawn in March 2020. At the time of the initial draw, we had no immediate need for additional liquidity, but in light of then-current market conditions and significant uncertainty related to the COVID-19 pandemic, we drew on the revolving facility to maximize our financial flexibility. As of June 30, 2021, our borrowing capacity under the Credit Facility was \$221.7 million. See “*Liquidity and Capital Resources*” below for more information.
- 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, scheduled over up to nine months, began in the third quarter of 2020. As of June 30, 2021, the outstanding balance of these deferrals was \$0.7 million, with 29 of the 30 franchisees having repaid their deferred balances in full. Approximately \$3.2 million and \$12.6 million was collected during the three and six months ended June 30, 2021, respectively. Collection of these balances had a favorable impact on cash provided by operating activities during the six months ended June 30, 2021.
- We offered IHOP franchisees the opportunity to defer their royalty, advertising, equipment rent and sublease rent payments, primarily amounts due 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 of deferred amounts, scheduled over up to 36 weeks, began in the third quarter of 2020. In certain instances, repayments were temporarily paused for up to 60 days. As of June 30, 2021, the outstanding balance of these deferrals was \$3.7 million, with approximately \$6.0 million and \$12.8 million collected during the three months and six months ended June 30, 2021, respectively. A total of 106 franchisees have repaid their deferred balances in full. Collection of these balances had a favorable impact on cash provided by operating activities during the six months ended June 30, 2021.
- We received rent deferrals and abatements on properties we lease of approximately \$11 million during fiscal 2020, primarily related to rent deferrals for properties on which IHOP restaurants are located. As of June 30, 2021, the outstanding balance of those deferrals was \$0.8 million, with approximately \$1.6 million and \$4.1 million paid during the three and six months ended June 30, 2021, respectively. Payment of these deferrals reduced our cash provided by operating activities during the six months ended June 30, 2021.
- We suspended our repurchasing of common stock and the declaration of dividends on our common stock after the first quarter of 2020. We evaluate repurchases of common stock and dividend payments on common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors. We will continue to evaluate our capital allocation strategy in consideration of, among other things, resurgence of COVID-19 infections due to variants of the virus and changes in the percentage of the population that is fully vaccinated, as well as overall industry conditions.

## Key Financial Results

	Three months ended June 30,		Favorable (Unfavorable) Variance	Six months ended June 30,		Favorable (Unfavorable) Variance
	2021	2020		2021	2020	
(In millions, except per share data)						
Income (loss) before income taxes	\$ 38.7	\$ (146.8)	\$ 185.4	\$ 62.7	\$ (117.7)	\$ 180.4
Income tax (provision) benefit	(9.3)	12.0	(21.3)	(7.7)	5.3	(13.0)
Net income (loss)	\$ 29.4	\$ (134.8)	\$ 164.1	\$ 55.0	\$ (112.5)	\$ 167.4
Effective tax rate	24.0 %	8.2 %	(15.9)%	12.3 %	4.5 %	(7.8)%
Net income (loss) per diluted share	\$ 1.69	\$ (8.33)	\$ 10.02	\$ 3.19	\$ (6.96)	\$ 10.15
			% increase			% increase
Weighted average diluted shares	17.0	16.2	4.9 %	16.8	16.2	3.6 %

The effective tax rate for the six months ended June 30, 2021 was lower than the statutory federal tax rate of 21% primarily due to the one-time recognition of excess tax benefits on stock-based compensation related to the departure of our previous chief executive officer in the first quarter of 2021. In addition, the effective tax rate for the six months ended June 30, 2021 was different than the prior comparable period due to the impairment of goodwill in the second quarter of 2020, which was not deductible for income tax purposes and therefore had no associated tax benefit.

The following table highlights the primary components of the increase in our income before income taxes for the three and six months ended June 30, 2021, compared to our income before income taxes for the three and six months ended June 30, 2020:

	Favorable (Unfavorable) Variance	
	Three months ended June 30, 2021	Six months ended June 30, 2021
	(In millions)	
Increase in gross profit:		
Applebee's franchise operations	\$ 26.8	\$ 27.8
IHOP franchise operations	30.1	29.5
Company restaurant operations	7.8	9.9
Rental and financing operations	4.1	2.5
Total increase in gross profit	68.8	69.7
Impairment and closure charges	121.8	119.8
Increase in G&A expenses	(8.4)	(10.7)
Other	3.2	1.6
Increase in income before income taxes	\$ 185.4	\$ 180.4

As discussed above under “*Events Impacting the Comparability of Financial Information*,” the imposition and subsequent relaxation or removal of restrictions imposed on in-restaurant dining in response to the COVID-19 pandemic had a significant impact on comparisons of our gross profit between the three and six months ended June 30, 2021 and the same periods of 2020.

The significant impacts of the COVID-19 pandemic resulted in our performing impairment assessments of our long-lived assets, goodwill and other intangible assets during the three months ended June 30, 2020. As a result of these assessments, we recorded an impairment to Applebee's goodwill of \$92.2 million, an impairment to Applebee's intangible assets of \$14.3 million and impairments to long-lived assets of both brands totaling approximately \$17.2 million in the second quarter of 2020. There were no impairments of goodwill or other intangible assets during the three and six months ended June 30, 2021.

See “*Consolidated Results of Operations - Comparison of the Three and Six Months ended June 30, 2021 and June 30, 2020*” for additional discussion of the changes shown above.

### 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 and the change in effective restaurants. Changes in both domestic same-restaurant sales and in the number of Applebee's and IHOP restaurants will impact our system-wide retail sales that drive franchise royalty revenues. Restaurant development 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 three and six months ended June 30, 2021 were as follows:

	Three months ended June 30, 2021		Six months ended June 30, 2021	
	Applebee's	IHOP	Applebee's	IHOP
Sales percentage increase in reported retail sales	125.3 %	163.6 %	43.3 %	39.2 %
% increase in domestic system-wide same-restaurant sales - 2021 vs 2020	102.2 %	120.1 %	46.4 %	40.7 %
% increase (decrease) in domestic system-wide same-restaurant sales - 2021 vs 2019	10.5 %	(3.4)%	2.0 %	(12.2)%
Net franchise restaurant reduction <sup>(1)</sup>	(9)	(5)	(13)	(25)
Net increase in total effective restaurants <sup>(2)</sup>	98	204	14	59

<sup>(1)</sup> Franchise and area license restaurant closings, net of openings, during the three and six months ended June 30, 2021.

<sup>(2)</sup> Change in the weighted average number of franchise, area license and company-operated restaurants open during the three and six months ended June 30, 2021, compared to the weighted average number of those open during the same periods of 2020.

The changes in sales percentage and domestic same-restaurant sales of both brands were impacted by the varying degrees of restrictions on in-restaurant dining in effect during each period as discussed under “*Events Impacting the Comparability of Financial Information.*” Additionally, the calculation of the percentage change in domestic same-restaurant sales was also impacted by a shift in the weeks of comparison because of a 53rd week in fiscal 2020.

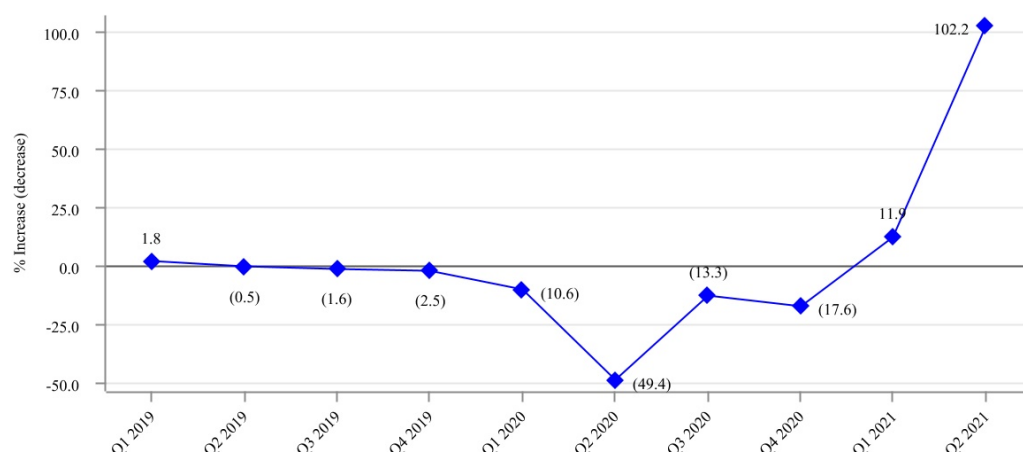
In light of the distortion caused by the pandemic and a 53rd week in fiscal 2020 on the changes in sales percentage and domestic same-restaurant sales, we believe a comparison of average weekly unit sales, a function of reported retail sales and the number of effective restaurants, for the six individual months of 2021 and 2020, provides additional insight into each brand's performance during the three and six months ended June 30, 2021 as compared to the same periods of 2020 and 2019:

Average Weekly Unit Sales	Applebee's			IHOP		
	2021	2020	2019	2021	2020	2019
	(in thousands)					
June	\$ 52.9	\$ 33.8	\$ 47.5	\$ 37.6	\$ 22.1	\$ 37.2
May	\$ 53.1	\$ 22.5	\$ 48.4	\$ 35.8	\$ 13.7	\$ 36.2
April	\$ 53.9	\$ 14.5	\$ 48.2	\$ 35.5	\$ 8.7	\$ 36.9
March	\$ 54.3	\$ 35.1	\$ 51.1	\$ 35.1	\$ 25.3	\$ 39.2
February	\$ 43.5	\$ 49.7	\$ 47.9	\$ 27.4	\$ 35.0	\$ 35.8
January	\$ 39.6	\$ 49.8	\$ 48.2	\$ 24.8	\$ 36.1	\$ 35.9

The change in total effective restaurants for each brand reflects both permanent closures, net of openings, over the past 12 months as well as the weighted effect of restaurants temporarily closed during the three and six months ended June 30, 2021. While the absolute number of franchise restaurants has decreased, the re-opening of restaurants that had been temporarily closed during the respective 2020 comparative periods resulted in the net increase in effective restaurants for the three and six months ended June 30, 2021.

**Domestic Same-Restaurant Sales**

**Quarterly Domestic Same-Restaurant Sales - Applebee's**



Applebee's system-wide domestic same-restaurant sales increased 102.2% for the three months ended June 30, 2021 and 46.4% for the six months ended June 30, 2021 as compared to the same periods of 2020. The increase in both periods was due to a substantial increase customer traffic as well as increase in average check. The increase in customer traffic primarily was due to the positive changes in restaurant operating status as discussed under “*Events Impacting the Comparability of Financial Information,*” 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. We believe the distribution of the latest round of government stimulus checks that began in March 2021 favorably impacted consumer spending behavior as well. Applebee's system-wide domestic same-restaurant sales increased 10.5% for the three months ended June 30, 2021 and 2.0% for the six months ended June 30, 2021 as compared to the same periods of 2019. The increase in both periods was due to an increase in customer check partially offset by a decrease in traffic.

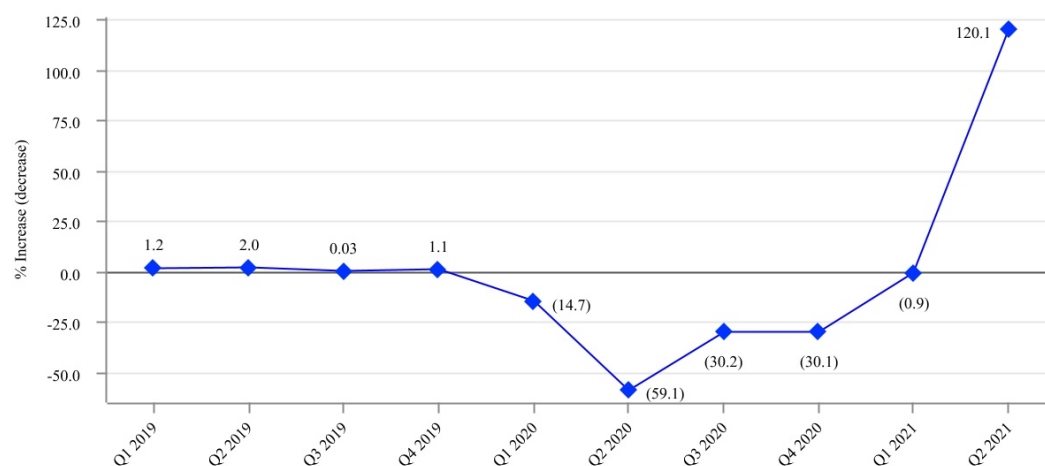
Based on data from Black Box Intelligence, a restaurant sales reporting firm ("Black Box"), Applebee's increase in same-restaurant sales for both the three and six months ended June 30, 2021 outperformed the casual dining segment of the restaurant industry (excluding Applebee's) during the same periods.

**Applebee's Off-premise Sales Data**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Off-premise sales (in millions) <sup>(1)</sup>	\$ 317.1	\$ 293.9	\$ 661.6	\$ 447.0
% sales mix	30.0%	56.0%	33.0%	33.0%

<sup>(1)</sup> Primarily to-go, delivery and catering sales.

**Quarterly Domestic Same-Restaurant Sales - IHOP**



IHOP's system-wide domestic same-restaurant sales increased 120.1% for the three months ended June 30, 2021 and 40.7% for the six months ended June 30, 2021 as compared to the same periods of 2020. Most of the improvement in both periods was due to a significant increase in customer traffic as well as an increase in average check. The increase in customer traffic was primarily due to the positive changes in restaurant operating status as discussed under "Events Impacting the Comparability of Financial Information," as well as increased consumer desire to patronize restaurants after the relaxation of pandemic restrictions. The increase in average check was primarily due to increases in both menu prices and delivery prices as well as a general increase in consumer spending. We believe the distribution of the latest round of government stimulus checks that began in March 2021 favorably impacted consumer spending behavior. IHOP's system-wide domestic same-restaurant sales decreased 3.4% for the three months ended June 30, 2021 and 12.2% for the six months ended June 30, 2021 as compared to the same periods of 2019. The decrease in both periods was due to a decrease in traffic partially offset by an increase in customer check.

Based on data from Black Box, IHOP's increase in same-restaurant sales for the three months ended June 30, 2021 outperformed the family dining segment of the restaurant industry (excluding IHOP) during that same period. IHOP's increase in same-restaurant sales for the six months ended June 30, 2021 underperformed the family dining segment of the restaurant industry (excluding IHOP) during that same period.

**IHOP Off-premise Sales Data**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Off-premise sales (in millions) <sup>(1)</sup>	\$ 167.4	\$ 152.9	\$ 350.3	\$ 232.9
% sales mix	26.%	56.%	29.%	26.%

<sup>(1)</sup> Primarily to-go, delivery and catering sales.

**Restaurant Data**

The following table sets forth the number of “Effective Restaurants” in the Applebee’s and IHOP systems and information regarding the percentage change in sales at those restaurants compared to the same periods of the prior year. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company and, as such, the percentage change in sales at Effective Restaurants is based on non-GAAP sales data. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties and advertising fees that are 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 plans for future development of additional restaurants as well as evaluation of current operations.

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Applebee's Restaurant Data</b>				
Effective Restaurants <sup>(a)</sup>				
Franchise	1,623	1,527	1,625	1,612
Company	69	67	69	68
Total	<b>1,692</b>	<b>1,594</b>	<b>1,694</b>	<b>1,680</b>
<b>System-wide<sup>(b)</sup></b>				
Domestic sales percentage change <sup>(c)</sup>	125.3 %	(53.5)%	43.3 %	(32.5)%
Domestic same-restaurant sales percentage change <sup>(d)</sup>	102.2 %	(49.4)%	46.4 %	(29.1)%
<b>Franchise<sup>(b)</sup></b>				
Domestic sales percentage change <sup>(c)</sup>	125.2 %	(53.6)%	43.0 %	(32.5)%
Domestic same-restaurant sales percentage change <sup>(d)</sup>	102.1 %	(49.4)%	46.1 %	(29.0)%
Average weekly domestic unit sales (in thousands)	\$ 53.8	\$ 25.0	\$ 50.3	\$ 35.2
<b>IHOP Restaurant Data</b>				
Effective Restaurants <sup>(a)</sup>				
Franchise	1,568	1,375	1,566	1,510
Area license	155	144	156	153
Total	<b>1,723</b>	<b>1,519</b>	<b>1,722</b>	<b>1,663</b>
<b>System-wide<sup>(b)</sup></b>				
Sales percentage change <sup>(c)</sup>	163.6 %	(64.3)%	39.2 %	(39.1)%
Domestic same-restaurant sales percentage change, including area license restaurants <sup>(d)</sup>	120.1 %	(59.1)%	40.7 %	(35.6)%
<b>Franchise<sup>(b)</sup></b>				
Sales percentage change <sup>(c)</sup>	163.1 %	(64.4)%	38.5 %	(39.2)%
Domestic same-restaurant sales percentage change <sup>(d)</sup>	118.2 %	(58.9)%	39.4 %	(35.4)%
Average weekly unit sales (in thousands)	\$ 36.4	\$ 15.8	\$ 32.9	\$ 24.6
<b>Area License<sup>(b)</sup></b>				
Sales percentage change <sup>(c)</sup>	168.8 %	(63.3)%	46.7 %	(38.1)%

(a) “Effective Restaurants” are the weighted average number of restaurants open in each 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, which consist of restaurants owned by franchisees and area licensees as well as those owned by the Company. Effective Restaurants do not include units operated as ghost kitchens (small kitchens with no store-front presence, used to fill off-premise orders).

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

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
(Unaudited)				
<b>ported sales (in millions)</b>				
Applebee’s domestic franchise restaurant sales	\$ 1,062.8	\$ 472.0	\$ 1,987.5	\$ 1,390.2
Applebee’s company-operated restaurants	38.2	16.8	74.1	48.1
IHOP franchise restaurant sales	742.0	282.1	1,338.8	966.9
IHOP area license restaurant sales	70.9	26.4	132.6	90.4
<b>Total</b>	<b>\$ 1,913.9</b>	<b>\$ 797.3</b>	<b>\$ 3,533.0</b>	<b>\$ 2,495.6</b>

- (c) “Sales percentage change” reflects, for each category of restaurants, the percentage change in sales in any given fiscal period compared to the prior fiscal period for all restaurants in that category.
- (d) “Domestic same-restaurant sales percentage change” reflects the percentage change in sales in any given fiscal period, compared to the same weeks in the prior fiscal period, for domestic restaurants that have been operated during both fiscal periods 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 both fiscal periods being compared may be different from period to period.

#### Restaurant Development Activity

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
(Unaudited)				
<b>Applebee’s</b>				
<b>Summary - beginning of period:</b>				
Franchise	1,636	1,706	1,640	1,718
Company	69	69	69	69
<b>Beginning of period</b>	<b>1,705</b>	<b>1,775</b>	<b>1,709</b>	<b>1,787</b>
<b>Franchise restaurants opened:</b>				
Domestic	—	—	2	—
International	1	—	1	—
<b>Total franchise restaurants opened</b>	<b>1</b>	<b>—</b>	<b>3</b>	<b>—</b>
<b>Franchise restaurants permanently closed:</b>				
Domestic	(6)	(24)	(10)	(32)
International	(4)	(2)	(6)	(6)
<b>Total franchise restaurants permanently closed</b>	<b>(10)</b>	<b>(26)</b>	<b>(16)</b>	<b>(38)</b>
<b>Net franchise restaurant reduction</b>	<b>(9)</b>	<b>(26)</b>	<b>(13)</b>	<b>(38)</b>
<b>Summary - end of period:</b>				
Franchise	1,627	1,680	1,627	1,680
Company	69	69	69	69
<b>Total Applebee’s restaurants, end of period</b>	<b>1,696</b>	<b>1,749</b>	<b>1,696</b>	<b>1,749</b>
Domestic	1,590	1,633	1,590	1,633
International	106	116	106	116

**Restaurant Development Activity**

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
<b>Beginning of period:</b>				
Franchise	1,593	1,680	1,611	1,680
Area license	156	160	158	161
Company	4	—	3	—
<b>Total IHOP restaurants, beginning of period</b>	<b>1,753</b>	<b>1,840</b>	<b>1,772</b>	<b>1,841</b>
<b>Restaurants opened:</b>				
Domestic franchise	7	1	15	7
Domestic area license	1	—	1	1
International franchise	1	—	1	2
Total franchise/area license restaurants opened	9	1	17	10
<b>Restaurants permanently closed:</b>				
Domestic franchise	(14)	(13)	(30)	(19)
Domestic area license	—	(1)	(2)	(3)
International franchise	—	(2)	(9)	(4)
International area license	(1)	(2)	(1)	(2)
Total franchise/area license restaurants permanently closed	(15)	(18)	(42)	(28)
<b>Net change in franchise/area license restaurants</b>	<b>(6)</b>	<b>(17)</b>	<b>(25)</b>	<b>(18)</b>
Franchise restaurants reacquired by the Company	1	—	1	—
Franchise restaurants reacquired by the Company	—	—	(1)	—
<b>Net change in franchise/area license restaurants</b>	<b>(5)</b>	<b>(17)</b>	<b>(25)</b>	<b>(18)</b>
<b>End of period:</b>				
Franchise	1,588	1,666	1,588	1,666
Area license	156	157	156	157
Company	3	—	3	—
<b>Total IHOP restaurants, end of period</b>	<b>1,747</b>	<b>1,823</b>	<b>1,747</b>	<b>1,823</b>
Domestic	1,654	1,696	1,654	1,696
International	93	127	93	127

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), one international Applebee's ghost kitchen and three international IHOP ghost kitchens. The Applebee's franchise restaurant count at the beginning of the six-month period ended June 30, 2021 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 this table and are included in the summary counts at the beginning and end of each period shown. Temporary closures are reflected in the weighted calculation of Effective Restaurants presented in the preceding Restaurant Data table.

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 the loss of such income, as well as our obligation to make rental or other payments for such properties.

**CONSOLIDATED RESULTS OF OPERATIONS**  
**Comparison of the Three and Six Months ended June 30, 2021 and 2020**

**Financial Results**

<b>Revenue</b>	<b>Three months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>	<b>Six months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>	
	(In millions)					
Franchise operations	\$ 166.9	\$ 67.8	\$ 99.1	\$ 307.9	\$ 212.9	\$ 95.0
Rental operations	27.4	23.7	3.7	53.5	52.7	0.8
Company restaurant operations	38.2	16.8	21.4	74.2	48.1	48.1
Financing operations	1.1	1.4	(0.3)	2.2	2.9	(0.7)
<b>Total revenue</b>	<b>\$ 233.6</b>	<b>\$ 109.7</b>	<b>\$ 123.9</b>	<b>\$ 437.8</b>	<b>\$ 316.6</b>	<b>\$ 121.2</b>
Change vs. prior period	112.9 %			38.3 %		

Total revenue for the three and six months ended June 30, 2021 increased significantly compared with the same periods of the prior year. As discussed under “*Events Impacting the Comparability of Financial Information*,” the operating capacity of our restaurants during the respective 2020 periods was severely restricted after the first week of March 2020 as 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. During the respective 2021 periods, many governmental authorities had relaxed or eliminated restrictions on restaurant operations in response to declines in the number of COVID-19 infections, the availability of vaccines and an increase of the number of vaccinated individuals within their respective jurisdictions. This had a favorable impact on same-restaurant sales and customer traffic in our franchise and company restaurant operations as well as a favorable impact on rental revenue based on a percentage of franchisees' retail sales.

<b>Gross Profit (Loss)</b>	<b>Three months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>	<b>Six months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>	
	(In millions)					
Franchise operations	\$ 87.7	\$ 30.8	\$ 56.9	\$ 163.7	\$ 106.4	\$ 57.3
Rental operations	6.8	2.5	4.3	12.0	8.9	3.1
Company restaurant operations	3.4	(4.4)	7.8	6.5	(3.4)	9.9
Financing operations	1.0	1.2	(0.2)	2.0	2.6	(0.6)
<b>Total gross profit</b>	<b>\$ 98.9</b>	<b>\$ 30.1</b>	<b>\$ 68.8</b>	<b>\$ 184.2</b>	<b>\$ 114.5</b>	<b>\$ 69.7</b>
Change vs. prior period	228.3 %			60.8 %		

Total gross profit for the three and six months ended June 30, 2021 increased compared with the same periods of the prior year, primarily due to the increased revenue from franchise, company-operated restaurant and rental operations as well as lower bad debt expense in franchise operations. Favorable changes to the aging status of certain franchisee receivables resulted in a downward revision of estimated reserve requirements.

Franchise Operations	Three months ended June 30,		Favorable (Unfavorable) Variance	Six months ended June 30,		Favorable (Unfavorable) Variance
	2021	2020		2021	2020	
(In millions, except number of restaurants)						
Effective Franchise Restaurants: <sup>(1)</sup>						
Applebee's	1,623	1,527	96	1,625	1,612	13
IHOP	1,723	1,519	204	1,722	1,663	59
Franchise Revenues:						
Applebee's franchise fees	\$ 43.9	\$ 19.9	\$ 24.0	\$ 82.5	\$ 57.7	\$ 24.8
IHOP franchise fees	50.8	18.9	31.9	92.2	64.4	27.8
Advertising fees	72.3	29.1	43.2	133.2	90.8	42.4
Total franchise revenues	167.0	67.9	99.1	307.9	212.9	95.0
Franchise Expenses:						
Applebee's	0.7	3.5	2.8	1.7	4.7	3.0
IHOP	6.3	4.5	(1.8)	9.3	11.0	1.7
Advertising expenses	72.3	29.1	(43.2)	133.2	90.8	(42.4)
Total franchise expenses	79.3	37.1	(42.2)	144.2	106.5	(37.7)
Franchise Gross Profit:						
Applebee's	43.2	16.4	26.8	80.8	53.0	27.8
IHOP	44.5	14.4	30.1	82.9	53.4	29.5
Total franchise gross profit	\$ 87.7	\$ 30.8	\$ 56.9	\$ 163.7	\$ 106.4	\$ 57.3
Gross profit as % of revenue <sup>(2)</sup>	52.5 %	45.4 %		53.2 %	50.0 %	
Gross profit as % of franchise fees <sup>(2)(3)</sup>	92.7 %	79.4 %		93.7 %	87.1 %	

<sup>(1)</sup> Effective Franchise Restaurants are the weighted average number of franchise and area license restaurants open in each fiscal period, adjusted to account for restaurants open for only a portion of the period.

<sup>(2)</sup> Percentages calculated on actual amounts, not rounded amounts presented above.

<sup>(3)</sup> From time to time, advertising fee revenue may be different from advertising expenses in a given accounting period. Over the long term, advertising activity should not generate gross profit or loss.

Applebee's franchise fee revenue for the three months ended June 30, 2021 increased 120.6% compared to the same period of the prior year. Approximately \$21.5 million of the increase was due to the 102.1% increase in domestic franchise same-restaurant sales, \$1.9 million was due to the reopening of restaurants temporarily closed during the prior year period and \$0.7 million due to an increase in international revenues.

Applebee's franchise fee revenue for the six months ended June 30, 2021 increased 43.0% compared to the same period of the prior year. Approximately \$22.8 million of the increase was due to the 46.1% increase in domestic franchise same-restaurant sales, \$1.9 million was due to the reopening of restaurants temporarily closed during the prior year period, approximately \$1.7 million was due to improved collectability and a higher effective royalty rate, and \$0.6 million was due to an increase in other franchise fees. These favorable items were partially offset by a \$1.2 million decrease in royalty revenue due to permanent restaurant closures and a \$1.0 million increase in delivery incentive credits that reduce royalty revenue.

The decrease in Applebee's franchise expenses for the three months ended June 30, 2021 compared with the same period of the prior year primarily was due to a decrease in bad debt expense. Bad debt expense for the three months ended June 30, 2021 was a credit of \$0.1 million as compared to bad debt expense of \$2.7 million during the three months ended June 30, 2020.

The decrease in Applebee's franchise expenses for the six months ended June 30, 2021 compared with the same period of the prior year primarily was due to a decrease in bad debt expense. Bad debt expense for the six months ended June 30, 2021 was a credit of \$0.1 million as compared to bad debt expense of \$2.9 million during the six months ended June 30, 2020.

IHOP franchise fee revenue for the three months ended June 30, 2021 increased 168.6% compared to the same period of the prior year, primarily due to higher royalty and pancake and waffle dry mix revenues resulting from a 118.2% increase in domestic franchise same-restaurant sales, a \$0.4 million increase in domestic termination and other franchise fees, an increase of \$1.6 million in international termination fees and an increase of \$0.7 million in international royalty revenues. These favorable changes were partially offset by a decrease of \$0.1 million due to restaurant closures.

IHOP franchise fee revenue for the six months ended June 30, 2021 increased 43.2% compared to the same period of the prior year, primarily due to higher royalty and pancake and waffle dry mix revenues resulting from a 46.1% increase in domestic franchise same-restaurant sales, a \$2.2 million increase in domestic termination and other franchise fees and a \$1.6 million increase in international termination fees. These favorable changes were partially offset by a decrease of \$0.7 million due to restaurant closures.

IHOP franchise expenses for the three months ended June 30, 2021 increased from the same period of the prior year primarily due to an increase in purchases of pancake and waffle dry mix, partially offset by a \$2.3 million decrease in bad debt expense. IHOP bad debt expense was less than \$0.1 million for the three months ended June 30, 2021 as compared to bad debt expense of \$2.3 million in the prior year period.

IHOP franchise expenses for the six months ended June 30, 2021 declined from the same period of the prior year primarily due to a \$4.6 million decrease in bad debt expense partially offset by an increase in purchases of pancake and waffle dry mix. IHOP reduced its allowance for bad debts by \$2.1 million during the six months ended June 30, 2021 compared to bad debt expense of \$2.5 million in the prior year period.

Advertising revenue and expense by brand for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three months ended June 30,		Increase	Six months ended June 30,		Increase
	2021	2020		2021	2020	
	(In millions)					
Advertising Revenues and Expenses:						
Applebee's	\$ 44.9	\$ 18.4	\$ 26.5	\$ 83.5	\$ 54.9	\$ 28
IHOP	27.4	10.7	16.7	49.7	35.9	13
Total advertising revenues and expenses	\$ 72.3	\$ 29.1	\$ 43.2	\$ 133.2	\$ 90.8	\$ 42

Applebee's advertising revenue and expense for the three months ended June 30, 2021 increased compared to the same period of the prior year. Approximately \$23.2 million of the increase was due to the 102.1% increase in domestic franchise same-restaurant sales, \$2.1 million was due to the reopening of restaurants temporarily closed during the prior year period and \$2.0 million of the increase was due to improved collectability from franchisees. IHOP's advertising revenue and expense for the three months ended June 30, 2021 increased 156.0% compared to the same period of the prior year, primarily due to the 118.2% increase in domestic franchise same-restaurant sales and the reopening of restaurants temporarily closed during the prior year period.

Applebee's advertising revenue and expense for the six months ended June 30, 2021 increased 52.0% compared to the same period of the prior year. Approximately \$24.5 million of the increase was due to the 43.0% increase in domestic franchise same-restaurant sales, \$4.1 million of the increase was due to improved collectability from franchisees and \$2.1 million was due to the reopening of restaurants temporarily closed during the prior year period. Partially offsetting the increases was a \$1.3 million decrease in advertising revenue due to permanent restaurant closures. IHOP's advertising revenue and expense for the six months ended June 30, 2021 increased 38.5% compared to the same period of the prior year, primarily due to the 46.1% increase in domestic franchise same-restaurant sales, partially offset by the impact of permanent restaurant closures over the past 12 months.

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

<b>Rental Operations</b>	<b>Three months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>	<b>Six months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>	
<b>(In millions)</b>						
Rental revenues	\$ 27.4	\$ 23.7	\$ 3.7	\$ 53.5	\$ 52.7	\$ 0.8
Rental expenses	20.6	21.2	0.6	41.5	43.8	2.3
Rental operations gross profit	\$ 6.8	\$ 2.5	\$ 4.3	\$ 12.0	\$ 8.9	\$ 3.1
Gross profit as % of revenue <sup>(1)</sup>	24.7 %	10.4 %		22.3 %	17.0 %	

<sup>(1)</sup> Percentages calculated on actual amounts, not rounded amounts presented above.

Rental operations relate primarily to IHOP franchise restaurants. Rental income includes sublease 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.

Rental segment revenue for the three months ended June 30, 2021 increased as compared to the same period of the prior year, primarily due to a \$2.6 million increase in rental income based on a percentage of franchisees' retail sales and a \$1.9 decline in level rent adjustments, partially offset by a \$0.6 million decrease due to restaurant closures and lease buy-outs and a progressive decline of \$0.3 million in interest income as direct financing leases are repaid. Rental segment expenses for the three months ended June 30, 2021 decreased compared to the same period of the prior year due to a \$0.5 million decrease in rental expenses, primarily due to restaurant closures, lease buy-outs and expirations, a \$0.4 million decrease in depreciation expense and a \$0.3 million decrease in interest expense as finance lease obligations are repaid, partially offset by a \$0.5 million increase in rent paid based on a percentage of franchisees' retail sales.

Rental segment revenue for the six months ended June 30, 2021 increased as compared to the same period of the prior year, primarily due to a \$1.6 million increase in rental income based on a percentage of franchisees' retail sales and a \$1.4 decline in level rent adjustments, partially offset by a \$1.7 million decrease due to restaurant closures and lease buy-outs and a progressive decline of \$0.7 million in interest income as direct financing leases are repaid. Rental segment expenses for the six months ended June 30, 2021 decreased compared to the same period of the prior year due to a \$1.4 million decrease in rental expenses, primarily due to restaurant closures and lease buy-outs, a \$0.7 million decrease in depreciation expense and a \$0.5 million decrease in interest expense as finance lease obligations are repaid, partially offset by a \$0.4 million increase in rent paid based on a percentage of franchisees' retail sales.

### **Company Restaurant Operations**

	<b>Three months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>	<b>Six months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>	
<b>Effective Restaurants</b>	69	67	2	69	68	
<b>(In millions)</b>						
Applebee's Company restaurant sales <sup>(1)</sup>	\$ 38.2	\$ 16.8	\$ 21.4	\$ 74.2	\$ 48.1	\$ 26.1
Applebee's Company restaurant expenses <sup>(1)</sup>	34.6	20.1	(14.4)	67.3	50.5	(16.8)
IHOP restaurant expenses <sup>(2)</sup>	0.2	1.0	0.8	0.4	1.0	0.6
Company restaurant gross profit	\$ 3.4	\$ (4.4)	\$ 7.8	\$ 6.5	\$ (3.4)	\$ 9.9
Gross profit as % of revenue <sup>(3)</sup>	9.5 %	(19.9) %		9.3 %	(4.9) %	

<sup>(1)</sup> Related to 69 Applebee's company-operated restaurants.

<sup>(2)</sup> Costs associated with IHOP restaurants in the process of being refranchised.

<sup>(3)</sup> Calculated for Applebee's company-operated restaurants only. Percentages calculated on actual amounts, not rounded amounts presented above.



Applebee's company same-restaurant sales for the three months ended June 30, 2021 increased 105.9% compared to the same period of 2020, the significant majority of which was due to an increase in customer traffic. Applebee's company same-restaurant sales for the six months ended June 30, 2021 increased 55.7% compared to the same period of 2020, primarily due to an 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 during the three and six months ended June 30, 2021 compared to the same periods of 2020. All 69 of the Applebee's company-operated restaurants are located in South Carolina or North Carolina. Since the second week of January 2021, the 27 restaurants in South Carolina have 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 were also able to operate without capacity limitations. In comparison, all 69 restaurants operated without restriction for the first 10 weeks of the 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 for the six months ended June 30, 2021 was due to favorable product mix and daypart shifts. We believe the distribution of additional government stimulus checks that began in March 2021 favorably impacted both customer traffic and average check during the three and six months ended June 30, 2021.

Gross profit and gross profit as a percentage of revenue for the three and six months ended June 30, 2021 improved compared the same periods of the prior year, which were adversely impacted by the COVID-19-related operating constraints described above.

Company segment restaurant expenses for the three and six months ended June 30, 2021 and 2020 also include costs associated with reacquired IHOP restaurants in the process of being refranchised. None of the reacquired IHOP restaurants were open during the three months and six months ended June 30, 2021 and 2020 and recorded no restaurant revenues in either of those periods.

### **Financing Operations**

Financing revenues primarily consist of interest income from the financing of IHOP equipment leases and franchise fees as well as interest income on Applebee's notes receivable from franchisees. Financing expenses are the cost of taxes related to IHOP equipment leases.

Financing revenue and gross profit for the six months ended June 30, 2021 declined compared to the same periods of the prior year, primarily because of progressive decline in interest income as note balances are repaid.

### **G&A Expenses**

	<u>Three months ended June 30,</u>			<u>Six months ended June 30,</u>		
	<u>2021</u>	<u>2020</u>	<u>Increase</u>	<u>2021</u>	<u>2020</u>	<u>Increase</u>
	(In millions)					
Total G&A expenses	<u>\$ 39.3</u>	<u>\$ 30.9</u>	<u>\$ (8.4)</u>	<u>\$ 79.2</u>	<u>\$ 68.5</u>	<u>\$ (10.7)</u>

G&A expenses for the three months ended June 30, 2021 increased 27.2% compared to the same period of the prior year, primarily due to an increase in personnel-related costs. The increase in personnel-related costs primarily was due to higher costs of bonus and equity-based incentive compensation. Included in total G&A expenses for the three months ended June 30, 2021 were \$1.4 million of expenses related to company-operated restaurants, an increase of \$0.5 million from the same period of the prior year.

G&A expenses for the six months ended June 30, 2021 increased 15.6% compared to the same period of the prior year, primarily due to an increase in personnel-related costs, partially offset by a decrease in travel costs. The increase in personnel-related costs primarily was due to higher costs of bonus and equity-based incentive compensation. Included in total G&A expenses for the six months ended June 30, 2021 were \$2.7 million of expenses related to company-operated restaurants, an increase of \$0.5 million from the same period of the prior year.

<b>Impairment and Closure Charges</b>	<b>Three months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>	<b>Six months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>	
	(In millions)					
Closure charges	\$ 1.0	\$ 0.7	\$ (0.3)	\$ 2.9	\$ 0.7	\$ (2)
Long-lived tangible asset impairment	1.6	17.2	15.6	1.7	17.2	15
Goodwill impairment	—	92.2	92.2	—	92.2	92
Tradename impairment	—	11.0	11.0	—	11.0	11
Impairment of reacquired franchise rights	—	3.3	3.3	—	3.3	3
Total impairment and closure charges	\$ 2.6	\$ 124.4	\$ 121.8	\$ 4.6	\$ 124.4	\$ 119

The closure charges for the three months ended June 30, 2021 related to the establishment of or revision to closure reserves for approximately 30 IHOP restaurants. The closure charges for the six months ended June 30, 2021 related to the establishment of or revision to closure reserves for approximately 50 IHOP restaurants.

Long-lived tangible asset impairment charges for the three months ended June 30, 2021 related to three IHOP franchisee-operated restaurants for which the carrying amount exceeded the undiscounted cash flows. Long-lived tangible asset impairment charges for the six months ended June 30, 2021 related to four IHOP franchisee-operated restaurants for which the carrying amount exceeded the undiscounted cash flows. The charges in both periods primarily related to the impairment of 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.

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.

We determined that an interim quantitative test of goodwill and indefinite-lived intangible assets for impairment should be performed as of May 24, 2020 based on circumstances that had arisen from the COVID-19 epidemic. In determining fair value, we utilized 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, we used the income approach method of valuation that includes the discounted cash flow method and the market approach that includes the guideline public company method to determine the fair value of goodwill and intangible assets. Significant assumptions made by management in estimating fair value under the discounted cash flow model include future trends in sales, operating expenses, overhead expenses, depreciation, capital expenditures and changes in working capital, along with an appropriate discount rate based on our estimated cost of equity capital and after-tax cost of debt. Significant assumptions used to determine fair value under the guideline public company method include the selection of guideline companies and the valuation multiples applied. In performing the impairment review of the tradename, we used the relief of royalty method under the income approach method of valuation. Significant assumptions used to determine fair value under the relief of royalty method include future trends in sales, a royalty rate and a discount rate to be applied to the forecast revenue stream.

As a result of performing the quantitative test of impairment, the Company recognized an impairment of Applebee's goodwill of \$92.2 million and an impairment of Applebee's tradename of \$11.0 million during the three and six months ended June 30, 2020.

The majority of the impairment was due to an increase in the assessed risk premium incorporated in the discount rate. These assets are at risk of additional impairment in the future in the event of sustained downward movement in the Company's stock price, downward revisions of long-term performance assumptions or increases in the assumed long-term discount rate.

During the three and six months ended June 30, 2020, we recognized a long-lived asset impairment totaling \$17.2 million related to 46 Applebee's company-operated restaurants and 33 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 \$9.4 million of the total impairment related to operating lease right-of-use assets that had been recorded in 2019 upon adoption of new accounting guidance for leases codified in Accounting Standards Topic 842, while \$7.8 million related to impairments of land, building, leasehold improvements and finance leases. The impairments by individual property varied in amount, ranging from the largest individual impairment of \$1.3 million to less than \$5,000.

An impairment of \$3.3 million was recognized during the three and six months ended June 30, 2020 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.

<b>Other Income and Expense Items</b>	<b>Three months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>	<b>Six months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>	
	(In millions)					
Interest expense, net	\$ 15.7	\$ 17.1	\$ 1.4	\$ 32.2	\$ 32.3	\$ 0.1
Amortization of intangible assets	2.7	2.8	0.1	5.4	5.6	0.2
(Gain) loss on disposition of assets	(0.0)	1.8	1.8	0.1	1.5	1.4
Total	\$ 18.4	\$ 21.7	\$ 3.3	\$ 37.7	\$ 39.4	\$ 1.7

#### Interest expense, net

We had no borrowings outstanding under our Credit Facility during the three months ended June 30, 2021, whereas we had \$220 million outstanding during the entire three months ended June 30, 2020. Accordingly, interest expense, net was lower for the 2021 period than the 2020 period. Interest expense, net for the six months ended June 30, 2021 was slightly lower than the same period of the prior year, as borrowings under our Credit Facility were outstanding for fewer days in the 2021 period than the 2020 period. We borrowed \$220.0 million during the third week of March 2020 and that amount remained outstanding until it was repaid the first week of March 2021. See "Liquidity and Capital Resources" for additional discussion related to our Credit Facility.

#### Loss on disposition of assets

There were no individually significant losses or gains on disposition of assets during the three and six months ended June 30, 2021. The loss on disposition of assets for the three and six months ended June 30, 2020 primarily related to termination of 13 IHOP restaurant leases.

#### Income Taxes

	<b>Three months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>	<b>Six months ended June 30,</b>		<b>Favorable (Unfavorable) Variance</b>
	<b>2021</b>	<b>2020</b>		<b>2021</b>	<b>2020</b>	
	(In millions)					
Income (loss) before income taxes	\$ 38.7	\$ (146.8)	\$ 185.4	\$ 62.7	\$ (117.7)	\$ 180.4
Income tax provision (benefit)	\$ 9.3	\$ (12.0)	\$ (21.3)	\$ 7.7	\$ (5.3)	\$ (13.0)
Effective tax rate	24.0 %	8.2 %	(15.9)%	12.3 %	4.5 %	(7.8)%

Our income tax provision or benefit will vary from period to period in our normal course of business for two reasons: a change in income (loss) before income taxes and a change in the effective tax rate. Changes in our income (loss) before income taxes were addressed in the preceding sections of "Consolidated Results of Operations - Comparison of the Three and Six Months Ended June 30, 2021 and 2020."

Our effective tax rate for the three and six months ended June 30, 2021 was significantly different than the rate of the prior comparable period and the statutory federal tax rate of 21% primarily due to the one-time recognition of excess tax benefits on stock-based compensation related to the departure of our previous chief executive officer in the first quarter of 2021 and the impairment of goodwill in the second quarter of 2020 which was not deductible for income tax purposes and therefore had no associated tax benefit.

## Liquidity and Capital Resources

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 established a new revolving financing facility, the 2019-1 Variable Funding Senior Notes, Class A-1 (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-2 Notes and the Credit Facility are referred to collectively herein as the "New Notes." The New Notes were issued in a securitization transaction pursuant to which substantially all the domestic revenue-generating assets and domestic intellectual property 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.

While the 2019 Class A-2 Notes are outstanding, payment of principal and interest is required to be made on the 2019 Class A-2 Notes on a quarterly basis. The quarterly principal payment totaling \$3.25 million 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. The leverage ratio is not a maintenance covenant and exceeding the leverage ratio of 5.25x does not violate any covenant related to the New Notes. The complete definitions of all calculation elements of the leverage ratio are contained in the Base Indenture, dated as of September 30, 2014, amended and restated as of June 5, 2019 (the "Base Indenture"), as supplemented by 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"). In general, the leverage ratio is our indebtedness (as defined in the Indenture) divided by adjusted EBITDA (as defined in the Indenture) for the four preceding quarterly periods.

As of June 30, 2021, our leverage ratio was 4.94x. As a result, quarterly principal payments on the 2019 Class A-2 Notes will no longer be required after the scheduled \$3.25 million principal payment is made on September 7, 2021.

The Company may voluntarily repay the 2019 Class A-2 Notes at any time; however, if we repay the 2019 Class A-2 Notes prior to certain dates we would be required to pay make-whole premiums. As of June 30, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-I Notes was approximately \$22 million; this amount declines each quarter to zero in June 2022. As of June 30, 2021, the make-whole premium associated with voluntary prepayment of the Class A-2-II Notes was approximately \$57 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 derivatives embedded in the New Notes that must be bifurcated for separate valuation. We estimated the fair value of these derivatives to be immaterial as of June 30, 2021, based on the probability-weighted discounted cash flows associated with either event.

### 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, 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

Our DSCR for the reporting period ended June 30, 2021 was approximately 4.6x.

During the second quarter of 2020, we voluntarily increased the interest reserve set aside for our securitized debt from the required \$16.4 million to \$32.8 million, which represented an estimated six months of interest and fees related to the 2019 Class A-2 Notes and the Credit Facility. In April 2021, we reduced the balance of the interest reserve to \$16.4 million, the required three months of interest and fees related to the 2019 Class A-2 Notes and the Credit Facility.

### Use of Credit Facilities

In March 2020, the Co-Issuers drew down a total of \$220.0 million from the Credit Facility. The \$220.0 million borrowing was repaid on March 5, 2021. 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 six months ended June 30, 2021 was 2.4%; there were no Credit Facility borrowings outstanding during the three months ended June 30, 2021.

At June 30, 2021, there were no outstanding borrowings under the Credit Facility. At June 30, 2021, \$3.3 million was pledged against the Credit Facility for outstanding letters of credit, leaving \$221.7 million available for borrowing. The letters of credit are used primarily to satisfy insurance-related collateral requirements.

### Capital Allocation

We evaluate dividend payments on common stock and repurchases of common stock within the context of our overall capital allocation strategy with our Board of Directors on an ongoing basis, giving consideration to our current and forecast earnings, financial condition, cash requirements and other factors. To maintain financial flexibility in light of the COVID-19 pandemic, we have not declared any dividends after the first quarter of 2020 and have suspended repurchasing our common stock. We will continue to evaluate our capital allocation strategy in consideration of, among other things, resurgence of COVID-19 infections due to variants of the virus and changes in the percentage of the population that is fully vaccinated, as well as overall industry conditions.

### Dividends

Dividends declared and paid per share for the three and six months ended June 30, 2021 and 2020 were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Dividends declared per common share	\$ —	\$ —	\$ —	\$ 0.76
Dividends paid per common share	\$ —	\$ 0.76	\$ —	\$ 1.45

### Stock Repurchases

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.

The Company did not repurchase any shares during three and six months ended June 30, 2021. We did not repurchase any shares during the three months ended June 30, 2020 and repurchased 459,899 shares during the six months ended June 30, 2020. As of June 30, 2021, cumulative repurchases of stock total 1,697,597 shares at a cost of \$129.8 million, with \$70.2 million remaining for repurchase under the 2019 Repurchase Program.

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 2 for detail on this stock repurchase activity during the second quarter of 2021.

### Cash Flows

In summary, our cash flows for the six months ended June 30, 2021 and June 30, 2020 were as follows:

	Six months ended June 30,		Variance
	2021	2020	
	(In millions)		
Net cash provided by (used in) operating activities	\$ 106.0	\$ (10.5)	\$ 116.5
Net cash provided by investing activities	6.3	2.1	4.2
Net cash (used in) provided by financing activities	(220.4)	178.4	(398.8)
Net (decrease) increase in cash, cash equivalents and restricted cash	\$ (108.1)	\$ 170.0	\$ (278.1)

### Operating Activities

Cash provided by operating activities increased \$116.5 million during the six months ended June 30, 2021 compared to the same period of the prior year. Our net income plus the non-cash reconciling items shown in our statements of cash flows (primarily closure and impairment charges, depreciation, deferred taxes and stock-based compensation) increased \$41.5 million from 2020. This was primarily due to an increase in gross profit and the recognition of excess tax benefits on stock-based compensation, partially offset by an increase in G&A expenses, each of which was discussed in preceding sections of the MD&A. Net changes in working capital provided cash of \$37.7 million during the six months ended June 30, 2021 compared to using cash of \$37.4 million during the same period of the prior year, a favorable change of \$75.1 million. The favorable change in working capital was primarily due to an increase in cash from trade receivables and the timing of marketing disbursements. As discussed under “*Update on COVID-19 Pandemic Actions*,” during the first six month ended June 30, 2020, we allowed our Applebee’s and IHOP franchisees to defer approximately \$58 million of payments for royalty, advertising and other fees, adversely impacting our net change in working capital for that period. During the six months ended June 30, 2021, we collected approximately \$25 million in repayments of those deferrals.

### Investing Activities

Investing activities provided net cash of \$6.3 million for the six months ended June 30, 2021. Principal receipts from notes, equipment contracts and other long-term receivables of \$9.7 million and proceeds from asset sales of \$0.9 million were partially offset by capital expenditures of \$4.1 million. Investing activities provided net cash of \$2.1 million for the six months ended June 30, 2020. The variance between the two periods primarily was due to a decrease in capital expenditures during the six months ended June 30, 2021 compared to the same period of the prior year.

### Financing Activities

Financing activities used net cash of \$220.4 million for the six months ended June 30, 2021. As discussed above under “*Use of Credit Facilities*,” we repaid \$220.0 million borrowed from our Credit Facility. We also made payments totaling \$11.7 million on long-term debt and capital lease obligations and paid \$9.7 million for taxes withheld for vesting of restricted stock units. We had a net cash inflow of approximately \$21.1 million related to equity compensation awards.

Financing activities provided net cash of \$178.4 million for the six months ended June 30, 2020, primarily due to borrowing of \$220.0 million from our Credit Facility to increase our financial flexibility in light of current market conditions and uncertainty due to the COVID-19 outbreak. We also had a net cash inflow of approximately \$18.2 million related to equity

compensation awards. These financing inflows were partially offset by cash dividends paid on our common stock totaling \$23.9 million, repurchases of our common stock totaling \$29.9 million and repayments of finance lease obligations of \$6.0 million.

### Cash and Cash Equivalents

Our total cash balances as of June 30, 2021 and December 31, 2020 were as follows:

	June 30, 2021		December 31, 2020
	(In millions)		
Cash and cash equivalents	\$ 259.5	\$	383.4
Restricted cash, current	72.1		39.9
Restricted cash, non-current	16.4		32.8
Total	<u>\$ 348.0</u>	<u>\$</u>	<u>456.1</u>

Cash and cash equivalents include \$76.2 million and \$71.6 million of cash held for gift card programs and advertising funds as of June 30, 2021 and December 31, 2020, respectively. The decrease in cash and cash equivalents between December 31, 2020 and June 30, 2021 was due to the repayment of \$220.0 million discussed above under “*Use of Credit Facilities*,” offset by cash provided by operating activities during the six months ended June 30, 2021.

We believe that our unrestricted cash and cash equivalents on hand, cash flow from operations, and the \$221.7 million of borrowing capacity available under our Credit Facility will provide us with adequate liquidity for the next twelve months.

### **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 assessment of, among other things, payment of cash dividends on 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:

	Six months ended June 30,		
	2021	2020	Variance
	(In millions)		
Cash flows provided by (used in) operating activities	\$ 106.0	\$ (10.5)	\$ 116.5
Receipts from notes and equipment contracts receivable	5.4	5.5	(0.1)
Additions to property and equipment	(4.1)	(7.4)	3.3
<b>Adjusted free cash flow</b>	<u>\$ 107.3</u>	<u>\$ (12.4)</u>	<u>\$ 119.7</u>

### **Off-Balance Sheet Arrangements**

We have obligations for guarantees on certain franchisee lease agreements, as disclosed in Note 15 - Commitments and Contingencies, of Notes to Consolidated Financial Statements of Part I, Item 1 of this Form 10-Q. Other than such guarantees, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4) of SEC Regulation S-K as of June 30, 2021.

### **Contractual Obligations and Commitments**

As discussed above, in March 2021, we repaid \$220 million of borrowings outstanding under our Credit Facility. Other than this transaction, there were no material changes to the contractual obligations table as disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions affecting the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenues and expenses in the reporting period. We base our estimates and assumptions on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. We continually review the estimates and underlying assumptions to ensure they are appropriate for the circumstances. Accounting assumptions and estimates are inherently uncertain and actual results may differ materially from our estimates.

A summary of our critical accounting estimates is included in Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2020. During the six months ended June 30, 2021, there were no significant changes in our critical accounting policies or in our critical accounting estimates.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The following change from the information contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 took place during the six months ended June 30, 2021:

#### ***Interest Rate Risk***

We are only exposed to interest rate risk on borrowings we make under our Credit Facility, borrowings from which are subject to variable interest rates. As of June 30, 2021, we have no borrowings outstanding under the Credit Facility and currently are not exposed to interest rate risk.

### **Item 4. Controls and Procedures.**

#### **Disclosure Controls and Procedures.**

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting.**

There have been no changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



**Part II. OTHER INFORMATION****Item 1. 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 1A. Risk Factors.**

There are no material changes from the risk factors set forth under Item 1A of Part I of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.****Purchases of Equity Securities by the Company**

Period	Total number of shares purchased (a)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (b)	Approximate dollar value of shares that may yet be purchased under the plans or programs (b)
April 5, 2021 - May 2, 2021	402	\$ 92.34	—	\$ 70,200,000
May 3, 2021 - May 30, 2021	840	97.05	—	\$ 70,200,000
May 31, 2021 - July 4, 2021	697	90.94	—	\$ 70,200,000
	<u>1,939</u>	<u>\$ 93.88</u>	<u>—</u>	<u>\$ 70,200,000</u>

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

<sup>(b)</sup> In February 2019, the Company's 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.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

*†10.1	<a href="#">Employment Agreement, dated May 10, 2021, by and between the Registrant and Vance Y. Chang</a>
*†10.2	<a href="#">Dine Brands Global, Inc. 2019 Stock Incentive Plan Restricted Stock Award Agreement - Employees - 4-year Ratable Vesting</a>
*31.1	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>
*31.2	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.</a>
*32.1	<a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</a>
*32.2	<a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**</a>
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 Quarterly 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.



## EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made effective as of May 10, 2021 by and between Dine Brands Global, Inc., a Delaware corporation (the “**Corporation**”), and Vance Y. Chang (the “**Executive**”).

**WHEREAS**, the Corporation desires to employ Executive on the terms and conditions set forth in this Agreement; and

**WHEREAS**, the Executive is willing to render services to the Corporation on the terms and conditions set forth in this Agreement.

**NOW, THEREFORE**, in consideration of the premises and the mutual terms and conditions hereof, the Corporation and the Executive hereby agree as follows:

1. **Employment.** The Corporation hereby employs the Executive and the Executive hereby accepts employment with the Corporation upon the terms and conditions hereinafter set forth.
2. **Exclusive Services.** The Executive shall devote all necessary working time, ability and attention to the business of the Corporation during the term of this Agreement and shall not, directly or indirectly, render any material services to any business, corporation, or organization whether for compensation or otherwise, without the prior knowledge and written consent of the Board of Directors of the Corporation (hereinafter referred to as the “**Board**”). During this Agreement, the Executive may (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive’s responsibilities as an employee of the Corporation in accordance with this Agreement and any service on public company boards of directors is approved in advance by the Board. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the effective date of this Agreement, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the effective date of this Agreement shall not thereafter be deemed to interfere with the performance of the Executive’s responsibilities to the Corporation.
3. **Duties.** The Executive is hereby employed as the Chief Financial Officer (hereinafter referred to as the “**CFO**”) of the Corporation and shall render services at the business office of the Corporation to which the Executive is assigned. The Executive shall have such authority and shall perform such duties as are described in **Exhibit A** attached hereto.
4. **Term.** This Agreement shall have an initial term of three years commencing as of June 14, 2021 (the “**Start Date**”). This Agreement is subject to earlier termination as hereinafter provided.
5. **Compensation.** As compensation for services rendered under this Agreement, the Executive shall be entitled to receive the following:

a. **Base Salary.** The Executive shall be paid a base salary of at least \$500,000 per year, payable in 26 equal bi-weekly installments during the term of this Agreement, prorated for any partial employment month. Such base salary (“**Base Salary**”) shall be reviewed by the Compensation Committee of the Board (the “**Compensation Committee**”) no less frequently than annually. The Base Salary may be increased by the Compensation Committee in its discretion, subject to ratification by the Board. The Base Salary may not be decreased, except in the event of an across the board salary reduction approved by the Board affecting employees of the Corporation at the Chief Officer Level (as defined in **Section 6(a)**, below).

b. **Additional Compensation.** The Executive shall be paid such additional compensation and bonuses as may be determined and authorized in the discretion of the Compensation Committee, subject to ratification by the Board. The Executive’s target bonus, to be payable under the Corporation’s annual incentive plan, shall be 75% of the Executive’s Base Salary. Executive will be eligible to participate in the incentive plan for 2021, with no pro-ration.

c. **Sign-on Restricted Stock Award.** The Executive will receive a one-time equity award of \$800,000 of restricted stock (“RSA”), which will be granted on the 15th of the month following the Start Date (or the next business day if the 15th is not a business day) under the current stock incentive plan for the Corporation. Each RSA represents the right to receive one share of the Corporation’s stock provided Executive remains employed through the vesting date. The number of RSAs awarded will be determined by dividing \$800,000 by the closing price of the Corporation’s common stock on the grant date. Provided that Executive is continuously employed by the Corporation through each vesting date, the award will vest ratably over 4 years, with 25% of the award vesting upon each anniversary of the grant date.

d. **Sign-on Long-term Incentive Award.** The Executive will receive a fiscal year 2021 long term incentive award of \$600,000, which will be granted on the 15th of the month following the Start Date (or the next business day if the 15th is not a business day) under the current stock incentive plan for the Corporation and form of award agreements used in connection therewith. The award will be provided 34% in the form of Stock Options, 33% in Restricted Stock and 33% in the Cash Long-term Incentive Plan.

6. **Benefits.** In addition to the compensation to be paid to the Executive pursuant to **Section 5** hereof, the Executive shall further be entitled to receive the following:

a. **Participation in Employee Plans.** The Executive shall be entitled to participate in any health, disability, life insurance, pension, retirement, profit sharing, executive bonus, long term incentive, or deferred compensation plan or any other perquisites and fringe benefits that may be extended generally from time to time to employees of the Corporation at the Chief Officer Level. For purposes of this Agreement, employees of the Corporation at the “**Chief Officer Level**” shall mean the Chief Executive Officer, the Chief Financial Officer, the President of Applebee’s, the

President of IHOP, and such other employees of the Corporation as may from time to time be designated as being at the Chief Officer Level by the Board.

b. **Vacation.** The Executive shall be entitled to vacation in accordance with the Corporation's vacation or paid time off policy as in effect from time to time for employees of the Corporation at the Chief Officer Level.

c. **Equity and Long-Term Incentive Awards.** The Executive shall be entitled to equity and other long-term incentive awards that may be extended generally from time to time to employees of the Corporation at the Chief Officer Level, as approved by the Compensation Committee or the Board, subject to the terms and conditions of the respective equity and long-term incentive compensation plans and award agreements and the provisions of this Agreement.

7. **Reimbursement of Expenses.** Subject to such rules and procedures as from time to time are specified by the Corporation, the Corporation shall reimburse the Executive for reasonable business expenses incurred in the performance of the Executive's duties under this Agreement.

8. **Confidentiality/Trade Secrets.** The Executive acknowledges that the Executive's position with the Corporation is one of the highest trust and confidence both by reason of the Executive's position and by reason of the Executive's access to and contact with the trade secrets and confidential and proprietary business information of the Corporation. Both during the term of this Agreement and thereafter, the Executive covenants and agrees as follows:

a. The Executive shall use best efforts and exercise reasonable diligence to protect and safeguard the trade secrets and confidential and proprietary information of the Corporation, including but not limited to any non-public strategies, business plans, marketing and advertising plans, the identity of its customers and suppliers, its arrangements with customers and suppliers, and its technical and financial data, records, compilations of information, processes, recipes and specifications relating to its customers, suppliers, products and services;

b. The Executive shall not disclose any of such trade secrets and confidential and proprietary information, except as may be required in the course of the Executive's employment with the Corporation or by law; and

c. The Executive shall not use, directly or indirectly, for the Executive's own benefit or for the benefit of another, any of such trade secrets and confidential and proprietary information.

All original and any copies of files, records, documents, emails, drawings, specifications, memoranda, notes, or other documents relating to the business of the Corporation, including printed, electronic or digital copies thereof, whether prepared by the Executive or otherwise coming into the Executive's possession, shall be the exclusive property of the Corporation and shall be delivered to the Corporation and not retained by the Executive upon termination of the

Executive's employment for any reason whatsoever or at any other time upon request of the Corporation's General Counsel or the Board.

9. **Discoveries.** The Executive covenants and agrees to fully inform the Corporation of and disclose to the Corporation all inventions, designs, improvements, discoveries, and processes ("**Discoveries**") that the Executive has now or may hereafter have during the Executive's employment with the Corporation and that pertain or relate to the business of the Corporation, including but not limited to the operation and franchising of restaurants, or to any experimental work, products, services, or processes of the Corporation in progress or planned for the future, whether conceived by the Executive alone or with others, and whether or not conceived during regular working hours or in conjunction with the use of any Corporation assets. The Executive will hold in trust for the sole right and benefit of the Corporation, and will transfer, convey, release and assign to the Corporation all of the Executive's right, title, and interest, if any, in and to any and all Discoveries, whether or not patentable or registrable under copyright or similar laws, that the Executive has solely or jointly conceived or developed or reduced to practice, or caused to be conceived or developed or reduced to practice, during the period of time that the Executive is employed with the Corporation.

Notwithstanding the foregoing, the Executive is not required to assign, or offer to assign, to the Corporation any invention that fully qualifies under California Labor Code Section 2870, which section is reproduced below:

- “(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
- (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
  - (2) Result from any work performed by the employee for the employer.
- (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.”

The Executive will assist the Corporation, or its designee, at the Corporation's expense, in every proper way to secure and enforce the Corporation's rights in the Discoveries as set forth above and any copyrights, patents, mask work rights or other intellectual property rights relating

thereto in any and all countries, including the disclosure to the Corporation of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Corporation shall deem necessary in order to apply for, obtain and maintain such rights and in order to assign and convey to the Corporation, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to such Discoveries, and any copyrights, patents, mask work rights or other intellectual property rights relating thereto. The Executive will execute or cause to be executed, when it is in the Executive's power to do so, any such instrument or papers and such obligation shall continue after the termination of Executive's employment. If the Corporation is unable because of the Executive's mental or physical incapacity or for any other reason to secure the Executive's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Discoveries assigned to the Corporation as set forth above, then the Executive hereby irrevocably designates and appoints the Corporation and its duly authorized officers and agents as the Executive's agent and attorney in fact, to act for and in the Executive's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations thereon with the same legal force and effect as if executed by the Executive.

10. **Non-Competition During Employment.** The Executive covenants and agrees that during the period of the Executive's employment, the Executive shall not, without the prior written consent of the Chief Executive Officer of the Corporation (the "CEO") and the Board, directly or indirectly, as an employee, employer, consultant, agent, principal, partner, shareholder, corporate officer, director, or through any other kind of ownership (other than ownership of securities of publicly held corporations of which the Executive owns less than 5% of any class of outstanding securities) or in any other representative or individual capacity, engage in or render any services to any business in North America engaged in the casual dining restaurant industry, the family dining restaurant industry, or in any other segment of the restaurant industry in which the Corporation or any subsidiary of the Corporation may become involved after the date hereof and prior to the date of termination of the Executive's employment.

11. **Non-Solicitation During Employment.** The Executive agrees that during the period of the Executive's employment, the Executive will not, either directly or indirectly, for the Executive or for any third party, except as otherwise agreed to in writing by the then CEO, solicit, induce, recruit, or cause any other person who is then employed by the Corporation to terminate his/her employment for the purpose of joining, associating, or becoming employed with any business or activity that is engaged in the casual dining restaurant industry, the family dining restaurant industry or any other segment of the restaurant industry in which the Corporation may become involved after the date hereof and prior to the date of any termination of employment.

12. **Remedies for Breach of Covenants of the Executive.**

a. The Corporation and the Executive specifically acknowledge and agree that the foregoing covenants of the Executive in **Sections 8, 9, 10 and 11** are reasonable



in content and scope and are given by the Executive for adequate consideration. The Corporation and the Executive further acknowledge and agree that, if any court of competent jurisdiction or other appropriate authority shall disagree with the parties' foregoing agreement as to reasonableness, then such court or other authority shall reform or otherwise construe the foregoing covenants as reason dictates.

b. The covenants set forth in **Sections 8 and 9** of this Agreement, as provided in **Section 13 or 14**, shall continue to be binding upon the Executive, notwithstanding the termination of the Executive's employment with the Corporation for any reason whatsoever. Such covenants shall be deemed and construed as separate agreements independent of any other provisions of this Agreement and any other agreement between the Corporation and the Executive. The existence of any claim or cause of action by the Executive against the Corporation, unless predicated on this Agreement, shall not constitute a defense to the enforcement by the Corporation of any or all such covenants. It is expressly agreed that the remedy at law for the breach of any such covenant is inadequate and injunctive relief and specific performance shall be available to prevent the breach or any threatened breach thereof.

c. If the Executive breaches any of the covenants set forth in **Sections 8, 9, 10 and 11** of this Agreement, the Executive shall reimburse the Corporation for (i) any long-term incentive compensation received by the Executive from the Corporation during the 12-month period preceding the breach, and (ii) any profits realized from the sale of securities of the Corporation during such 12-month period.

13. **Termination.** This Agreement (other than **Sections 8 and 9**, as provided in **Section 13 or 14**, which shall survive any termination hereof for any reason, including the expiration hereof due to non-renewal (an "**Expiration**")) may be terminated as follows:

a. The Corporation may terminate this Agreement and the Executive's employment hereunder at any time, with or without Cause, upon written notice to the Executive. The Executive may terminate this Agreement and the Executive's employment hereunder, at any time, with or without Good Reason.

b. In the event of termination by the Corporation without Cause or by the Executive for Good Reason, which shall not include a termination due to the Executive's death or Disability, (i) the effective date thereof shall be stated in a written notice from the Board or the Executive, as the case may be, to the other party, which in the case of a termination for Good Reason shall not be earlier than 30 days from the date such written notice is delivered, and (ii) the Executive shall be entitled to receive (1) within 10 business days following the effective date of such termination the payment of that portion of the Executive'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 Executive, any incurred but unreimbursed expenses owed to the Executive in accordance with the Corporation's policy or this Agreement, and any accrued but unused vacation pay owed to the Executive in accordance with the Corporation's policy (the

“**Accrued Obligations**”) and (2) all amounts arising from the Executive’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**”). In addition, subject to the Executive’s entering into and not revoking the General Release (the “**Release**”) set forth in **Exhibit B** attached hereto within 30 days after the effective date of termination (i) the Executive shall be entitled to receive all Severance Payments under **Section 13(g)**; (ii) any unvested stock options, stock appreciation rights, restricted stock awards, restricted stock units and any other equity-based awards held by the 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 the Executive’s termination will vest as of the day immediately preceding the effective date of termination; (iii) any unvested equity-based or long-term cash-based awards held by the Executive 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 Executive had the Executive remained employed through the end of the applicable performance period, based on actual performance during such performance period; and (iv) any stock options or stock appreciation rights held by the Executive shall remain exercisable until the earlier of 12 months after the date of termination or their original expiration date. The Severance Payment under **Section 13(g)(i)** shall be made to the Executive within 30 days after the effective date of termination so long as Executive has entered into and not revoked the Release; provided that if such 30-day period straddles two consecutive calendar years, payment shall be made in the second of such years.

c. The Executive’s employment shall terminate automatically upon the Executive’s death. Upon the Disability of the Executive, the Corporation may give to the Executive written notice of its intention to terminate the Executive’s employment. In such event, the Executive’s employment with the Corporation shall terminate effective on the 30th day after receipt of such notice by the Executive, provided that, within the 30 days after such receipt, the Executive shall not have returned to perform, with or without reasonable accommodation, the essential functions of his or her position. For purposes of this Agreement, “**Disability**” shall mean the Executive’s inability to perform, with or without reasonable accommodation, the essential functions of his or her position hereunder for a period of 180 consecutive days (or 180 days within any period of 12 consecutive months) due to mental or physical incapacity, as determined by mutual agreement of a physician selected by the Corporation or its insurers and a physician selected by the Executive; provided, however, if the opinion of the Corporation’s physician and the Executive’s physician conflict, the Corporation’s physician and the Executive’s physician shall together agree upon a third physician, whose opinion shall be binding. In the event the Executive’s employment terminates due to death or Disability, the Corporation shall pay to the Executive (i) the Accrued Obligations, (ii) the Other Benefits and (iii) an amount equal to the annual bonus payout for the Executive for such fiscal year based on actual Corporation performance for such fiscal year, prorated

pursuant to the terms of the Corporation's annual bonus plan and payable at the time the annual bonus would have been paid to the Executive had Executive remained employed through the end of such fiscal year.

d. In the event of termination by the Corporation with Cause, the Executive shall be entitled to receive only the Accrued Obligations and Other Benefits.

e. The following shall constitute "**Cause**":

(i) The willful failure by the Executive to substantially perform the Executive's duties with the Corporation (other than any such failure resulting from the Executive's incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties; or

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

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

(iv) The Executive's conviction or plea of no contest to a felony or a crime of moral turpitude.

For purposes of this **subsection e.**, no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without the reasonable belief that the Executive's action or omission was in the best interest of the Corporation. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of a majority of the non-employee members of the Board at a meeting of such members (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before such members of the Board), finding that the Executive has engaged in the conduct set forth above in this **subsection e.** and specifying the particulars thereof in detail.

f. The Executive shall have "**Good Reason**" to effect a termination in the event that the Corporation (i) breaches its obligations to pay any salary, benefit or bonus due hereunder, (ii) assigns to the Executive any duties inconsistent with the Executive's position with the Corporation or significantly and adversely alters the nature or status of the Executive's responsibilities or the conditions of the Executive's employment, such as the Executive no longer reporting to the Chief Executive Officer of the Corporation, or

(iii) reduces the Executive's base salary and/or 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) or (iii), the Executive has given written notice to the Board as to the details of the basis for such Good Reason within 30 days following the date on which the Executive 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 180 days after the initial existence of the facts or circumstances constituting Good Reason. In the event of a termination by the Executive with Good Reason, the Executive will be entitled to all Severance Payments under **Section 13(g)**.

g. The "**Severance Payments**" consist of the following and, subject to **subsection h. of Section 20**, shall be paid as follows: (i) an amount, in one lump sum, equal to one times the sum of (A) the Executive's annual Base Salary, at the then current effective annual rate, plus (B) the average of the Executive's actual bonus attributable, as applicable, to the preceding fiscal year or each of the preceding two or three fiscal years, in each case depending upon the Executive's length of service; and (ii) the payment by the Corporation of premiums on behalf of the Executive, for coverage substantially similar to that provided under the Corporation's health and life insurance plans, at the same cost to the Executive as was effective immediately prior to termination, and for so long as the Executive elects to continue such coverage up to a 12-month period. To the extent that the Executive becomes covered under a health or life insurance plan maintained by a subsequent employer, the Executive shall cease to be covered under the same type of plan maintained by the Corporation. The Executive agrees to notify the Corporation within 30 days after similar health or life benefits become available to the Executive from a subsequent employer. The Executive shall not be entitled to a prorated bonus pursuant to **subsection b. of Section 5** for the year in which the Executive is terminated.

h. In the event of any termination of the Executive other than by the Executive for Good Reason, by the Corporation without Cause or due to the Executive's death or Disability, the Executive shall be entitled only to the Accrued Obligations and Other Benefits. In the event of any termination of the Executive, all amounts owed by the Executive to the Corporation for any reasons whatsoever will become immediately due and payable and the Corporation will transfer to the Executive any life insurance policy maintained by the Corporation for the Executive's benefit.

i. In the event of any termination of the Executive by the Executive for Good Reason or by the Corporation without Cause, the Corporation shall provide standard outplacement services at the expense of the Corporation, but not to exceed in total an amount equal to \$10,000, from an outplacement firm selected by the Corporation. In order to receive outplacement services, the Executive must begin utilizing the services within 90 days of his or her date of termination.

j. For purposes of clarity, in the event that the Executive's employment is terminated upon or after the expiration of this Agreement, the Executive shall be entitled to the Accrued Obligations and shall be eligible for severance benefits as a Participant (as defined therein) under the terms of the Corporation's Amended and Restated Executive Severance and Change in Control Policy (or any successor plan or policy thereof).

14. **Change in Control and Termination Thereafter.** If within 3 months prior to or 24 months following a Change in Control, as defined below, that occurs during the term of his Agreement, the employment of the Executive is terminated by the Corporation without Cause or by the Executive for Good Reason, whether or not the termination occurs during the term of this Agreement, which shall not include a termination due to the Executive's death or Disability, then the provisions of **Section 13** shall not apply and the following shall apply:

a. The Executive shall be entitled to receive all Accrued Obligations and Other Benefits. In addition, subject to **subsection h. of Section 20** and subject to the Executive's entering into and not revoking the Release within 30 days after the effective date of termination, the Executive shall receive the following: (i) a lump sum payment equal to two times the sum of (A) the Executive's Base Salary in effect immediately prior to the Change in Control, plus (B) the average of the Executive's actual bonus attributable, as applicable to the preceding fiscal year or each of the preceding two or three fiscal years, in each case depending upon the Executive's length of service; and (ii) a lump sum payment equal to the bonus to which the Executive would have been entitled under the Corporation's annual incentive plan for the then current fiscal year, determined based on actual performance for the full performance period, and prorated 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. The payment described in **clause (i) of this subsection a.** shall be made to the Executive within 30 days after the effective date of termination; provided that if such 30-day period straddles two consecutive calendar years, payment shall be made in the second of such years. The payment described in **clause (ii) of this subsection a.** shall be paid at the time the annual bonus would have been paid to the Executive had Executive remained employed through the last day of the applicable fiscal year.

b. The Corporation shall pay premiums on behalf of the Executive, for coverage substantially similar to that provided under the Corporation's health and life insurance plans, at the same cost to the Executive as was effective immediately prior to termination, and for so long as the Executive elects to continue such coverage up to a 24 month period. To the extent that the Executive becomes covered under a health or life insurance plan maintained by a subsequent employer, the Executive shall cease to be covered under the same type of plan maintained by the Corporation. The Executive agrees to notify the Corporation within 30 days after similar health or life benefits become available to the Executive from a subsequent employer.

c. Any unvested stock options, stock appreciation rights, restricted stock awards, restricted stock units, and other equity-based awards held by the Executive that

are subject only to service or time based vesting conditions (and not performance-based vesting conditions) will vest as of the day immediately preceding the effective date of termination 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 Executive 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, the Executive 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 the Executive 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 Executive's employment terminates in accordance with the terms and conditions of this Section 14(c) after a Change in Control, such performance-based awards shall become immediately and fully vested, and shall be paid to the Executive not later than 30 days after the date of such termination.

d. If the Executive dies after signing the Release and prior to receiving Severance Payments to which Executive is entitled pursuant to this Agreement, payment shall be made to the beneficiary designated by the Executive to the Corporation or, in the event of no designation of beneficiary, then to the estate of the deceased Executive.

15. **Definition of Change in Control.** A "Change in Control" shall be deemed to have occurred if:

a. 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 Corporation 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 of this Agreement 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; or

b. during any period of two consecutive years (not including any period prior to the effective date of this Agreement), individuals who at the beginning of such period constitute the 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 a., c. or d. of this Section 15) 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

c. 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

d. 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 a., b., c. or d.** 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 Code.

#### 16. **Parachute Payment Matters.**

Notwithstanding any other provision of this Agreement, if by reason of Section 280G of the Internal Revenue Code of 1986 (the "**Code**") any payment or benefit received or to be received by the Executive in connection with a Change in Control or the termination of the Executive's employment (whether payable pursuant to the terms of this Agreement ("**Contract Payments**") or any other plan, arrangements or agreement with the Corporation or an Affiliate (as defined below) (collectively with the Contract 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 Contract Payments shall be reduced and, if Contract Payments are reduced to zero, other Total Payments shall be reduced (in the reverse order in which they are due to be paid) 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 Executive after such reduction would exceed the net after-tax benefit received by the Executive if no such reduction was made. The foregoing determination and all determinations under this **Section 16** shall be made by the Accountants (as defined below). For purposes of this **Section 16**, "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 Executive (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 Executive shall have effectively waived in writing prior to the date of payment of any Contract 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 Contract 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 16**, 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.

17. **Arbitration of Disputes.**

a. Any dispute or claim arising out of or relating to this Agreement or any termination of the Executive’s employment, other than with respect to **Sections 8 through 12**, shall be settled by final and binding arbitration in the greater Los Angeles metropolitan area in accordance with the Commercial Arbitration rules of the American Arbitration Association, and judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof.

b. Except as provided by applicable law, the fees and expenses of the arbitration panel shall be shared equally by the Executive and the Corporation.



c. Except as provided by applicable law, the prevailing party in any arbitration brought hereunder shall be entitled to an award of its costs (including expenses and attorneys' fees), incurred in such arbitration.

18. **No Mitigation.** The Executive shall have no duty to attempt to mitigate the level of benefits payable by the Corporation to the Executive hereunder, by seeking other employment or otherwise. To the extent that the Executive becomes covered under a health or life insurance plan maintained by a subsequent employer, the Corporation will discontinue the Executive's coverage; otherwise, the Corporation shall not be entitled to set off against the amounts payable hereunder any amounts received by the Executive from any other source, including any subsequent employer.

19. **Notices.** Any notices to be given hereunder by either party to the other may be effected either by personal delivery in writing or by mail, registered or certified, postage prepaid, with return receipt requested. Mailed notices shall be addressed as follows:

a. If to the Corporation:

Dine Brands Global, Inc.  
450 N. Brand Boulevard  
Glendale, CA 91203  
Attn: General Counsel

b. If to the Executive:

Vance Y. Chang  
3200 Patricia Avenue  
Los Angeles, CA 90064

Either party may change its address for notice by giving notice in accordance with the terms of this **Section 19**.

20. **General Provisions.**

a. **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.

b. **Invalid Provisions.** If any provision of this Agreement is held to be illegal, invalid, or unenforceable, then such provision shall be fully severable and this Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or

unenforceable provision or by its severance here from. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as a part of this Agreement a provision as similar in terms to such illegal, invalid, or unenforceable provision as may be possible and still be legal, valid or enforceable.

c. **Entire Agreement.** With the exception of the Release executed as a condition to receiving certain separation benefits hereunder, and all equity award agreements, this Agreement sets forth the entire understanding of the parties and supersedes all prior agreements or understandings, whether written or oral, with respect to the subject matter hereof and all agreements, acknowledgments, designations and directions of the Executive made or given under any Corporation policy statement or benefit program. No terms, conditions, warranties, other than those contained herein, and no amendments or modifications hereto shall be binding unless made in writing and signed by the parties hereto.

d. **Binding Effect.** This Agreement shall extend to and be binding upon and inure to the benefit to the parties hereto, their respective heirs, representatives, successors and assigns. This Agreement may not be assigned by the Executive, but may be assigned by the Corporation to any person or entity that succeeds to the ownership or operation of the business in which the Executive is primarily employed by the Corporation.

e. **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.

f. **Titles.** Titles of the paragraphs herein are used solely for convenience and shall not be used for interpretation or construing any work, clause, paragraph, or provision of this Agreement.

g. **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.

h. **Compliance with IRC Section 409A.** The following provisions shall apply to this Agreement with respect to Section 409A of the Code:

(i) The lump sum cash severance payments which are payable under clause (i) of **subsection g. of Section 13 and subsection a. of Section 14.** are intended to satisfy the short-term deferral exemption under Treasury Regulation Section 1.409A-1(b)(4) and shall be made not later than the last day of the applicable two and one-half month period with respect to such payment, within the meaning of Treasury Regulation Section 1.409A-1(b)(4).

(ii) If any provision of this Agreement (or of any award of compensation, including equity compensation or benefits) would cause the Executive to incur any additional tax or interest under Section 409A of the Code or any regulations or Treasury

guidance promulgated thereunder, the Corporation shall, after consulting with the Executive, reform such provision to comply with Section 409A of the Code, provided that the Corporation agrees to maintain, to the maximum extent practicable, the original intent and economic benefit the Executive of the applicable provision without violating the provisions of Section 409A of the Code.

(iii) Notwithstanding any provision to the contrary in this **subsection h.**, if Executive is deemed on the Termination Date to be a “specified employee” within the meaning of that term under Section 409A(a)(2)(B) of the Code, then with regard to any payment or the provision of any benefit that is required to be delayed in compliance with Section 409A(a)(2)(B) of the Code such payment or benefit shall not be made or provided (subject to the last sentence hereof) prior to the earlier of (A) the expiration of the six-month period measured from the date of the Executive’s “separation from service” (as such term is defined under Section 409A of the Code) or (B) the date of the Executive’s death (the “**Delay Period**”). Upon the expiration of the Delay Period, all payments and benefits delayed pursuant to this **subsection h.** (whether they would have otherwise been payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed the Executive in a lump sum, and any remaining payments and benefits due under this Agreement shall be paid or provided in accordance with the normal payment dates specified for them herein. Notwithstanding the foregoing, to the extent that the foregoing applies to the provision of any ongoing welfare benefits to the Executive that would not be required to be delayed if the premiums therefore were paid by Executive, the Executive shall pay the full cost of premiums for such welfare benefits during the Delay Period and the Corporation shall pay the Executive an amount equal to the amount of such premiums paid by the Executive during the Delay Period promptly after its conclusion.

i. **Withholding.** The Corporation may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulations.

**IN WITNESS WHEREOF**, the Corporation and the Executive have executed this Agreement as of the date and year first above written.

**THIS AGREEMENT CONTAINS AN ARBITRATION CLAUSE.**

**EXECUTIVE:**

**Dine Brands Global, Inc.:**

By: /s/ Vance Y. Chang  
Vance Y. Chang

By: /s/ Gregory R. Bever  
Gregory R. Bever  
Senior Vice President, Chief People Officer

**Exhibit A**

**Executive's Authorities and Duties**

Executive will serve as the Chief Financial Officer, reporting directly to the Chief Executive Officer of the Corporation, with duties, authorities and responsibilities commensurate with such title and office at the Corporation. Executive's services shall be performed at the Corporation's restaurant support center in Glendale, California.

**Exhibit B****General Release**

1. **General Release by Executive.** In consideration of the benefits provided under Section 13 or 14, as applicable of the Employment Agreement by and between Vance Y. Chang (“**Executive**”) and Dine Brands Global, Inc., a Delaware corporation (the “**Corporation**”), and subject to Section 2 below, Executive hereby releases and discharges forever the Corporation, and each of its divisions, affiliates and subsidiaries, and each of their present and former directors, officers, employees, trustees, agents, attorneys, administrators, plans, plan administrators, insurers, parent corporations, subsidiaries, divisions, related and affiliated companies and entities, shareholders, members, representatives, predecessors, successors and assigns, and all persons acting by, through, under or in concert with them (together with the Corporation, hereinafter collectively referred to as the “**Executive Released Parties**”), from and against all liabilities, claims, demands, liens, causes of action, charges, suits, complaints, grievances, contracts, agreements, promises, obligations, costs, losses, damages, injuries, attorneys’ fees, and other legal responsibilities (collectively referred to as “**Claims**”), of any form whatsoever, including, but not limited to, any claims in law, equity, contract, tort, or any claims under the California Labor Code, the California Civil Code, the California Business and Professions Code, the California Fair Employment and Housing Act, Title VII of the Civil Rights Act of 1964, as amended, the Americans With Disabilities Act, the Age Discrimination in Employment Act (“**ADEA**”), as amended by the Older Workers Benefit Protection Act of 1990 (29 U.S.C. §§ 621, *et seq.*), the Sarbanes-Oxley Act of 2002, the Employee Retirement Income Security Act of 1974, or any other local ordinance or federal or state statute, regulation or constitution, whether known or unknown, unforeseen, unanticipated, unsuspected or latent, which Executive or Executive’s successors in interest now own or hold, or have at any time heretofore owned or held, or may at any time own or hold by reason of any matter or thing arising from any cause whatsoever prior to the date of execution of this release, and without limiting the generality of the foregoing, from all claims, demands and causes of action based upon, relating to, or arising out of: (a) Executive’s employment relationship with the Corporation and/or any of the Executive Released Parties and the termination of that relationship; (b) Executive’s relationship as a shareholder, optionholder or holder of any interest whatsoever in any of the Executive Released Parties; (c) Executive’s relationship with any of the Executive Released Parties as a member of any boards of directors; and (d) any other type of relationship (business or otherwise) between Executive and any of the Executive Released Parties.

2. **Exclusions from General Release.** Notwithstanding the generality of Section 1, Executive does not release the following claims and rights:

- (a) Executive’s rights under this release;
- (b) Executive’s rights as a shareholder and option holder in the Corporation;

- (c) any claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law;
- (d) claims to continued participation in certain of the Corporation's group benefit plans pursuant to the terms and conditions of the federal law known as COBRA or the comparable California law known as Cal-COBRA;
- (e) any rights vested prior to the date of Executive's termination of employment to benefits under any Corporation-sponsored retirement or welfare benefit plan;
- (f) Executive's rights, if any, to indemnity and/or advancement of expenses pursuant to applicable state law, the Corporation's articles, bylaws or other corporate governance documents, and/or to the protections of any director' and officers' liability policies of the Corporation or any of its affiliates; and
- (g) any other right that may not be released by private agreement.
  - a. (collectively, the "**Executive Unreleased Claims**").

3. **Rights Under the ADEA.** Without limiting the scope of the foregoing release of Claims in any way, Executive certifies that this release constitutes a knowing and voluntary waiver of any and all rights or claims that exist or that Executive has or may claim to have under ADEA. This release does not govern any rights or claims that might arise under the ADEA after the date this release is signed by Executive. Executive acknowledges that: (a) the consideration provided pursuant to this release is in addition to any consideration that he would otherwise be entitled to receive; (b) he has been and is hereby advised in writing to consult with an attorney prior to signing this release; (c) he has been provided a full and ample opportunity to review this release, including a period of at least 21 days within which to consider it; (d) to the extent that Executive takes less than 21 days to consider this release prior to execution, Executive acknowledges that he had sufficient time to consider this release with counsel and that he expressly, voluntarily and knowingly waives any additional time; and (e) Executive is aware of his right to revoke this release at any time within the seven-day period following the date on which he executes the release and that the release shall not become effective or enforceable until the calendar day immediately following the expiration of the seven-day revocation period. Executive further understands that he shall relinquish any right he has to the consideration specified in this release if he exercises his right to revoke it, and shall instead receive only such consideration as provided in his employment agreement with the Corporation. Notice of revocation must be made in writing and must be received by the Senior Vice President, Chief People Officer of the Corporation, no later than 5:00 p.m. (Pacific Time) on the seventh calendar day immediately following the date on which Executive executes this release.

4. **Unknown Claims.** It is further understood and agreed that Executive waives all rights under Section 1542 of the California Civil Code and/or any statute or common law principle of similar effect in any jurisdiction with respect to any Claims other than the Executive Unreleased Claims. Section 1542 reads 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 HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”

Notwithstanding the provisions of Section 1542 or any statute or common law principle of similar effect in any jurisdiction, and for the purpose of implementing a full and complete release and discharge of all claims, Executive expressly acknowledges that this release is intended to include in its effect, without limitation, all claims which Executive does not know or suspect to exist in Executive’s favor at the time of execution hereof, and that the general release agreed upon contemplates the extinguishment of any such claims.

5. **Covenant Not To Sue.** Executive represents and covenants that he has not filed, initiated or caused to be filed or initiated, any Claim, charge, suit, complaint, grievance, action or cause of action against any of the Executive Released Parties. Except to the extent that such waiver is precluded by law, Executive further promises and agrees that he will not file, initiate, or cause to be filed or initiated any Claim, charge, suit, complaint, grievance, action, or cause of action based upon, arising out of, or relating to any Claim, demand, or cause of action released herein, nor shall Executive participate, assist or cooperate in any Claim, charge, suit, complaint, grievance, action or proceeding regarding any of the Executive Released Parties, whether before a court or administrative agency or otherwise, unless required to do so by law. The parties acknowledge that this release will not prevent the Executive from filing a charge with the Equal Employment Opportunity Commission (or similar state agency) or participating in any investigation conducted by the Equal Employment Opportunity Commission (or similar state agency); provided, however, that Executive acknowledges and agrees that any Claims by Executive, or brought on his behalf, for personal relief in connection with such a charge or investigation (such as reinstatement or monetary damages) would be and hereby are barred.

6. **No Assignment.** Executive represents and warrants that he has made no assignment or other transfer, and covenants that he will make no assignment or other transfer, of any interest in any Claim which he may have against the Executive Released Parties, or any of them.

7. **Indemnification of Executive Released Parties.** Executive agrees to indemnify and hold harmless the Executive Released Parties, and each of them, against any loss, claim, demand, damage, 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 Executive Released Parties to recover 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 Executive Released Parties under this indemnity.

8. **Non-Disparagement by Executive.** Executive agrees not to publish or disseminate, directly or indirectly, any statements, whether written or oral, or other verbal or non-verbal communications that clearly communicate an affirmative or negative response to a question or statement, that are or could be harmful to or reflect negatively on any of the Executive Released Parties and/or their businesses, or that are otherwise disparaging of any of the Executive Released Parties and/or their businesses, or any of their past or present or future officers, directors, employees, advisors, or agents in their capacity as such, or any of their policies, procedures, practices, decision-making, conduct, professionalism or compliance with standards. For avoidance of doubt, statements by Executive, which Executive reasonably and in good faith believes to be accurate and truthful, made to the Corporation, or its subsidiaries, affiliates or representatives pursuant to Executive's obligations under Section 10 hereof shall not be deemed a violation of this Section 8.

9. **Cooperation.** Executive agrees to cooperate fully with the Corporation and its subsidiaries and affiliates in transitioning his duties in response to reasonable requests for information about the business of the Corporation or its subsidiaries or affiliates or Executive's involvement and participation therein; 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 event 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, 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 Section 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 Section for which Executive has obtained prior, written approval

from the Corporation, and the Corporation shall pay Executive \$200.00 per hour for any services performed by Executive at the request of the Corporation pursuant to this Section 9.

10. **Truthful Testimony; Notice of Request for Testimony.** Nothing in this release 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 release 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.

DATE                      EXECUTIVE

\_\_\_\_\_

**DINE BRANDS GLOBAL, INC.  
2019 STOCK INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT**

**THIS RESTRICTED STOCK AWARD AGREEMENT** (the “Agreement”) is entered into as of \_\_\_\_\_ (the “Date of Grant”), by and between **DINE BRANDS GLOBAL, INC.**, a Delaware corporation (the “Company”), and \_\_\_\_\_ (the “Participant”).

**RECITALS:**

Pursuant to the Dine Brands Global, Inc. 2019 Stock Incentive Plan (the “Plan”), the Compensation Committee of the Board of Directors of the Company (the “Committee”), as the administrator of the Plan, has determined that the Participant is to be granted a Restricted Stock Award (the “Award”) pursuant to which the Participant shall receive shares of the Company’s common stock, on the terms and conditions set forth herein.

Any capitalized terms not defined herein shall have their respective meanings set forth in the Plan.

**AGREEMENT:**

In consideration of the foregoing and of the mutual covenants set forth herein and other good and valuable consideration, the parties hereto agree as follows:

1. **GRANT OF STOCK.** The Company hereby grants to Participant a Restricted Stock Award of \_\_\_\_\_ shares (the “Restricted Shares”) of common stock, \$.01 par value, of the Company (the “Common Stock”), subject to the terms and conditions set forth herein.

2. **RESTRICTIONS AND CONDITIONS.** Subject to the Participant’s continuous employment with the Company, the Restriction Period applicable to the Restricted Shares shall lapse, and the Restricted Shares shall become vested as to one-fourth (1/4) of the Restricted Shares subject to the Award on each of the first, second, third and fourth anniversaries of the Date of Grant. Except as provided in Section 3, the Restricted Shares will be forfeited as to the unvested portion of the Award if the Participant does not remain continuously in the employment of the Company through the specified lapsing dates set forth above. So long as the shares of Common Stock are subject to restrictions imposed under the Plan and the Agreement:

(a) the shares shall be held by a custodian in book entry form with restrictions on such shares duly noted or, alternatively, a certificate or certificates representing the Award shall be registered in the Participant’s name;

(b) all such certificates shall be deposited with the Company, together with stock powers or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate, which would permit transfer to the Company of all or a portion of the shares of Common Stock subject to the Award in the event the Award is forfeited in whole or in part;

(c) the record address of the holder of record of such shares shall be care of the Secretary of the Company at the Company's principal executive office;

(d) such shares shall bear a restrictive legend, as follows:

"The transferability of this certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture) of the Dine Brands Global, Inc. 2019 Stock Incentive Plan and a Restricted Stock Award Agreement entered into between the registered owner and Dine Brands Global, Inc. Copies of such Plan and Agreement are on file in the offices of Dine Brands Global, Inc.";

(e) such shares shall bear any additional legend which may be required pursuant to Section 5.6 of the Plan; and

(f) the Participant shall not be permitted to sell, transfer, pledge or assign the shares, except as described in Section 4 below.

As of each lapsing date set forth above or in Section 3, subject to the Company's right to require payment of any taxes as described in Section 8 below, the restrictions shall be removed from the requisite number of any shares of Common Stock that are held in book entry form, and all certificates evidencing ownership of the requisite number of shares of Common Stock shall be delivered to the Participant.

### 3. RIGHTS UPON TERMINATION OF EMPLOYMENT.

(a) Service Vesting. Except as otherwise provided in this Section 3, the Restricted Shares will be forfeited as to the unvested portion of the Award if the Participant does not remain continuously in the employment of the Company through the specified lapsing dates set forth in Section 2 above.

(b) Disability or Death. If the Participant's employment with the Company terminates due to Disability or death, the Restriction Period shall lapse in its entirety and the Restricted Shares shall become fully vested and nonforfeitable.

(c) Change in Control. If the Participant's employment with the Company is terminated within a period of twenty-four (24) months following a Change in Control (i) by the Company other than for Cause or (ii) by the Participant for Good Reason (as such terms are defined herein below or in the Plan), the Restriction Period shall lapse in its entirety and the Restricted Shares shall become fully vested and nonforfeitable.

4. NON-TRANSFERABILITY OF AWARD. The Award and this Agreement shall not be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company. Notwithstanding the foregoing, the Award and this Agreement may be transferable to the Participant's family members, to a trust or entity established by the Participant for estate planning purposes, to a charitable organization

designated by the Participant or pursuant to a qualified domestic relations order. Except as permitted by this Section 4, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights thereunder shall immediately become null and void.

5. DISPUTE RESOLUTION. The parties hereto will use their reasonable best efforts to resolve any dispute hereunder through good faith negotiations. A party hereto must submit a written notice to any other party to whom such dispute pertains, and any such dispute that cannot be resolved within thirty (30) calendar days of receipt of such notice (or such other period to which the parties may agree) will be submitted to an arbitrator selected by mutual agreement of the parties. In the event that, within fifty (50) days of the written notice referred to in the preceding sentence, a single arbitrator has not been selected by mutual agreement of the parties, a panel of arbitrators (with each party to the dispute being entitled to select one arbitrator and, if necessary to prevent the possibility of deadlock, one additional arbitrator being selected by such arbitrators selected by the parties to the dispute) shall be selected by the parties. Except as otherwise provided herein or as the parties to the dispute may otherwise agree, such arbitration will be conducted in accordance with the then existing rules of the American Arbitration Association. The decision of the arbitrator or arbitrators, or of a majority thereof, as the case may be, made in writing will be final and binding upon the parties hereto as to the questions submitted, and the parties will abide by and comply with such decision; provided, however, the arbitrator or arbitrators, as the case may be, shall not be empowered to award punitive damages. Unless the decision of the arbitrator or arbitrators, as the case may be, provides for a different allocation of costs and expenses determined by the arbitrators to be equitable under the circumstances, the prevailing party or parties in any arbitration will be entitled to recover all reasonable fees (including but not limited to attorneys' fees) and expenses incurred by it or them in connection with such arbitration from the non-prevailing party or parties.

6. NOTICES. Any notice required or permitted under this Agreement shall be deemed given when delivered either personally, by overnight courier, or when deposited in a United States Post Office, postage prepaid, addressed as appropriate, to the Participant either at his/her address set forth below or such other address as he or she may designate in writing to the Company, or to the Company: Attention: General Counsel (or said designee), at the Company's address or such other address as the Company may designate in writing to the Participant.

7. FAILURE TO ENFORCE NOT A WAIVER. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

8. WITHHOLDING. The Company shall have the right to require, prior to the issuance or delivery of any shares of Common Stock pursuant to the Award, payment by the Participant of any federal, state, local or other taxes which may be required to be withheld or paid in connection with the Award. The Company shall withhold whole shares of Common Stock which would otherwise be delivered to the Participant, having an aggregate Fair Market

Value determined as of the date the obligation to withhold or pay taxes arises in connection with an award (the "Tax Date"), or withhold an amount of cash which would otherwise be payable to the Participant, in the amount necessary to satisfy any such obligation, or the Participant may satisfy any such obligation by any of the following means: (i) a cash payment to the Company, (ii) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole shares of Common Stock having an aggregate Fair Market Value, determined as of the Tax Date, equal to the amount necessary to satisfy any such obligation, (iii) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the Tax Date, or withhold an amount of cash which would otherwise be payable to the Participant, in either case equal to the amount necessary to satisfy any such obligation or (iv) any combination of (i), (ii) and (iii). Shares of Common Stock to be delivered or withheld may not have an aggregate Fair Market Value in excess of the amount determined by applying the maximum individual statutory tax rate in the Participant's applicable jurisdiction; provided that the Company shall be permitted to limit the number of shares so withheld to a lesser number if necessary, in the judgment of the Committee, to avoid adverse accounting consequences or for administrative convenience. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the Participant.

9. INCORPORATION OF PLAN. The Plan is hereby incorporated by reference and made a part hereof, and the Award and this Agreement are subject to all terms and conditions of the Plan.

10. EMPLOYMENT. Neither the Plan, the granting of the Award, this Agreement nor any other action taken pursuant to the Plan shall confer upon any person any right to continued employment by or service with the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time without liability hereunder. For purposes of this Agreement, references to employment with the Company shall include employment or service with any Subsidiary of the Company.

11. AMENDMENT AND TERMINATION. The Board may amend the Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including any rule of the New York Stock Exchange, or any other stock exchange on which shares of Common Stock are traded; provided, however, that no amendment may impair the rights of the Participant without the consent of the Participant.

12. GOVERNING LAW. To the extent not otherwise governed by the Code or the laws of the United States, this Agreement shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

13. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

14. AWARDS SUBJECT TO CLAWBACK. The Award and any cash payment or shares of Common Stock delivered pursuant to the Award are subject to forfeiture, recovery by the Company or other action pursuant to this Agreement or any clawback or recoupment policy which the Company may adopt from time to time, including without limitation any such policy which the Company may be required to adopt under the Dodd-Frank Wall Street Reform and Consumer Protection Act and implementing rules and regulations thereunder, or as otherwise required by law.

15. DEFINED TERMS. As used in this Agreement, the following terms shall have the meanings set forth below:

(a) “Cause” shall mean as determined by the Company, (i) the willful failure by the Participant to substantially perform his or her duties with the Company (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 Company, monetarily or otherwise; (iii) 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 (iv) the Participant’s conviction or plea of no contest to a felony or a crime of moral turpitude.

(b) “Disability” shall mean that the Participant, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, is receiving income replacement benefits for a period of not less than three months under a long-term disability plan maintained by the Company or one of its Subsidiaries.

(c) The Participant shall have “Good Reason” to effect a voluntary termination of his or her employment in the event that the Company (i) breaches its obligations to pay any salary, benefit or bonus due to him or her, including its obligations under this Agreement, (ii) requires the Participant to relocate more than 50 miles from the Participant’s current, principal place of employment, (iii) assigns to the Participant any duties inconsistent with the Participant’s position with the Company 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 bonus opportunity, except for across-the-board reductions similarly affecting all similarly situated employees of the Company and all similarly situated employees of any corporation or other entity which is in control of the Company; and in the event of any of (i), (ii), (iii) or (iv), the Participant has given written notice to the Committee or the Board of Directors as to the details of the basis for such Good Reason within thirty (30) days following the date on which the Participant alleges the event giving rise to such Good Reason occurred, the Company has failed to provide a reasonable cure within thirty (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.

IN WITNESS WHEREOF, the parties have executed this Restricted Stock Award Agreement on the day and year first above written.

**COMPANY:**

DINE BRANDS GLOBAL, INC.

By: \_\_\_\_\_ John W. Peyton  
Chief Executive Officer

**PARTICIPANT:**

\_\_\_\_\_  
[Name]

\_\_\_\_\_  
Address

\_\_\_\_\_  
City/State/Zip



**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 Quarterly Report on Form 10-Q 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: 5th day of August, 2021

/s/ John W. Peyton  
\_\_\_\_\_  
John W. Peyton  
Chief Executive Officer  
(Principal Executive Officer)

**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 Quarterly Report on Form 10-Q 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: 5th day of August, 2021

\_\_\_\_\_  
/s/ Vance Y. Chang  
Vance Y. Chang  
Chief Financial Officer  
(Principal Financial Officer)

**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 Quarterly Report on Form 10-Q of Dine Brands Global, Inc. (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the 5th day of August, 2021 (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: 5th day of August, 2021

/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.

**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 Quarterly Report on Form 10-Q of Dine Brands Global, Inc. (the "Company") for the quarter ended June 30, 2021, as filed with the Securities and Exchange Commission on the 5th day of August, 2021 (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: 5th day of August, 2021

\_\_\_\_\_  
/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.