WESTPEAK RESEARCH ASSOCIATION

Analyst: Pranoy Debnath, BCom. '22
contact@westpeakresearch.com

Dine Brands Global, Inc. (NYSE:DIN)

Restaurants – Full-Service

"The Future Looks Fast-Casual Amidst Virus Gloom"

May 30, 2020

Dine Brands Global, Inc. is a leading full-service chain restaurant company responsible for developing, operating and franchising its two leading flagship restaurants, Applebee's Neighbourhood Grill & Bar and IHOP. The company owns or franchises over 3,600 restaurants across 21 countries.

Thesis – Call for more aggressive efforts following stable 2019 and severe coronavirus shock

Dine Brands recovered strongly in 2018 following a relatively poor performance in 2017 with regards to Applebee's in particular. However, the coronavirus deeply shocked the firm's stock price. The firm has established major plans regarding refranchising the company owned Applebee's stores, greater digital expansion and investments in existing restaurants. Through these, we can expect Dine Brands to hold their position and attain their goal of margin increases alongside "value" creation and positive net unit growth in the long term, even though the projected growth rate is expected to rise at a slower pace.

Drivers – Consumer Income, Demand & Operational Efficiency

Positive economic conditions, lower unemployment rates and greater disposable income all lead to greater consumption expenditure which would reduce the risk of Dine Brands losing out on customers preferring to stay-in or dine cheap. Flip'd! and Applebee's Express, two new potential fast-casual ventures aim to capture the high revenue growth rates experienced by firms in the sector, and we believe that this may help the firm obtain greater revenue growth than the projected slowdown.

Valuation

The valuation was performed using a 50/50 weightage model using comparable analysis and a Discounted Cash Flow. We determined a target share price of $88.94 representing a 127.5% upside. We recommend a **BUY** rating for Dine Brands Global Inc.

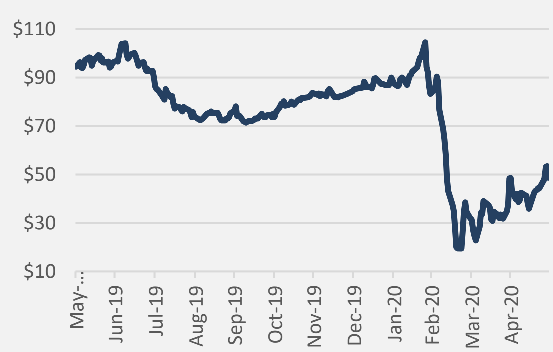
Equity Research	Canada
Price Target	**USD$ 88.94**
Rating	Buy
Share Price (May 30. Close)	USD$ 45.26
Total Return	127.5%

Key Statistics	
52 Week H/L	$104.4/$14.16
Market Capitalization	$745.23M
Average Daily Trading Volume (2M)	1.023M
Net Debt	$1.85B
Enterprise Value	$2.52B
Net Debt/EBITDA	7.5x
Diluted Shares Outstanding	33M
Free Float	93.39%
Dividend Yield	6.72%

WestPeak's Forecast

	2019A	2020E	2021E
Revenue	$910M	$816M	$920M
EBITDA	$251M	$200M	$260M
Net Income	$101M	$85M	$105M
EPS	$5.85	$5.12	$6.04
P/E	13.57x	10.1x	13x
EV/EBITDA	12.8x	11.5x	12.9x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

DINE Brands Global Inc. (DineEquity Inc. formerly), along with its subsidiaries, is a US based company that owns, operates, franchises and rents full-service restaurants in the US and internationally. The first IHOP store opened on July 7, 1958 in Los Angeles. From then onwards, the company has gone on to acquire Applebee's in 2007 for $2.1 billion, and now operates 3,668 restaurants across the United States and internationally. California, Texas and Florida are the states with the highest number of restaurants domestically (29.7% of total domestic restaurant units), while Mexico, Canada and the Middle East have been given increasing importance. Figure 1 provides a visual representation of the company's global distribution regions. The company currently operates in five segments: Applebee's franchise operations, IHOP's franchises operations, rental operations, financing operations and company-operated restaurant operations. The chain is best known for its breakfast menu, but also offers a standard family fare for lunch and dinner.

Figure 1 **Source: Company's Website**

DINE Brands operates in the chain full-service restaurant sector, characterized by the presence of servers for each table, higher average checks than the limited-service sector, and typically a greater number of menu items and cuisines. The sector is characterized by a large number of restaurants operating in an increasingly congested space, which indicates the saturated nature of the industry. Dine Brand's major point of differentiation is its near 100% franchised model, which the firm believes helps in attaining additional revenues through rental and financing sources and allows the firm to minimize layup and investment costs and cash flow volatility, leading to greater profitability and improved margins. As part of

Investor's day, in February 2018, the company revealed its Company's Vision 2022 and its plan to achieve annual low single digit revenue growth, percentage EPS growth in the high teens, and total shareholder returns of approximately 20%. Dine Brands also expects a 10% margin expansion over the 5-year period.

Revenue Segments

The company currently operates in five segments: Applebee's franchise operations, IHOP'S franchises operations, rental operations, financing operations and company-operated restaurant operations.

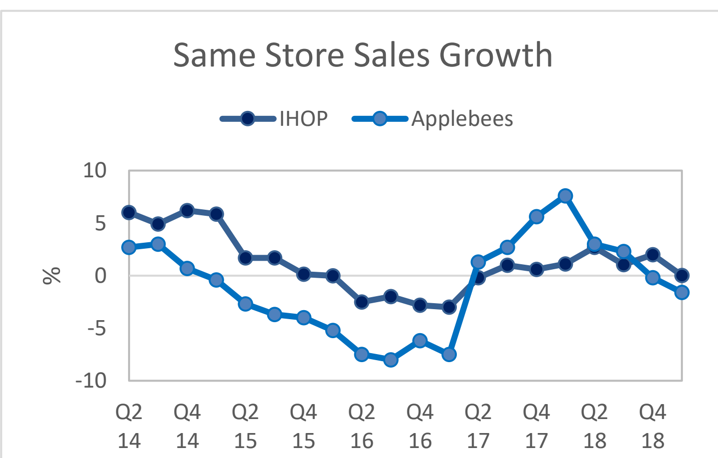
Applebee's

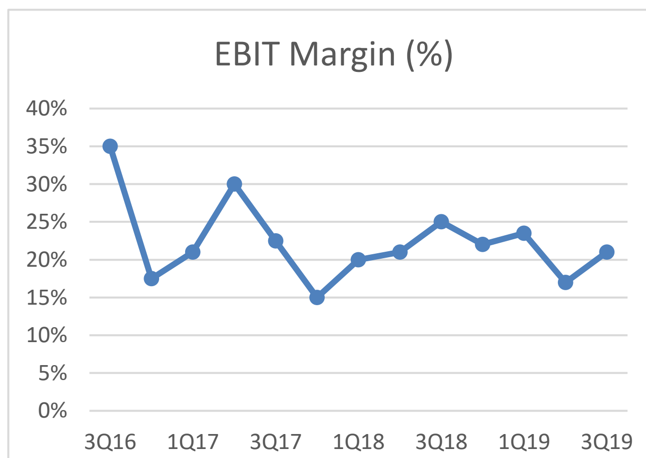
Figure 2 **Source: Company's Website**

Applebee's is the leading grill & bar restaurant in the casual dining industry, having reported over $4.2 billion in sales in 2018. The restaurant was first opened on November 19th 1980, in Decatur, Georgia, and has since expanded across all the contiguous states of the US along with 14 international countries including the United Arab Emirates, Canada, Mexico etc. After a difficult 2017 where YoY sales dropped by 6.2% owing to reduced consumer expenditures, Applebees implemented internal adjustments in an effort to course correct declining sales.

Decrease in net unit growth and same store sales

Figure 3 and Figure 4 **Source: Bloomberg Intelligence**





Facilitating comparisons for Applebee's Q3 2019 performance is difficult owing to tough comps around the same period last year, where the company reported record revenues for the decade due to aggressive pricing discounts and marketing strategies employed by the company to boost sales. This was also combined with a reduction in G&A expenses. However, Net unit sales for the coming future will continue to be stagnant, as inefficient branches are closed in an effort to control losses and costs and maintain profitability in the saturated market. Same store sales declined by 1.6% in Q3 2019, while domestic sales for Q3 decreased by 3.6%. As a result, the board revised its expectations for closures to 30 to 40 restaurants, as opposed to 20-30. This is in line with the average expected unit closures of around 60-80 restaurants in the previous two years. The EBIT margin has stayed consistently around 20% over the past few quarters, and as such has met the targets set by the company.

Reduced foot traffic

The net foot traffic of Applebees also fell by 3%, owing to more relaxed promotional efforts by the company in the year 2019. After a very aggressive 2018 highlighted by a 7.7% rise in comps owing to several blockbuster promotions including all-you-can-eat-riblets and chicken fingers, and 1$ margaritas, Applebees reduced their price-oriented efforts. The company introduced a new fajitas line without citing a bargain price, which proved to be a costly misstep. Competitors grew increasingly aggressive with their bargain offers as compared to Applebees, which shifted a portion of their existing foot-traffic elsewhere. Reduced foot traffic has also been observable across the industry however, with a decrease of -3.6% reported in the year 2018.

Price Discounting and Aggressive Advertising

Applebee's focussed its efforts on new menu items and special price offers to attract attention away from such brands as Chili's (owned by Brinker International) and T.G.I. Friday's (Carlson Restaurants Worldwide). Steep discounts are commonly utilised by Applebee's, and were instrumental in causing Dine Brands to experience their highest comps growth quarter in Q4 2018 since the 1990's, reporting a 7.7% overall growth. The chain offered all-you-can-eat riblets and chicken tenders and introduced a new three-course bargain-priced meal. "On the Applebee's side, we were pleased because we were exactly where we thought we'd be" stated Stephen Joyce. He stated that the firm was very aggressive in its pricing in 2018, but got less so in 2019 whereas their competitors got very aggressive and followed suit with regards to low priced promotions. This shift caused the company to downgrade its expectations for 2019.

IHOP

IHOP (The International House of Pancakes) is a family-style dining restaurant, offering over 65 ranging from pancakes, eggs, waffles to churros, quesadillas and entrees. The business primarily earns it revenue through its heavy breakfast menu traffic and is looking to expand its other sectors by adding lines such as lunch/dinner options and alcoholic beverages. The first IHOP opened on July 7, 1958 in Toluca Lake, Los Angeles, California, and it has since grown to be the largest family dining restaurant in the US on the basis of 2018 sales.

Figure 5 **Source: Company's Website**

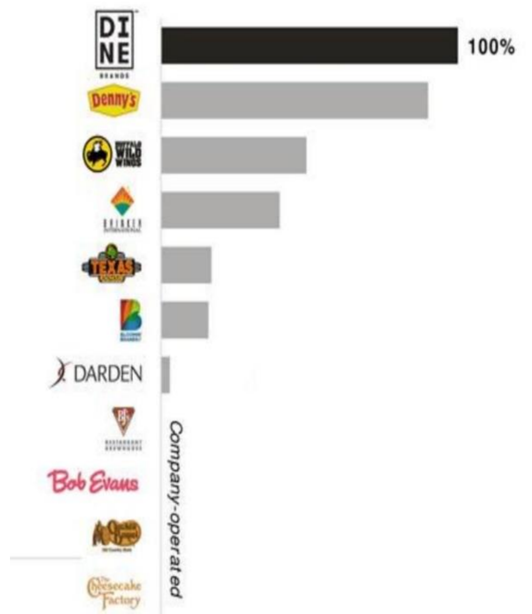
Company Strategy

Refranchising: Maximizing Franchisee Development

As of 2019, 99% of Dine Brand's restaurants are franchised or licensed. Dine Brands firmly believes that franchising can lead to superior returns on capital, although its ROIC of 9.27% as of December 2019 is below the average of its comps, which lies at 11.8%. The corporation does not have to commit money towards building stores, and strong operating margins through profits flowing through the bottom line. A refranchising strategy was put in place in 2015, in order to improve the sales growth recorded in Applebee's restaurants at the time. Today, only 69 firms in North Carolina which were repurchased due to disputes arising with the franchisee, are company operated. The move comes after Dine Brands and another of its franchise owners, RMH Franchise Holdings Inc., settled a prolonged legal battle over RMH's bankruptcy proceedings as well as unpaid royalty fees and store closures. The company believes that under their ownership, they can bring back prosperity to the units, and hope to refranchise them soon. "I'm pleased with this transaction and confident in our plans to evolve and selectively refine our restaurant portfolio," Applebee's President John Cywinski said in a statement. "We are consistently reviewing our portfolio and making strategic decisions to better position our brand for the future."

Figure 6 **Source: Investor Presentation**

%Franchised vs Family/Casual Dining Peers



We believe that Dine's strategy of focussing on value creation and consistently utilising pricing strategies will be sufficient to ensure positive top and bottom-line growth. Closing unproductive and inefficient units has led to a decrease in net unit growth. However, management has stated that they are not primarily concerned with the current rates of growth and prospects of a greater slowdown in restaurant demand.

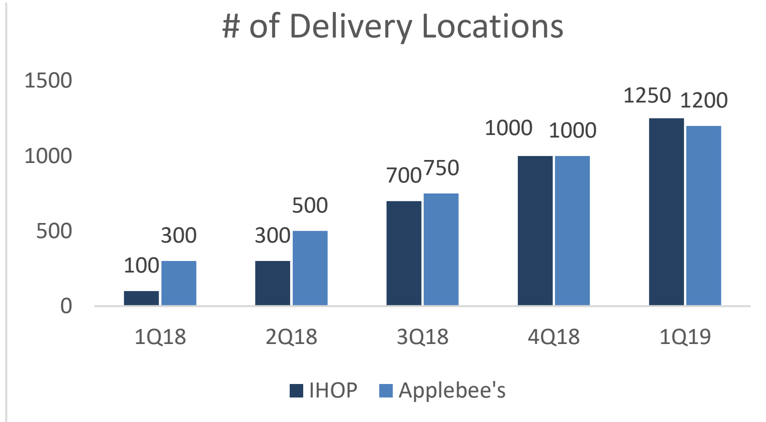
Applebee's franchisees are currently charged $40,000 per restaurant along with royalty and advertising fees as a percentage of gross sales, ranging from 3-5%, with an additional 0.5% on gross sales being charged towards the Applebee's Net Advertising Fund. IHOP franchisees are currently charged a fee of $50,000 and a non-refundable location fee of $15,000, along with royalty and advertising fees as a percentage of gross sales (ranging from 3-5%) and construction costs.

Delivery Locations and Technology

Dine Brands has partnered with third-party delivery services over the past few years which has led to a significant rise in the number of units which provide delivery services. CEO Stephen Joyce commented on that company's recent partnership deal with large third-party delivery service provider Grubhub "We're thrilled to both expand our presence on Grubhub's growing marketplace, and also streamline operations with our direct-to-POS integration. This approach and our valued relationship with Grubhub allowed us to build a win-win partnership that benefits our brands, guests, and franchisees."

Dine Brands also ensured greater reach to customers and extended POS by teaming up with Postmates, whom they felt shared the same alignment with their guest centric value. Postmates is a leader in offering the largest number of choices in on-demand delivery from over 500,000 restaurants and grocery stores.

Figure 7 **Source: Bloomberg Intelligence**



Judging by these recent partnerships, we feel confident that Dine Brands has recognized the significance of developing their off-premise sales which has seen a boom in the industry, owing to younger individuals and millennials choosing to dine-in less. Along with other announced ventures, Dine Brand's strategies of enhancing delivery services, refranchising units and continuing to invest in technology and digital systems, such as the online app interface for IHOP, known as IHOP To Go, will place them in a stable position for the forthcoming year.

Industry Analysis

Coronavirus

Although the decline in casual dining sales and rise of fast-casual restaurants had been observable in the past few years, the coronavirus pandemic has significantly contributed to the continued downfall in returns for casual-dining restaurants. Many major outlets reported over a 70% loss in same-store sales and significantly poorer comps. Over 200,000 observable restaurant closures have occurred in the past two months. Industry revenues were down 75% in late March. For comparison, the industry fast casual dropped by 65% and the fast food industry dropped by roughly 50%. It is estimated that the restaurant industry has already lost more than $25bn in sales (National Restaurants Association).

In order to sustain operations and withstand the effects of a severe loss in foot-traffic, restaurants in the industry have shifted their focus towards doubling down on their off-premise operations, with delivery, to-go and curbside pickup on orders being offered at several chains. Several single-location restaurants/non-chain-based outlets have been forced into shutting down, and it can be expected that most major chains will survive, however, a large uncertainty continues to hover over the performance of casual dining over the next year. Public regulations on social distancing have been immense, and it is unlikely to expect to see gatherings of people at crowded bars or restaurants any time soon. However, as we enter May, businesses and chains have slowly begun to recommence operations as tensions ease.

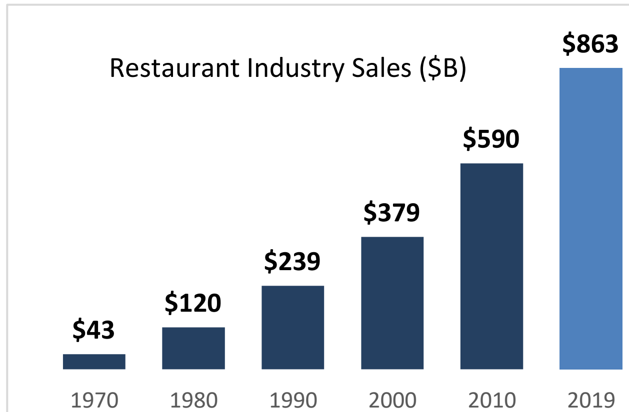
The impact of the pandemic on the labor market has been immense, as an estimated 9 million restaurant jobs are at risk of short-term/temporary loss (Job Quality Index). Food supply has also been hampered, as several plantations (meat plantations in particular) were forced to shut down owing to a large spike in cases and deaths reported at sites owing to the virus.

Many companies have looked towards existing/new debt agreements to stock up on their cash balances.

Growth

The US restaurant industry was projected to earn $863 billion in 2019, amounting to 4% of the gross US GDP. The chain restaurant segment earned a total of $144.8 billion in revenue and has observed steady growth in the past five years. The major drivers of revenue growth were rises in disposable income, consumer confidence and a reduction in unemployment leading to greater consumer expenditure. The industry can be divided into limited-service and full-service restaurants. Sales performance among full-service brands improved, with a 1.1% growth rate compared to 0.4% in 2017. The 26 casual-dining chains among the top 100 largest restaurant brands stayed essentially flat, growing just 0.4%.

Figure 8 **Source: National Restaurant Association**



Limited-service is characterized by quick and convenient service and absence of waiters, which can be observed in industry leading fast-food chains and fast casual restaurants such as McDonald's, Chick-Fil-A. The limited-service sector accounts for 55% of the total restaurant industry revenue. Dine Brands falls under the full-service category, which focuses on competing on the basis of product quality rather than pricing like fast food chains. However, restaurants are becoming increasingly aware of consumer demand for value goods which are typically at lower prices.

No Dominant Market Players and Low Barriers to Entry

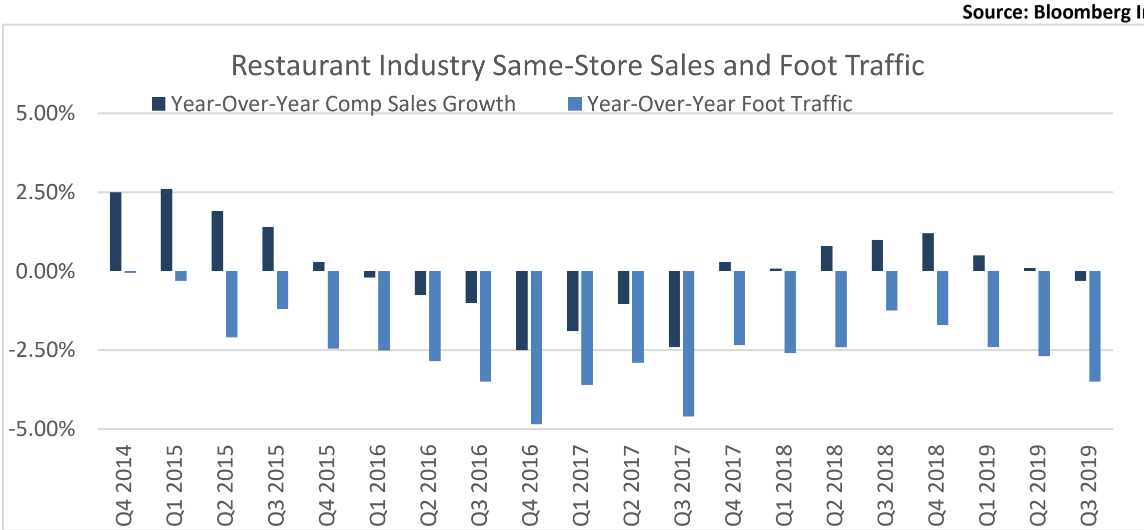
The five largest industry players are estimated to account for 13.6% of available market share, with Darden Restaurants Inc. holding a majority of 5.5% (IBIS). Thus, no firm owns a majority share as barriers to entry remain low. Restaurant operators have the choice of entering through several channels, such as launching a franchised location or developing an existing single location into a chain. Upfront capital requirements are low, owing to technological advances which have rendered the need for building physical storefronts for a full dine-in experience unnecessary, as the entire POS process may be performed online. However, obtaining a large market share remains difficult due to the intense level of competition, which will continue to grow at a large rate. As the chain industry is in the mature phase, the industry is growing at rate greater than demand and is expected to grow in line with GDP growth for the next 5 years. As such, firms are looking to gain a larger share through a variety of avenues including digital growth, consolidations, increased investments, launching restaurants in prime locations, development of international premises, and more.

High Saturation

In the casual-dining industry, not only do firms have to compete with other chains and single-location restaurants in the same sector, but they also have to compete with restaurants in fine-dining, fast-food, delivery-platforms, readymade meal-kit providers and more. As a result of this saturation, a larger share of sales and revenue are being taken by new stores stealing foot-traffic from existing companies. This leads to reduced comparable store sales. The level of saturation has also led to intense pricing competition between firms, as more and more restaurants employ heavy discounting strategies as a bid to offer more "value" meals to consumers. This had caused consumers to become increasingly price sensitive. The presence of such discount leads to reduced profit margins. The intensity of competition has forced many firms to close underperforming units and maximize their portfolio gains at the expense of greater net unit growth. As such, growth may only potentially occur from obtaining market share and revenue from other food service industries.

Decline in Casual Dining Traffic

Figure 9 **Source: Bloomberg Intelligence**

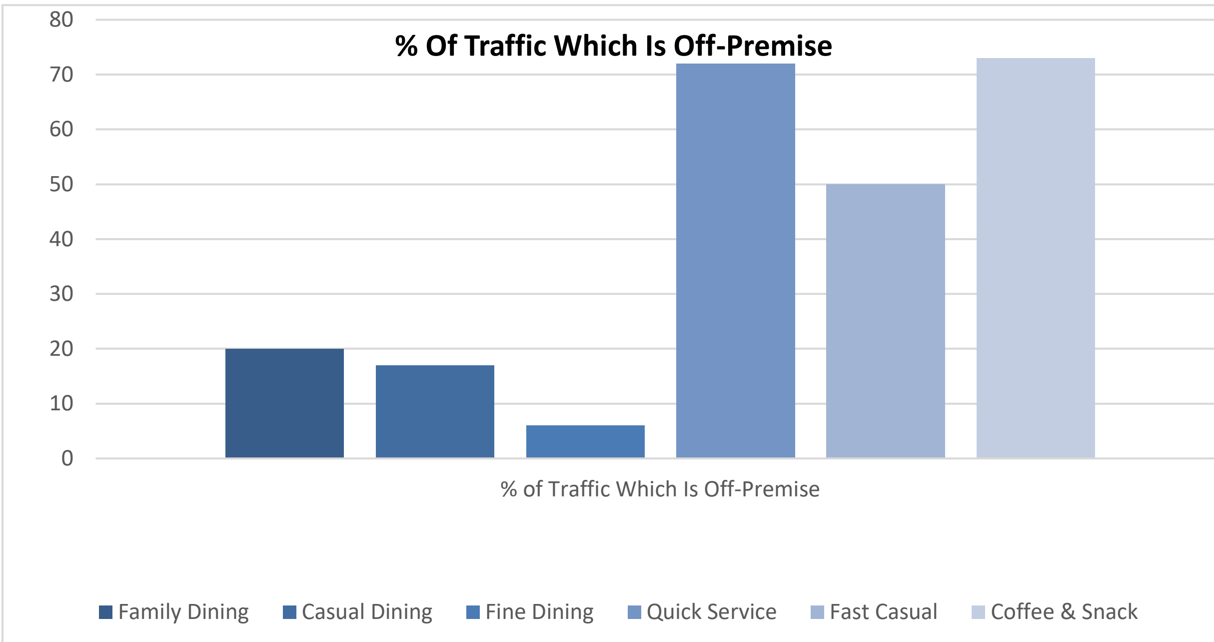


Many recognized casual-dining chains have recently experienced diminished success in attracting millennials and Gen Z individuals, who have begun to gravitate toward ethnic and elevated cuisines at independent and fast-casual restaurants. Casual-dining traffic has observed a decline for 55 straight months, while casual-dining same-store sales have outperformed quick-service restaurants only nine times in the past 76 months. Casual-dining has outperformed fast-casual results just twice in the past 74 months (Miller Pulse). Same-store sales fell 0.6% in the third quarter while traffic declined by 3.3%. Independent-restaurant sales are expected to outpace those of chains through 2022, according to Technomic estimates.

More individuals are beginning to prefer the pace and convenience offered by fast-casual restaurants, as many face time crunches routinely in their schedule, while others while local independent restaurants are winning the approval of many local consumers who wish to provide their support to local producers and suppliers with close ties to the communities in which they reside. As such, growth may only occur from obtaining market share and revenue from other food service industries.

Off-premise sales

Figure 10 **Source: Full Service Restaurant News**



The National Restaurant Association found that 38 percent of adults in the U.S.—and 50 percent of millennials—are more likely to have restaurant food delivered to them than they were just two years ago. Off-premise sales have become the most significant disruptor towards the restaurant industry in the past few years. Over 50% of the orders made in the fast-casual and quick service industry are from off-premises. Less customers are finding the time available to avail an entire dine-in experience. More large firms have begun to invest in developing their own restaurant sites, which simply serve the purpose of preparing food for customers, but do not provide seating. The food is then delivered via the company's own delivery system or through third-party delivery service, such as GrubHub and UberEats. The increase in demand for digital food ordering, paired with the over-expansion within the restaurant industry has meant that bottom lines have become even thinner for several establishments.

Emerging Economies

As the domestic market space continues to grow increasingly packed, firms are expecting a slowdown in growth along with a consistent reduction in margins owing to stiff competition and pricing/product quality wars. Thus, many major chains have identified the benefits of establishing an international presence as domestic markets shrink. IHOP had recently launched its first restaurant in Peru on December 17th, with 25 new IHOP locations planning to be opened over the next eight years across Latin America. The focus for Dine Brands has been set on growing international market shares, particularly in Canada, Mexico, and the Middle East.

Consolidation

An increase in the amount of M&A activity has been observed in the past 5 years, with certain chains choosing to focus on a few core brands while divesting others. Private equity has begun to play a significant role in the acquisition and restructuring of poorly performing units. Certain notable acquisitions include the Red Lobster Brand being acquired by Golden Gate Capital from Darden Restaurants for $2.1 billion, Darden Restaurants purchasing Cheddar's Scracth Kitchen from a private equity firm in 2017 and Popeyes Louisiana Kitchen being acquired by Restaurants Brand International. Smaller, struggling operators are more likely to be acquired by successful chains or by private equity firms. We feel this behavior will be further induced by stagnant domestic growth in sales and revenue.

Cost Analysis

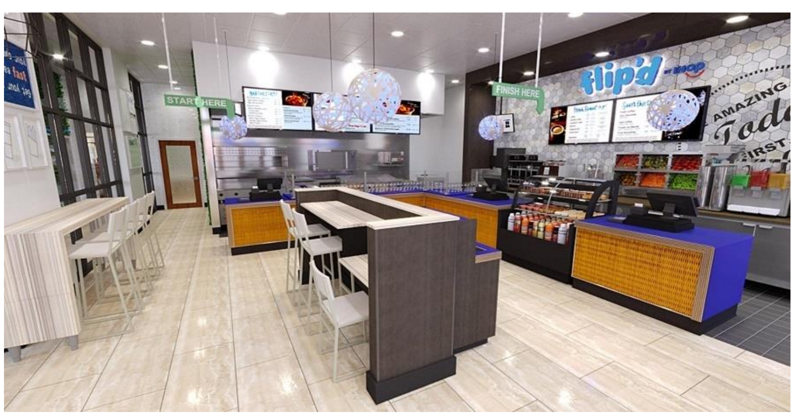
Rent is high, while labor grows increasingly expensive and hard to come by. As traffic diminishes, the competition for traffic is intensifying. And as a result, many operators placed a focus on developing modest unit growth but primarily relied on improving results at existing locations and closing those which underperform. As consumers grow healthier in their food choices and the demand for organic, low fat goods rises, the cost of acquiring supplies raises as firms look to compete on the basis of quality produce.

Catalysts

Success of Dine Brand's Proposed Fast-Casual Ventures

In December 2019, Dine Brands recently announced the intended launch of a fast-casual venture which will serve as a spinoff of IHOP, known as Flip'd by IHOP. The venture is intended to be around half the size of IHOP, but will feature many of the staple items regularly consumed by customers, including buttermilk pancakes, eggs, burgers and fried chicken. However, each item will be prepared in a manner which promotes portability and easier eating on the run. Flip'd will also feature items not available in IHOP, such as lunch and dinner bowls, ready-to-eat takeout salads and more food items which have been trending among individuals aged under 30.

Figure 11 **Source: IHOP Company Website**



Similarly, in January 2020, Dine Brands announced the potential launch of a fast-casual spinoff of Applebee's as well. It will be known as Applebee's Express and aims to act on the same conveniences offered by the spinoff IHOP chain Flip'd.

We believe that these ventures by Dine Brands into the fast-casual restaurant sector is a significant strategy that will allow them to capture market share from other segments, which we feel can happen comfortably due to the brand's affordable pricing and attractive menu offers, along with brand recognition. Such ventures will also aid the firm in capturing demand in regions outside of the states in which the firm has its largest base in, such as California and Texas.

A second product line of catering is also intended to be offered at Flip'd. "Catering remains very low-hanging fruit," said Stephen Joyce, CEO of Dine Brands to investors earlier this year. "We haven't really even scratched the surface of the catering opportunity in both brands, so we just think that's a big opportunity for us." We believe that the catering segment will be an incremental part of the company's off-premise business growth which could grow to constitute up to mid-single digit percentages of the company's total sales.

"Ghost" Kitchens and Third-Party Delivery Service Partnerships

The concept of ghost kitchens is likely to play a significant role from the year 2020 onwards alongside the off-premise sales boom in the industry. A ghost kitchen essentially serves as extra kitchen space which can manage catering and delivery orders. It has also been used to test new markets by gathering data from ghost kitchen partners and delivery apps to identify potential areas for expansion. Many early adopters of this concept in 2019 were successful chain restaurants which looked to gain a competitive advantage. Chick-Fil-A is currently renting space from DoorDash's ghost kitchen facility, while Starbucks has already teamed with Alibaba's Heme Supermarkets in China to run ghost kitchen's out of their offices. Large firms have already identified the use of ghost kitchens to meet the rising off-premise demand for food, while also identifying the benefits reaped in the form of lower costs of operations due to smaller sites, less expenses spent on building décor and ambience and lower number of personnel required.

We believe that Dine Brands can successfully exploit this concept while undergoing its testing phase for its planned fast-casual ventures. This could lead to significant revenue increases. However, there is a threat of third-party delivery services purchasing their own ghost kitchens and promoting their own brands and products to consumers, which leads to increased competition.

Expansion into New Markets

In 2019, Dine Brands Global Inc. continued to expand its presence domestically and globally. In October, the company announced its largest development deal for IHOP in the past 61 years, after agreeing to enter into a franchise development agreement with TravelCenters of America Inc., the largest Full-Service travel center company in North America. Around 100 restaurants are expected to be opened in Travel Centers and Petro branded locations across America by 2025. Customers visiting these IHOP restaurants can expect to find many of their staple dishes, including buttermilk pancakes, Ultimate Steakburgers, Oversized Omelettes and more. We believe that this partnership will form a significant part of Dine Brand's domestic growth expansion and allow the company to capture more demand across the country, as IHOP's recognizable brand is sure to attract a large number of drivers, commuters and tourists to stop by a travel center.

The company also recently launched its first restaurant in Peru in 2019 through an agreement with Percapitals S.A.C. Dine Brands have identified the South American restaurant space as an increasingly significant growth market for the company, after having made its debut in the continent earlier in the year with the opening of three restaurants in Ecuador. Meanwhile, Dine Brands International will continue to focus on growth in other markets including Central America, Colombia and Chile.

An agreement between Minhas Holdings and Dine Brands was also made in 2019. Up to 15 IHOP restaurants are expected to be launched across exclusive locations in the Greater Toronto Area, with the first location being expected to open mid-2020. We believe that these latest partnerships will boost IHOP restaurants' sales, as IHOP can be expected to perform positively in these regions owing to their recognizable brand. The company can achieve its goals of greater international expansion as stated in its 5-year plan. International expansion is a necessary growth strategy as the company looks to grow outside of an increasingly congested domestic space.

Positive/Negative Economic Sentiment

With the US and global economy currently experiencing the beginnings of a recession, the consumer confidence index is at a very low level. The level of consumer spending on casual dining for the next few months can be expected to improve slightly as small businesses and outlets of major conglomerates begin to commence operations and become available to the public again. However, the level can still be expected to be quite low even as fears of the virus alleviate owing to strict long-term regulations being placed with regards to distancing. Sharp cuts in disposable income levels will lead to continued loss in traffic, customer expenditures and revenue. DINE Brands however has managed to still sustain its operations and avoid facing a severe liquidity crunch. As regulations loosen over time however, we can expect Dine Brands Global to recover its market capitalization and attain steady ground in the long-term. Its strong earnings in the past and large size are expected to help the business withstand long-term damaging consequences.

Capital Allocation

Dividend and Share Repurchase Program

A constant dividend of $0.69 has been paid out since 2019 after an upwards revision in value from the dollar amount paid in dividend in 2018. The firm has since announced in March 2020 an amount of $0.76 to be paid out in the future to reaffirm their investors' faith and trust in the brand. The firm had first announced its stream of dividend payouts in 2013 at a value of $0.75. In February 2019, the Board of Directors approved a stock repurchase program which authorized the company to repurchase up to $200M of the company's common stock on an opportunistic basis in the open market or in privately negotiated transactions. Thus, in connection with the new policy, the company terminated the 2015 stock repurchase which allowed the company to repurchase up to $150M of the company's common stock.

The dividend payments on common stock and repurchases of common stock are evaluated within the context of overall capital allocation strategy with the Board of Directors on an ongoing basis, considering the current and forecast earnings, financial condition, cash requirements and other factors. The regular occurrence of share repurchasing programs indicates that the company is looking to boost its price amidst projected slowdowns in domestic revenue and traffic growth.

Capital Structure

The company as of Q1 2020, has $1.85 billion in long-term debt and $759m in total equity, which results in a debt-to-equity ratio of 2.5x and a debt-to-EBITDA of 7.5x. The firm has a significant amount of debt as compared to the industry's average debt-to-equity of 0.86. $1.3 billion of debt is financed through senior bonds and notes, while $569.5 million is financed through capital leases. The new issue of debt was primarily utilised to facilitate the refinancing of the existing debt the firm possessed. While the firm possesses a considerable amount of debt which may pose significant risks in the current market climate, we can expect the company's strong performance in the past 2 years to help sustain its operations.

Management Team

Stephen P. Joyce – CEO and Director

Stephen P. Joyce was appointed CEO and Director of Dine Brands as recently as 2017, having previously been a part of the company's Board of the Directors since 2012. With him comes over 40 years of accomplishments and award-winning leadership in the hospitality sector, within which he has previously served as the President and CEO of Choice Hotels International. He is currently paid $2,570,703 (2018) in compensation (Morningstar).

Thomas H. Song - CFO

Thomas H. Song was appointed to the position of Chief Financial Officer in May 2018. He has previously served as Senior Vice President, Corporate Development and Innovation at Choice Hotels International, Inc. from September 2013 to May 2018. Prior to that, Mr. Song was Vice President, Corporate Development and Strategy for Hanover Insurance Group, Inc. from 2010 to August 2013. He is currently paid $2,683,383 (2018) in compensation.

Jay D. Johns – President, IHOP

Jay Johns was appointed to the position of president of IHOP in June 2019. Since joining IHOP in September 2012, he has held various operations leadership roles, including senior vice president, strategic operations implementation from November 2013 to April 2017. Most recently, he served as senior vice president of operations of IHOP. In this role, he oversaw strategic insight and implementation of processes, programs and initiatives that improved efficiencies, sales, profit and guest satisfaction in our restaurants. Previously, he held executive level positions with Applebee's where he served as senior vice president, strategic operations implementation and TGI Fridays, where he served as vice president of strategic operations, director of process improvement, director of operations and general manager.

John C. Cywinski – President, Applebees

John C. Cywinski was appointed to the position of President, Applebee's Business Unit in March 2017. He served as Executive Vice President of Strategic Innovation and Marketing at Brinker International, Inc. from March 2016 to March 2017. Mr. Cywinski was previously with Yum! Brands, Inc. in several roles from August 2010 to April 2014, including the role of President, KFC Corporation U.S. from November 2011 to April 2014. He is currently paid $4,380.294 (2018) in compensation.

Shareholder Base, Liquidity, Market Depth

Shareholder Base

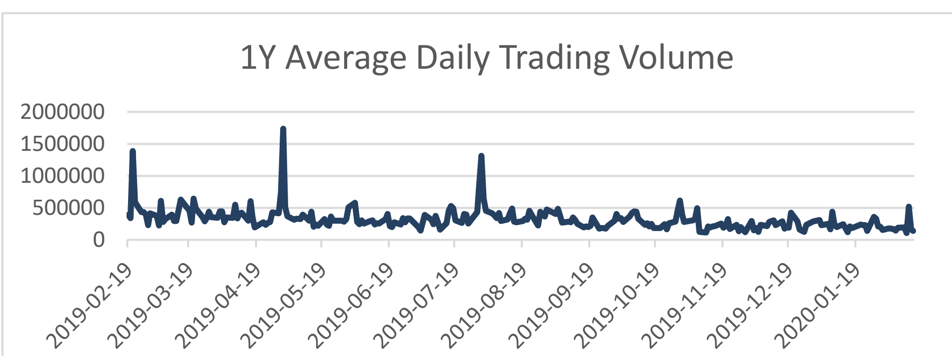
Figure 12 **Source: Bloomberg Intelligence**

Stockholder	Stake	Shares Owned	Total Value
BlackRock Fund Advisors	14.02%	2353808	195,083,607
The Vanguard Group, Inc.	12.34%	2071683	171,701,087
Capital Research & Management Co..	10.72%	1799215	149,118,939
Wells Capital Management, Inc.	7.99%	1341486	111,182,360
Victory Capital Management, Inc.	5.05%	847241	70,234,252
Renaissance Technologies LLC	5.03%	844500	69,992,160
Fidelity Management & Research Co…	4.45%	746738	61,889,645
Silvercrest Asset Management Group	4.15%	697446	57,804,324
SSgA Funds Management, Inc.	2.96%	497726	41,251,531
Dimensional Fund Advisors LP	2.76%	464040	38,459,635

Dine Brand's shareholder base is institutionally backed with over 127.67% of the company's free float ownership belonging to institutional investors. The top 10 institutional holders own 71.8% of the shares outstanding. The company's current insider ownership is 1.58%, with majority of the insider purchases being made by Kay Larry Alan and Richard Dahl. The company has 17.1M diluted shares outstanding.

Liquidity

Figure 13 **Source: NASDAQ**



The firm shares trade with an annual daily trading volume of roughly 228k. However, since the virus, this number has sharply risen to an amount of 1.023 million in the past 2 months as huge sells were being made. The observable spikes can be attributed towards the release of annual stockholder meetings, earnings call transcripts and the coronavirus shock.

Valuation

Comparables

For our comparable analysis, we decided to choose full-service chain restaurants which are actively competing against Dine Brands for market share and larger sales in the casual dining segment. Dine Brand's competition includes a list of national and regional chains, along with several single location full-service restaurants. We have chosen those peer companies which we believe provide similar offerings and share s customer segments, market capitalization, geographical bases, and are also facing similar economic risks and effects.

Denny's Corp. (DENN)

Denny's Corporation, through its subsidiary, Denny's, Inc., owns and operates full-service restaurant chains under the Denny's brand.

Texas Roadhouse Inc. (TXRH)

Texas Roadhouse, Inc., together with its subsidiaries, operates casual dining restaurants in the United States and internationally.

Red Robin Gourmet Burgers

Red Robin Gourmet Burgers, Inc., together with its subsidiaries, develops, operates, and franchises full-service and casual-dining restaurants. The company's restaurants primarily offer burgers; various appetizers, salads, soups, seafood, and other entrees; and desserts, milkshakes, alcoholic and non-alcoholic specialty drinks, cocktails, wine, and beers.

BJ'S Restaurants

BJ's Restaurants, Inc. owns and operates casual dining restaurants in the United States. Its restaurants offer pizzas, craft and other beers, appetizers, entrées, pastas, sandwiches, specialty salads, and desserts.

The Wendy's Company

The Wendy's Company, together its subsidiaries, operates as a quick-service restaurant company. The company is involved in operating, developing, and franchising a system of quick-service restaurants specializing in hamburger sandwiches.

Discounted Cash Flow Analysis

Revenue Forecasts

For revenue, we focussed on observable growth in each reported segment, with the brand possessing 4 different reportable segments including rental, franchise, company store sales and financing revenue. The revenue projections were based on a number of factors, such as net-unit growth which is expected to stay flat and slightly decrease over the next few years, as the company recently estimated the closure of 30-40 Applebee's outlets by the end of Q4 2019 and revised their expectations of the number of IHOP openings to 10-20 from 10-30. The company had closed 98 Applebee's outlets in 2017. The short-term potential slowdown in growth prospects, along with other factors including Applebee's potentially refranchising the 69 currently owned company operated restaurants in the near future, which would lead to larger franchise revenues, were also considered. However, with the coronavirus pandemic, we expect lower comparable revenues to be reported for at least the following two quarters. Thus, we expect average growth per restaurant rate to increase at a rate of 0.5%, like the industry rate. Rental and financing revenues to grow at a slight incremental rate, while franchise revenues are expected to increase as the firm aims to attain a 100% franchise record.

Cost Forecasts

Cost forecasts for the next 4 years were based on the expected net unit growth for both IHOP and Applebees. We believe that the net unit growth rate will continue to hang around -1.5% to 1% in the recent future, owing to expected closures being possibly being greater than IHOP openings. Accordingly, COGS, SG&A and OPEX were expected to remain flat as CAPEX and costs of operating are expected to remain flat.

Capital Expenditures

CAPEX was accounted on the basis of the franchising system in place. As the company has almost attained a 100% franchised unit record, the setup and brick-and-mortar costs are expected to stay the same as it has been, with not many significant increases. They may decrease in the future once Dine Brands develops its technological systems.

WACC

We calculated the WACC to be=7.5%. We assumed a pre-tax cost of debt of 4.5%, a cost of equity and cost of debt based on Bloomberg, a risk free rate of 0.7% using the treasury bond rates, and a market risk premium of 7%.

Effective Tax Rate

We assumed a pre-tax rate of 23.2% as according to the US tax code management system.

Recommendation

Dine Brands Global Inc. has proven itself to be among the leading chains in an incredibly competitive casual dining industry, as shown by its performance in Q4 2018, revenues grew 21% higher previous comps and 8.6% above analyst expectations, while EPS was $1.7 which was 8.3% higher than analyst expectations. IHOP also ranked 1st in the family dining category and Applebee's ranked 2nd in the casual dining category on the basis of sales for 2018. The firm has shown that it can match and out compete other restaurants on the basis of pricing and product quality, as indicated by Dine's successful fourth quarter of 2018, owing to new food offers. CEO Stephen Joyce admittedly stated that he felt the firm underestimated the level of aggressiveness shown by competitors with regards to dropping their prices in 2019, which gave 'value-hunters' a reason to look away from Applebees. With this in mind, we can expect the refranchising strategy, along with the digital revitalization and development of off-premise growth to help the firm attain its top and bottom-line growth goals, while eye-catching marketing attempts such as the renaming of IHOP to IHOB in 2018, will consistently aid in capturing their consumer's attention. New ventures such as FLIP'd should prove to be a large success, owing to the breakfast oriented nature of the meals combined with time convenience and service, along with the potential to offer more.

However, with a firm such as Dine, it is necessary that investors are vary of the potential risks associated with a market slowdown. As consumer's disposable income may decrease owing to economic conditions, less money will be spent on eating out, and a larger share of the restaurant market will be captured by fast-casual and limited service restaurants. The firm's debt structure also poses a liquidity risk in the case of an economic meltdown where liquidity is necessary. Most of this has come to fruition owing to the coronavirus pandemic. Yet, we believe that owing to Dine Brand Global's scale and strong performance in the past few years where high EBITDAs and profits were reported, and an established off-premise system which can facilitate sales outside the brick-and-mortar premises, Dine should be able to withstand the tremors of the pandemic and return to normalcy, which could be expected to resume after Q2 2021 when the effects of the recession start to swell. The firm has managed to utilize its revolving lines of credit to finance its operations as the pandemic continues.

To calculate the firm's intrinsic price, we considered a 50/50 weightage towards the comparable analysis and discounted cash flow, as we recognized the importance of considering the company's competitors in an industry that is characterized by a stringent level of competition that is only expected to further increase. The current market price is fairly undervalued owing to fears among the casual dining industry's future.

Yet, under the management's strategic direction, we believe that the firm will largely hold its strong position and reap greater long-term growth returns, as IHOP continues to add units and Applebee's is expected to recuperate foot traffic around 2021 as things return to normal. Due to its current low valuation, we recommend a **BUY** rating.

Risks

Rise of Fast-Casual Dining

Stiff competition from single location full-service restaurants, fast casual which offer more convenient and timely services while also producing at a high quality. Consumer preference shifted to local, Applebees stands at risk of falling out with public if consumer willingness to pay continues to decrease. Location full-service restaurants, fast casual which offer more convenient and timely services while also producing at a high quality. Fast-casual chains in Technomic's Top 500 Chain Restaurant Report generated $42.2 billion in total U.S. sales in 2018, up 8% from the year before that percentage easily bested any other industry sector's growth in 2018. The 500 largest chains as a whole added 1,569 restaurants in 2018. The fast-casual sector alone added more than 1,200 locations. That means almost four out of every five restaurants opened by Top 500 chains in 2018 was a fast-casual concept.

Food Price Volatility

While the food market may be enjoying lower food commodity prices currently, it is unclear as to how long this may last. As food production may face greater troubles, such as the extreme weather conditions faced by the US in the middle of the year, prices may rise exponentially. Similarly, as restaurants to continue to compete on the basis of quality and pursue meeting the consumer demand for alternatives to meat and organic foods, costs for these products are likely to rise owing to large demand.

Economic Downturn

Pandemics such as the current coronavirus pandemic have displayed the devastating effect they can have on the global market as fear levels among consumers rise to all-time highs. Higher healthcare, rent and student-loan costs take their toll on consumers' budgets, while concerns rising about the U.S. presidential election, a trade war and recession curb spending. If the economy faces a downturn, consumer spending will decrease exponentially. This may not deter established fast food giants such as McDonald's but would significantly hamper the performance of restaurants in the casual dining industry, as more consumers would prefer to stay in and would only be primarily attracted towards very-low price offers. A larger share of the market will be lost to the limited-service industry.

Rising costs of operation eating into margins

Partnering with third-party delivery services may take up a large chunk of the firm's revenues, with delivery fees ranging from 20%-30%. As the number of restaurant units continues to swell, the number of employees hired is also expected to rise, along with larger wages. The restaurant industry is projected to employ 15.3 million people in 2019, amounting to one in ten working Americans. Wages and employer costs are expected to rise as the number of employees hired is expected to rise at a rate of 2.6% until 2024. Price discounting owing to product quality wars, premium quality produce, which is typically costlier, along with greater delivery service fees which eat up revenue.

Legal Disclaimer

The content, opinions, estimates, and projections contained in this report are those of WestPeak Research Association (known as "WestPeak" or "WestPeak Research") and its directors, analysts, and affiliates and are subject to change without notice. The content, opinions, estimates, and projections on this report may not have been updated directly by WestPeak and its directors, analysts, and affiliates and may also have been altered or without your or our knowledge. WestPeak and its directors, analysts, and affiliates, without exception, do not accept any liability for factual, typographical, and grammatical errors, omissions, or content in this report. WestPeak and its directors, analysts, and affiliates do not accept any liability for damages arising from the use of or reliance on any of the content, opinions, estimates, and projections on this report. WestPeak and its directors, analysts, and affiliates endeavor to ensure that the content, opinions, estimates, and projections have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. Information may be available to WestPeak and its directors, analysts, and affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. This report is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. WestPeak and its directors, analysts, and affiliates may have a personal long or short position in any of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that WestPeak and its directors, analysts, and affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The reader, by the viewing of and use of the content, opinions, estimates, and projections contained in this report is assumed by WestPeak and its directors, analysts, and affiliates to have fully read, understood, and unconditionally agreed to all the terms and conditions set forth in this legal disclaimer.

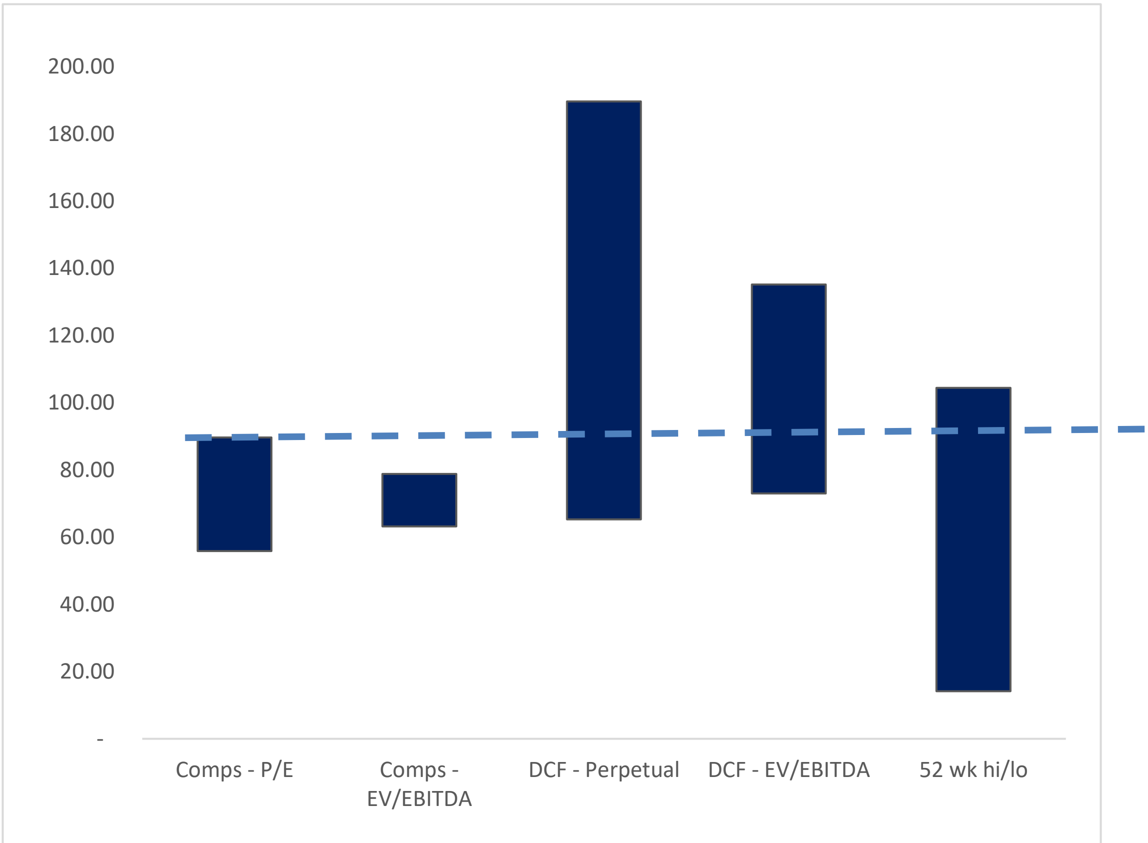
Pranoy Debnath
Analyst

WestPeak Research Association
contact@westpeakresearch.com

Appendix 1: Summary

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
(Figures in mm USD)	FY2014	FY2015	FY2016	FY2017	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Income Statement															
Revenue	655.0	681.1	787.6	731.7	780.9	237.2	228.1	217.4	227.5	910.2	839.5	836.5	856.3	879.5	895.7
EBITDA	251.9	266.4	255.8	193.7	208.5	67.0	63.2	58.6	62.0	250.8	251.0	276.0	291.2	290.2	295.6
Net Income	36.5	104.9	101.0	(342.8)	80.4	31.6	21.4	23.9	27.4	104.3	109.1	125.7	137.2	138.8	144.2
Earnings Per Share	$ 1.92	$ 5.59	$ 5.57	$ (19.32)	$ 4.52	$ 1.79	$ 1.22	$ 1.40	$ 1.61	$ 6.05	$ 6.62	$ 7.63	$ 8.33	$ 8.43	$ 8.76
Cash Flow Statement															
Capital Expenditures	(5.9)	(6.6)	(5.6)	(13.4)	(14.3)	(4.7)	(4.5)	(4.2)	(6.1)	(19.4)	(17.8)	(15.6)	(14.4)	(13.8)	(13.6)
Acquisitions	-	-	-	-	(20.2)	-	-	-	-	-	-	-	-	-	-
Divestitures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(42.7)	(66.2)	(67.4)	(69.8)	(51.1)	(11.2)	(12.2)	(11.9)	(11.6)	(46.9)	(48.5)	(48.8)	(48.8)	(52.0)	(52.0)
Dividend Per Share	$ 3.13	$ 3.55	$ 3.73	$ 3.88	$ 2.52	$ 0.69	$ 0.69	$ 0.69	$ 0.69	$ 2.76	$ 2.97	$ 3.00	$ 3.00	$ 3.20	$ 3.20
Dividend Payout to Earnings	117.2%	63.1%	66.8%	-20.4%	63.6%	35.2%	57.0%	49.9%	42.3%	44.9%	44.5%	38.8%	35.6%	37.5%	36.1%
Dividend Payout to Core FCF	32.2%	48.0%	49.7%	71.6%	41.2%	23.8%	28.8%	30.2%	27.3%	27.4%	115.6%	312.0%	338.7%	378.4%	381.9%
Dividend Yield	2.9%	4.2%	4.8%	8.8%	3.6%	#DIV/0!	#DIV/0!	#DIV/0!	1.8%	7.1%	7.6%	7.7%	7.7%	8.2%	8.2%
Balance Sheet															
Current Assets	382.0	372.7	366.1	400.3	396.9	337.5	320.0	291.7	190.1	190.1	496.2	422.3	361.0	297.5	233.4
Non-Current Assets	2,011.7	1,959.1	1,912.4	1,335.3	1,377.8	1,738.7	1,720.7	1,705.8	1,686.9	1,686.9	1,649.7	1,625.9	1,601.7	1,579.1	1,558.4
Assets	2,393.7	2,331.9	2,278.6	1,735.6	1,774.7	2,076.1	2,040.7	1,997.5	1,877.0	1,877.0	2,145.8	2,048.2	1,962.7	1,876.6	1,791.8
Current Liabilities	313.0	298.4	286.3	304.9	316.2	303.1	296.4	290.7	357.9	357.9	320.1	310.6	312.6	314.9	316.5
Non-Current Liabilities	1,801.6	1,766.2	1,739.5	1,646.2	1,660.8	1,963.8	1,959.4	1,946.6	1,933.4	1,933.4	2,131.3	2,131.3	2,131.3	2,131.3	2,131.3
Liabilities	2,114.7	2,064.6	2,025.8	1,951.2	1,977.0	2,266.9	2,255.8	2,237.3	2,291.3	2,291.3	2,451.4	2,441.9	2,443.9	2,446.1	2,447.7
Shareholders' Equity	279.1	267.2	252.8	(215.5)	(202.3)	(190.8)	(215.1)	(239.8)	(241.8)	(241.8)	(186.7)	(108.1)	(19.7)	67.1	159.3
Cash	104.0	144.8	140.5	163.1	200.4	184.3	177.6	152.9	x	x	341.1	369.7	307.5	243.8	179.0
Debt	1,276.5	1,279.5	1,282.7	1,269.8	1,274.1					1,287.7					
Net Debt	1,172.5	1,134.7	1,142.2	1,106.7	1,073.7	(184.3)	(177.6)	(152.9)	#VALUE!	#VALUE!	(341.1)	(369.7)	(307.5)	(243.8)	(179.0)
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	4.7 x	4.3 x	4.5 x	5.7 x	5.2 x					#VALUE!	n/a	n/a	n/a	n/a	n/a
Operating Metrics															
Return on Equity (ROE)	12.9%	5.8%	8.9%	1,6%	9.7%					8.7%	9.0%	8.5%	49.0%	9.5%	10.0%
Return on Assets (ROA)	4.8%	3.8%	2.6%	0.5%	1.5%					2.0%	2.3%	2.0%	2.6%	3.0%	
Return on Invested Capital (ROIC)	7.9%	5.0%	6.4%	6.7%	5.8%					7.0%	7.5%	7.7%	8.0%	8.2%	8.4%
Valuation Metrics															
Stock Price (High)	$ 109.16	$ 84.80	$ 79.43	$ 46.57	$ 73.19				$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09
Stock Price (Low)	$ 105.34	$ 82.59	$ 76.75	$ 42.05	$ 65.63				$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09
Stock Price (Average)	$ 107.25	$ 83.70	$ 78.09	$ 44.31	$ 69.41	#DIV/0!	#DIV/0!	#DIV/0!	$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09	$ 39.09
Diluted Shares Outstanding (Average)	19.0	18.8	18.1	17.7	17.8	17.7	17.6	17.1	17.1	17.2	16.5	16.5	16.5	16.5	16.5
Market Capitalization (Average)	2,033.0	1,570.8	1,415.4	786.1	1,234.7	#DIV/0!	#DIV/0!	#DIV/0!	666.7	674.1	643.8	643.8	643.8	643.8	643.8
Enterprise Value (Average)	3,205.5	2,705.5	2,557.5	1,892.8	2,308.5	#DIV/0!	#DIV/0!	#DIV/0!	#VALUE!	#VALUE!	302.8	274.2	336.3	400.0	464.8
P/E	55.8 x	15.0 x	14.0 x	n/a	15.4 x					6.5 x	5.9 x	5.1 x	4.7 x	4.6 x	4.5 x
EV/EBITDA	12.7 x	10.2 x	10.0 x	9.8 x	11.1 x					#VALUE!	1.2 x	1.0 x	1.2 x	1.4 x	1.6 x
FCF Yield to Market Capitalization	10.9%	12.8%	12.8%	31.5%	15.7%					29.7%	28.6%	46.4%	34.0%	34.1%	34.5%
FCF Yield to Enterprise Value	6.9%	7.4%	7.1%	13.1%	8.4%					#VALUE!	60.9%	109.0%	65.2%	54.9%	47.8%
Free Cash Flow															
EBIT	217.1	233.6	225.2	163.0	176.3	56.8	52.6	47.9	51.0	208.3	216.1	235.6	252.5	253.8	261.3
Tax Expense	(15.1)	(63.7)	(56.8)	85.6	(30.3)	(9.5)	(7.7)	(7.8)	(9.1)	(34.1)	(50.1)	(54.7)	(58.6)	(58.9)	(60.6)
D&A	34.7	32.8	30.6	30.6	32.2	10.2	10.6	10.7	11.0	42.5	34.9	40.5	38.7	36.4	34.3
Capital Expenditures	(5.9)	(6.6)	(5.6)	(13.4)	(14.3)	(4.7)	(4.5)	(4.2)	(6.1)	(19.4)	(17.8)	(15.6)	(14.4)	(13.8)	(13.6)
Changes in NWC	(8.2)	4.3	(11.8)	(18.4)	30.4	(13.3)	2.5	1.0	13.1	3.3	1.1	93.0	1.0	2.1	0.9
Unlevered Free Cash Flow	222.6	200.4	181.6	247.5	194.4	39.5	53.5	47.6	59.9	200.5	184.3	298.8	219.2	219.7	222.2

Appendix 2: Valuation Summary



Appendix 3: DCF

	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
(Figures in mm USD)	**FY2014**	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**Q1-2019**	**Q2-2019**	**Q3-2019**	**Q4-2019**	**FY2019**	**Q1-2020**	**Q2-2020**	**Q3-2020**	**Q4-2020**	**FY2020**	**FY2021**	**FY2022**	**FY2023**	**FY2024**
Free Cash Flow																			
EBIT	217.1	233.6	225.2	163.0	176.3	56.8	52.6	47.9	51.0	208.3	46.8	52.7	55.3	61.3	216.1	235.6	252.5	253.8	261.3
Less: Tax expense	(15.1)	(63.7)	(56.8)	85.6	(30.3)	(9.5)	(7.7)	(7.8)	(9.1)	(34.1)	(6.7)	(12.2)	(12.8)	(14.2)	(50.1)	(54.7)	(58.6)	(58.9)	(60.6)
Add: Depreciation and amortization	34.7	32.8	30.6	30.6	32.2	10.2	10.6	10.7	11.0	42.5	2.8	10.7	10.7	10.7	34.9	40.5	38.7	36.4	34.3
Less: Capital expenditures	(5.9)	(6.6)	(5.6)	(13.4)	(14.3)	(4.7)	(4.5)	(4.2)	(6.1)	(19.4)	(5.1)	(4.3)	(4.1)	(4.2)	(17.8)	(15.6)	(14.4)	(13.8)	(13.6)
Less: Change in net working capital	(8.2)	4.3	(11.8)	(18.4)	30.4	(13.3)	2.5	1.0	13.1	3.3	5.4	(1.7)	(0.0)	(2.5)	1.1	93.0	1.0	2.1	0.9
Unlevered Free Cash Flow	**222.6**	**200.4**	**181.6**	**247.5**	**194.4**	**39.5**	**53.5**	**47.6**	**59.9**	**200.5**	**43.2**	**45.1**	**49.0**	**51.0**	**184.3**	**298.8**	**219.2**	**219.7**	**222.2**
Discount factor						-	-	-			-	0.25	0.50	0.75	0.75	1.75	2.75	3.75	4.75
Present Value of Unlevered Free Cash Flow						**-**	**-**	**-**	**-**	**-**	**-**	**44.3**	**47.3**	**48.3**	**139.9**	**263.3**	**179.7**	**167.6**	**157.6**

WACC Calculations

Cost of Equity	
Risk-free rate	0.7%
Expected market return	7.7%
Market Risk Premium	**7.0%**
Beta	2.23
Cost of Equity	**16.4%**

Cost of Debt	
Pre-tax cost of debt	4.5%
Effective tax rate	23.2%
Cost of Debt	**3.5%**

WACC	
Market value of equity	803.4
Market value of debt	1,762.3
Total Capitalization	2,565.8
Cost of equity	16.4%
Cost of debt	3.5%
WACC	**7.5%**

Discounted Cash Flow Valuations

Perpetuity Growth Method	
Perpetuity Growth Rate	**1.5%**
PV sum of unlevered FCF	908.0
Terminal value	2,641.4
Enterprise Value	**3,549.5**
Add: Cash	172.5
Less: Debt	1,762.3
Less: Other EV adjustments	
Equity Value	**1,959.6**
Shares outstanding	17.7
Implied Share Price	**$110.71**

Current Price	$ 45.39
Implied Price	**$110.71**
Total Return	**143.9%**

Exit Multiple Method	
Terminal EV/EBITDA Multiple	**12.0 x**
PV sum of unlevered FCF	908.0
Terminal value	2,516.5
Enterprise Value	**3,424.5**
Add: Cash	172.5
Less: Debt	1,762.3
Less: Other EV adjustments	-
Equity Value	**1,834.6**
Shares outstanding	17.7
Implied Share Price	**$ 103.65**

Current Price	$ 45.39
Implied Price	**$ 103.65**
Total Return	**128.4%**

Perpetuity Growth Rate \ WACC	8.60%	8.10%	7.60%	7.10%	6.60%
0.50%	$ 65.32	$ 75.34	$ 86.76	$ 99.92	$ 115.23
1.00%	$ 72.25	$ 83.41	$ 96.27	$ 111.23	$ 128.86
1.50%	$ 80.14	$ 92.71	$ 107.33	$ 124.56	$ 145.16
2.00%	$ 89.24	$ 103.53	$ 120.37	$ 140.50	$ 165.00
2.50%	$ 99.83	$ 116.28	$ 135.96	$ 159.91	$ 189.68

Terminal EV/EBITDA Multiple \ WACC	8.60%	8.10%	7.60%	7.10%	6.60%
10.0 x	$ 72.97	$ 76.08	$ 79.28	$ 82.55	$ 85.91
11.0 x	$ 84.26	$ 87.62	$ 91.07	$ 94.61	$ 98.23
12.0 x	$ 95.55	$ 99.16	$ 102.86	$ 106.66	$ 110.56
13.0 x	$ 106.83	$ 110.69	$ 114.65	$ 118.72	$ 122.89
14.0 x	$ 118.12	$ 122.23	$ 126.45	$ 130.78	$ 135.22

Appendix 4: Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	2019A EBITDA	2020E EBITDA	2021E EBITDA	2019A P/E	2020E P/E	2021E P/E
				EV/EBITDA Multiple			P/E Multiple		
Denny's Corporation	(NASDAQ: DENN	608.4	1,027.0	11.0 x	10.8 x	10.5 x	5.18 x	44.7 x	14.3 x
BJ's Restaurants	(NASDAQ: BJRI)	427.6	640.2	5.3 x	5.2 x	5.1 x	9.25 x	10.2 x	(6.8 x)
Texas Roadhouse Inc.	(NASDAQ: TXRH	3,288.7	3,833.7	11.0 x	10.8 x	10.6 x	18.83 x	84.2 x	19.8 x
Red Robin Gourmet Bu	(NASDAQ: RRGE	169.7	854.7	8.5 x	8.3 x	8.1 x	21.39 x	62.1 x	23.7 x
The Wendy's Company	(NASDAQ: WEN)	4,434.4	7,308.4	18.0 x	17.6 x	17.3 x	33.24 x	42.8 x	30.1 x
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-
Dine Global Brands In	**(NYSE: DIN)**	**662.0**	**2,238.0**	**8.9 x**	**8.9 x**	**8.1 x**	**7.2 x**	**31.3 x**	**8.6 x**
Median				**11.0 x**	**10.8 x**	**10.5 x**	**18.8 x**	**44.7 x**	**19.8 x**
Mean				**10.8 x**	**10.5 x**	**10.3 x**	**17.6 x**	**48.8 x**	**16.2 x**
High				**18.0 x**	**17.6 x**	**17.3 x**	**33.2 x**	**84.2 x**	**30.1 x**
Low				**5.3 x**	**5.2 x**	**5.1 x**	**5.2 x**	**10.2 x**	**(6.8 x)**

	EV/EBITDA Implied Price		P/E Implied Price	
Median	$ 66.29	$ 78.79	$ 55.91	$ 89.67
Mean	**$ 63.18**	**$ 75.44**	**$ 61.03**	**$ 73.50**
High	$ 168.52	$ 189.03	$ 105.27	$ 136.47
Low	-$ 16.27	-$ 10.24	$ 12.73	-$ 30.74