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Dine Brands Global, Inc. ([DIN](#)) UBS Global Consumer and Retail Conference March 11, 2026 4:00 PM EDT

Company Participants

John Peyton - CEO, Applebee's President & Director

Lawrence Kim - President of IHOP

Vance Chang - Chief Financial Officer

Conference Call Participants

Dennis Geiger - UBS Investment Bank, Research Division

Presentation

Dennis Geiger

UBS Investment Bank, Research Division

Great. Good afternoon. I'm Dennis Geiger, restaurants analyst at UBS, and I'm pleased to welcome and excited to have with us on stage, John Peyton, Dine Brands' CEO; Vance Chang, Dine Brands CFO; Lawrence Kim, President of IHOP; and also in the audience and in meetings today, Matt Lee of Investor Relations.

I want to also thank the team for the IHOP Swag mugs. It's a little bit of a gift, I guess, to everyone that's stuck around till 4:30. So we appreciate that team. Dine Brands owns and franchises over 3,500 restaurants globally across family dining, casual dining and the fast casual categories, including over 200 international restaurants. The brand portfolio includes over 1,800 IHOP locations, over 1,500 Applebee's locations and about 100 Fuzzy's Taco Shops, I believe, or so. And with that, John, Lawrence and Vance, thanks so much for being here today. We appreciate it.

John Peyton

CEO, Applebee's President & Director

Thank you, Dennis.

Question-and-Answer Session**Dennis Geiger**

UBS Investment Bank, Research Division

Maybe we could start just kind of bigger picture, talking about the full-service space, the casual dining space. Moving through 2025 and into 2026 even, what have you been seeing there as you think about the consumer and the casual dining consumer and how, in particular, Applebee's and IHOP have been and are positioned?

John Peyton

CEO, Applebee's President & Director

Yes. As we think about the consumer, the consumer behavior that we expect in 2026 looks a lot like '25, which looks a lot like '24. So we're not expecting a significant change. And we would characterize that both for IHOP and for Applebee's that have a very similar customer profile, particularly when it comes to financial and household income demographics is that they're very value-oriented, right?

Not a surprise. That's been going on for a couple of years. And the definition is that they want to know the full cost of the meal and no surprises, which is why house everyday value at IHOP, 2 for \$25 at Applebee's have been resonating and driving performance the last couple of quarters.

Dennis Geiger

UBS Investment Bank, Research Division

Terrific. Maybe let's shift over to the guidance and 0% to 2% on the same-store sales side of things for both brands despite some of the weather impacts already this year in the first quarter. Can you talk about some of the key drivers supporting that positive same-store sales growth expectation for the year?

John Peyton

CEO, Applebee's President & Director

Do you want to talk about the guidance, generally?

Lawrence Kim

President of IHOP

Yes. I think that the makeup of the guidance, Dennis, what we see -- what we're planning for is flattish traffic with a low single-digit sort of menu price reflected and a slight offset with P mix is kind of the makeup of that guidance.

John Peyton

CEO, Applebee's President & Director

And you want to talk about the IHOP initiatives that you're planning for the year to drive this traffic?

Lawrence Kim

President of IHOP

Yes, absolutely. So for IHOP in the past 1.5 years, you've seen a steady focus on value. It's the first time that IHOP has had a consistent set of value, especially at a single price point. The offering we have right now is a \$6 everyday value platform, and that started this past September, which evolved from a Monday through Friday program, which launched in October of 2024.

And we're consistently driving that \$6 message even into all of 2026. But of course, that complements -- we have to complement that with our barbell strategy, which are check-driving initiatives from our innovation platforms like we have this coming March with -- I mean, sorry, it's already March now, at the end of this March from -- a new omelette that we're launching a new proprietary coffee blend. That's why you see some coffee mugs here, so please grab one. And of course, throughout the rest of the year, we have a continuous set of innovation streams that complements the value strategy that we have in place today.

John Peyton*CEO, Applebee's President & Director*

Yes. And at Applebee's, a similar approach. So we used to have at Applebee's 10 to 12 marketing periods a year, each with a different message, each with a different item we were promoting a different price point. And when you're only in market 4 or 5 weeks at a time, it's hard for that message to break through. Same is true at IHOP.

And particularly for brands like ours, which we're not coffee. So we're not seeing our guests 4, 5, 6 days a week. We're seeing them 2, 3, 4 times a year, and they were missing messages. So we've reduced our marketing messages to 6 to 8 a year and focusing at Applebee's on 2 for \$25, which is 2 entrees and an appetizer for \$25 -- and that's our value message throughout the year, which we think is important right now.

And to keep it fresh and exciting, adding a new entree and a new appetizer each quarter. So back in Q4, we added the Grilled Cheese cheeseburger, which quickly became our best-selling burger of all time. And then in Q1, we added the O-M-Cheese Burger, which is a cheeseburger cut in half and served in a sizzling skillet. So when you pull it up, you get a cheese pull. That is now our best-selling burger of all time, selling 35 burgers per restaurant per day, which is a big number for us and rivals things like the appetizer Trio and boneless wings and is really good for a new product launch.

And it checked all those boxes around what menu innovation is supposed to do, right? You can't make it at home. It's experiential. It was photographable and unique. And so that's -- our plan is to have that throughout the year in a way to highlight the 2 for \$25 menu.

Dennis Geiger*UBS Investment Bank, Research Division*

Terrific. For John, you and for Lawrence, maybe just unpacking value a little bit, some compelling offers for sure. Where would you say the brand is right now on value scores? Are you kind of where you want to be on value? Is it going to take marketing, maybe more on the value push to get there? How would you kind of summarize each of the brand's position right now on value?

Lawrence Kim*President of IHOP*

Yes, I'll start with that. So as I mentioned, because our value journey started really 1.5 years ago, the name of the game was consistency because the consumer can only take so many messages in at one time. And so for IHOP, in particular, we wanted to really nail the \$6 message. If you think about it, it is difficult to make a breakfast at home, especially for a young family and all of a sudden, now you have a \$6 platform, it resonates extremely well with the guests.

And so we have continued to hone in on this. And even at this upcoming end of March, we are evolving the everyday \$6 value platform with a different offering as well. And so this evolution that we work closely with our franchisees is a critical next step. And it is a core part of our marketing focus as well. Almost all -- majority of our primary message in the marketplace is around the \$6. It is what's driving traffic. It's why we've outperformed Black Box in traffic every month in 2025, and it continues into 2026, and we want to continue that momentum moving forward.

John Peyton

CEO, Applebee's President & Director

Yes. I would add, Dennis, a couple of things. One is what is the definition of value right now? One is they want to know the full cost of the meal, whether it's \$6 or \$25 for 2. They all -- when you talk to guests and you talk to just diners in general, the experience in the restaurant is super important and shows up from guests in a much more significant way than in the past.

So we've talked about that value is also about the vibe, right? So good price, great food, good portion and the experience of being served and taken care of by somebody else. And guests are looking for all of that right now. I think also implied in your question is, do we think the value portion of our sales is going to grow? Is it too big? Is it too small? And we've been asked that question a couple of times today as well. And our answer there is we don't have a target ceiling or floor for what mix of our menu sales should be value.

It's driven by our guests, right? And so if the guest are coming to us and they're choosing from those portion of our menus, and that's what they need right now, then we're fine with that because the value portion of our menus are profitable. We design them in partnership with our franchisees. They often upsell, right? So 2 for \$25, you can add \$2 for steak, \$3 for the next category. And so that's how we think about it. Interestingly, the portion of our tickets that include value items, about 30% for Applebee's, 20% for IHOP has been super steady now for quarter after quarter after quarter after quarter. So that seems to be the current state.

Dennis Geiger*UBS Investment Bank, Research Division*

Yes. Great. How about on the menu innovation side? You guys both touched on it a little bit there. But if we unpack that, I guess, how would you say that '26 differs relative to '25 as it relates to new menu innovation and maybe just even going forward, just going forward look a lot different than what we've seen in past years?

Unknown Executive

Well, I'll start with IHOP. Innovation is part of our DNA. And when you look at especially the core items that IHOP stands for, which are amazing breakfast equities, we want to make sure we complement the value menu with breakthrough innovation. So when you think about the trends that are out in the marketplace today, whether they're global domestic or whatever TikTok unleashes on you, you grasp on to these. And it's also some of the power of AI as well because you can start extracting from your portfolio and your mix and work with your culinary team go, what is going to drive attraction, -- what is going to drive buzz in the marketplace.

And so we look at a quarter-to-quarter basis, but we're staying focused on our core and complementing the value menu together with these innovation streams. I mentioned we have a proprietary new coffee because we truly believe you better match your world's best pancake with the world's best coffee. And so we have a proprietary blend exclusively designed just for IHOPs, and it really complements that of our breakfast items that's coming out later this March.

We have a new barbecue pulled pork omelettes, because our guests and the feedback have just been climbing towards some kind of barbecue dish, and we've paired it perfectly with our omelettes. And as we go further into the second half of the year, we've got a few surprises. And we've got to, of course, keep that suspense, but I can just give a quick highlight that we're going to be bringing back a fan favorite that has just been really top of mind and saw a lot of exciting news coming back in the back half of the year.

John Peyton*CEO, Applebee's President & Director*

And at Applebee's, Dennis, one of the things we've had to work on the last 2 years is building a pipeline of innovation. So it's fair to say we weren't particularly or regularly innovative. And so we spent most of '24 and '25 building out what we now have is an 8-quarter pantry of new entrees for 8 quarters and new appetizers for 8 quarters that will introduce, as I mentioned, via 2 for \$25. And the burger that I talked about last year and O-M-Cheese Burger are examples of what's now coming out of the pipeline, and there'll be more of that as the year progresses.

Dennis Geiger

UBS Investment Bank, Research Division

Great. Lawrence, I want to touch on dayparts with you. Just as we think about the broader macro and breakfast, generally speaking, for the industry now being under a bit more pressure purely related to the macro, I would argue, how you think about that in the context of a key daypart for you? And then maybe just some of the other important -- where you see the other most important daypart maybe outside of breakfast.

Lawrence Kim

President of IHOP

The fascinating great part about breakfast is that if you look in the past few years of breakfast behavior, breakfast used to be associated only in the morning hours. But now breakfast items are associated with all dayparts. And if you even look because most of our restaurants are 24/7, 60% to 70% of all items ordered during any part of the day are breakfast-specific items. And so that's opened up the aperture, especially when you look at how delivery and off-premise and all those areas of different channels and accessibility have made breakfast, and I use it in quotes, but breakfast items accessible and relevant for all parts of the day.

So we have stayed focused on our core. We know those are what's most craveable for our guests. You look at even opportunities, as you just kind of alluded to late night. And I think about my old college days and the behavior of going into IHOP, and I go into IHOP, so my tours across the nation, and I go into late nights and I work those shifts as well. And I see restaurants crowded with students, people coming from their night shifts. And of course, what you see them ordering are breakfast items. And so we are looking not just from the off-premise channels, but also in restaurants to really create a distinctive niche within the late nights to drive that part of our business moving forward.

Dennis Geiger

UBS Investment Bank, Research Division

Great. I want to touch on ops. I think you both might have alluded to it a little bit. But as far as the operations go for each brand, where we are in 2026 and beyond, what kind of opportunity do you think operations can be for each brand?

John Peyton

CEO, Applebee's President & Director

I can start. So Applebee's is focused on the -- what we believe is the biggest driver of improving guest satisfaction in the restaurant and the biggest driver of improving guest satisfaction outside the restaurant because 22%, 23% of our sales are off-premise. So the #1 guest complaint for off-premise is missing item in the bag, whether it's a soda or it's a pack of ketchup, that's the #1 missing item.

So our relentless focus in 2026 is on improving the missing item incidence, in the restaurant, we've done a lot of research that demonstrates when the more the general manager of the restaurant is in the front of the house, interacting with guests and directly supervising, coaching, correcting staff, the higher the guest satisfaction scores are as well. So we're doing a lot of work to help general managers get out of the back of the house where they tend to migrate because they're going to expedite and that's where they want to speed things up and get them to the front of the house.

And that's not just telling them to do that, right? A lot of the data that they're looking at is in the back of the house. And so we're trying to get data on their phones and things like that so that they can spend time in the front of the house. One of the -- I think one of the most interesting statistics in guest that, which is true in our industry, it was true when I was at Starwood Hotels for a long time, is guests that experience a problem that is corrected give you a better satisfaction score than guests that experience no problem at all. And those addressing a problem typically happens when there's a manager in the front of the house.

Lawrence Kim

President of IHOP

Yes. And I'll complement you with 2 other things. So accuracy, no question, 20% of our business at IHOP is off-prem. And so accuracy is a critical part in making sure that the guests get the right products, the right butter, syrup, et cetera, that complements that of our products. The other area is speed because I have 2 young kids and nobody wants to wait 20 minutes for your food. And so we've been laser-focused on this so much so that in 2025, we've already taken off 6 minutes plus from our table turns, and that continues to be a focus just because there's always low-hanging fruit that we've identified. And finally is we are a service brand. We call it -- specifically in IHOP, we have a program called iHospitality.

And it's important that hospitality, that service resonates with our guests because it keeps them coming back over and over again. It's why there are certain restaurants like in Pasco, Washington, where I visited a few months ago, I met a family, the Ochoas, they come to the restaurant over 360 times a year. So I mean, you just take a few days away from that, you got the full year covered. And that's because they really appreciate the service, this hospitality, the iHospitality and the magic that comes to the IHOP experience. So we're trying to make sure.

John Peyton

CEO, Applebee's President & Director

They come to the same daypart 363 times.

Lawrence Kim

President of IHOP

They come mostly in the breakfast, but sometimes they mix it up. Yes. I love the consistency.

Dennis Geiger

UBS Investment Bank, Research Division

How about on marketing, both brands, big, big marketers, sizable budget, good creative. Can we just talk about what '26 looks like from a marketing perspective, if any changes in strategy overall on marketing versus what we've seen?

Lawrence Kim

President of IHOP

Yes. So for IHOP, we have this mantra where we work at the speed of culture. And it's why IHOP and Applebee's, we have an in-house set of social teams, but also for IHOP, we have an in-house creative team. It's so that we can act and react at the speed of culture, meaning if a trend pops up, for example, Mr. Fantasy is a big influencer. We realized he was gaining a lot of traction in the space and especially with Gen Z. So we quickly connected with the creative custom content and tied them in with National Pancake Day on March 3, past March 3.

And at the same token, we're constantly creating new social material. Our engagements in 2025 versus 2024 was almost 4x. And that momentum continues into 2026 because we have an in-house team that reacts at the speed of culture. The second is we're optimizing the way we drive mass awareness. So we have -- similar to Applebee's, as we've compressed the number of windows that we needed, we've also optimized our production dollars, meaning we've taken the savings from there and applied it to working media. So we've had 15% more dollars in working media, which means greater awareness, greater number of eyeballs, better buys across scale. And ultimately, that drives you not just top of mind, but of course, traffic.

And finally, I think is you've got to be real time when it comes to cultural activations. And that's why certain programs and launches like we did, for example, with Malik Nabers for those of you who are New York Giants fans, Star Wide receiver, we want to make sure that we bring programs like that to life, especially with bottomless Pancakes and National Panic Day, and we've got a lot more to come in 2026.

John Peyton

CEO, Applebee's President & Director

And for Applebee's, I would just add, in addition to having fewer messages in market longer, we have also leaned into digital/social in a big way. 2026 will be the first year when we have more of our marketing budget dedicated to digital and social than we do to television. And television still moves the market in this category. But we think that mix makes sense for us. And we're focused on really leveraging 2 things. One is when we've got exciting new products like these 2 burgers, that's what you're going to see is the hero in our TV spots. And we're also leaning into some of the equity we've built in the Date Night Pass.

If you remember a couple of years ago, we did the Date Night Pass. We like to claim we broke the Internet and people registering. This year, we linked it to Club Applebee's, which means you had to be a member of Club Applebee's in order to participate. So in addition to a couple of million people that are in Club Applebee's, we registered over 300,000 new people. And so we can see extending the Date Night Pass. There's other passes, family pass, holiday pass that one could do, and that's going to be part of our marketing as well.

Dennis Geiger

UBS Investment Bank, Research Division

That's great. How about on loyalty, how you think about the program benefits and the opportunity that exists from a loyalty perspective?

Lawrence Kim

President of IHOP

Loyalty is a key priority for us. We have over 12.5 million users on our loyalty platform today at IHOP. It's a 23% increase versus the previous year. And similar to all different trends, you're constantly listening. You're evaluating just based on loyalty behavior, the user behavior and also just reading threads from Reddit and all the different social feeds, how to make the platform better. So we have something called the Stack Market, where you leverage your coins or your PanCoins to really redeem some of the best offers that we can at IHOP, and we work closely with our franchisee partners to evaluate what the next evolution of that is going to be. So we're constantly listening. There's a lot of white space opportunity, in my opinion, and we're going to continue to drive the platform and create that stronger connection with the guests and the loyalty users.

John Peyton

CEO, Applebee's President & Director

Yes. Applebee's has a program we call Club Applebee's, also has 8 million or 10 million members, many -- most of which allow us to contact them and give us their e-mail or their text. It's not a point-based earn and redeem system. It's more about insider access to getting promotions and special deals ahead of others. The challenging thing about loyalty in terms of the traditional loyalty programs when you think about it like airlines or hotels for coffee in our space is, like we mentioned before, is that we're not a 3, 4 -- except for your family that you met in D.C. Washington, we're not a 3-, 4-, 5-, 6-day a week purchase, right? We're maybe once a quarter purchase. So points are not a motivator when you're only participating 3, 4, 5 times a year. And so we're thinking about how do you engender loyalty in a way that doesn't require you to accumulate points.

Dennis Geiger

UBS Investment Bank, Research Division

That's great. And then you both, I believe, touched on off-prem. I believe it was earlier last year in '25, you talked about maybe being able to get a little sharper, a little better from an off-premise perspective. So just kind of maybe where are we? I know you gave some metrics, but on off-prem now, do we think it can go much higher? Is there a target that you think about on the off-premise side?

Lawrence Kim

President of IHOP

For IHOP, off-prem, as I mentioned earlier, accounts for around 20% of our business. And really, it's broken down a few layers. Number one, delivery; number two, catering; number three, online channels like IHOP.com. And for delivery, in particular, which accounts for more than half of that 20% we have been working with the aggregators and delivery partners to really create a strong strategy in regards to promotion. Even this quarter versus previous quarter, we've had 15% more promotions planned.

And so you see a very strategic focus in regards to driving the right proposition for our guests, and it's obviously resonated extremely well with these partners. But the one I'm really excited about is catering. If you think about your breakfast options in catering today, just think through the normal ones that you would normally have for breakfast. -- have you had IHOP catering, our world famous pancakes, our bacon eggs and just syrup, everything that comes with it. And I know because when I take IHOP catering to events, it is such a huge hit because it is so distinctive, it is so different.

And so we didn't just want to do it blindly. So what we did was we took a step back and looked at our catering platform last year. We looked at, okay, what packaging do we need? So we have proprietary packaging. We looked at what's the angle of positioning and marketing behind it. And there's a lot more focus, and we're working with our franchisees now to deploy these catering kits, these even local store marketing toolkits to get the word out and get them out to like hotels and conferences and schools, and we're really excited because this has a lot of upside potential this year and beyond.

John Peyton

CEO, Applebee's President & Director

Off-prem for Applebee's is 22%, 23% of sales. And we thought that was the ceiling. And this year, we grew 6.5%. And we did it 2 ways. One was we weren't including nationally advertised promotions on our off-prem channels. So that was a bit of a no-brainer once we started to do that, and you had the marketing behind it that made a difference.

And then the basics just around the classic analytics and A/B testing about what -- so we just got much more purposeful and data-driven in managing it.

So we still continue to believe that there's upside there. I think the broader picture on off-prem, Dennis, for both brands is that -- before the pandemic, both brands were less than 10% of their sales were off-prem. Now they're 20%, 21%, 22%, 23%. And what's great about that is -- number one, it's largely incremental business because we know that our off-prem customer generally doesn't eat in the restaurant.

So we like that. It's competitive with QSR and fast casual because we weren't necessarily considered a convenient buy, right, before the pandemic.

But now 20% of our guests view us as equally convenient to the off-prem people to the QSR. And what we're focused on now is how much can we direct business to our own channels versus the third parties.

Dennis Geiger

UBS Investment Bank, Research Division

Right. Terrific. I want to shift over to development and in particular, the exciting dual brand opportunity. You only left 19 minutes for dual brand. We say the best for the middle, I guess, right? So let's talk about that opportunity and why it's so exciting. Maybe what have you learned so far? And how do you compare those dual brand locations to single-brand locations?

John Peyton*CEO, Applebee's President & Director*

Sure. So give you some numbers first for those that don't know, there's almost 40 of them open outside the U.S. They went first, and that's where we tested the concept. In February of last year, we opened the first one outside San Antonio, Texas. We have now 35 or 36 open in the U.S., and we've said we'll have 80 open by the end of the year, and we're on track to do that.

So one compelling thing is in 2 years and 3 months, we went from 0 in the U.S. to having 80 by -- in the pipeline by the end of the year. So it's really compelling. The concept is -- and Applebee's and IHOP in the same building, a common menu that goes from breakfast to dinner. So if you're here in the Northeast, a sort of like a diner where it has the best of both brands each of our respective brands has about 120 items on the menu.

The combined restaurant has about 120. So we make sure that the kitchen isn't taxed by adding in everything from both brands. Inside the restaurant, there's a core red area for Applebee's, which is around the bar and then wrapped around that is the blue area for IHOP. And what we're seeing is that guests are sitting wherever they want regardless of daypart.

And our new favorite statistic is that 62% of guests or 62% of tickets, tabletops are ordering items from both menus, right? And so 1 of the definitions of innovation is to give guests in our case or consumers something they didn't know they wanted, right? No one came to us and said, "Gosh, you should put an Applebee's and IHOP under the same roof. .

But when you invite them into the restaurant, 2 out of 3 times, they're ordering from both sides, which tells you from a guest perspective that it's got a lot of legs.

Financially for the franchisee when they add the second brand because most of these have been adding a second brand to an existing restaurant through a \$1 million or so renovation, they're increasing their revenue 1.5 to 2.5x and they're increasing the flow-through on their margin for that incremental revenue by about 3 or 4x because they don't have -- fixed costs don't change, rent is still rent. And for Dine, this will show up as incremental royalty fees as the revenue of these combined restaurants grows.

Dennis Geiger*UBS Investment Bank, Research Division*

And so you touched on I think some of the most important numbers there. But what is the feedback from the franchisees so far, the overall demand? How would you kind of size it up now? Early days still, of course, but...

John Peyton

CEO, Applebee's President & Director

A couple of things. The fact that we're going from 0 to 80% in -- within 2 years of opening the first one tells you a lot.

The second thing is the franchisees that are building these are larger, more experienced, more development-oriented people -- companies that have been in this business for decades for each of them. And they see it and they're investing their own money in it because they see the potential.

And they're not unlike consumers, right? When we said to them, let's -- we think we have this dual brand idea. They were reluctant and they were skeptical.

Once we opened the first 1 and they -- we flew them down to see it, one of our very large franchisees said, I came down here highly skeptical, and I'm leaving highly intrigued, right, and is now building one, and that's a really big franchisee of ours.

So they are in the business of making money. And this can add \$1 million or more to their top line flowing at a couple of hundred thousand dollars on that \$1 million.

Dennis Geiger

UBS Investment Bank, Research Division

Terrific. And what do we think long-term potential, again, maybe it's too early to say so far, but as you look at kind of the 12-month ramp, what's the latest you've been sharing on what the potential for this could be.

John Peyton

CEO, Applebee's President & Director

So we've been talking about the potential for 900 additional restaurants to tackle at some point over the next decade.

And of those 900, they're free and clear, meaning you can add the second brand without tripping over somebody's territorial protection on their current restaurant. Of that 900, 450 are new builds, meaning there's no IHOP and no Applebee's. It's a greenfield and you can build a new restaurant with no conflicts. The other 450 are either an Applebee's or an IHOP adding the second brand without having a conflict.

So call those the easy ones. After that, you can horse trade. So for example, our franchisee in San Antonio, who is a long-time IHOP franchisee, who's got 30 IHOPs bought the Applebee's franchisee in San Antonio. So now he owns the market for both brands and can dual anywhere he wants without having to worry about conflicts.

Dennis Geiger

UBS Investment Bank, Research Division

Terrific. And based on those growth targets. How about the pipeline? What does that look like? And what kind of visibility do you have even at a high level looking out over the next couple of years? And what else, I guess, goes into some of those development targets as we think about returns and some of the key metrics that matter as you look at development. .

John Peyton

CEO, Applebee's President & Director

Do you want to talk about the pipeline in development?

Lawrence Kim

President of IHOP

Yes. I mean we -- to start, the 50 that we're going to build is off of the pipeline that we had a year ago. And that pipeline is evolving and is growing. And so John talked about the fact that the franchisees get to trade markets.

And the company restaurants is actually -- think of it as almost like a clearinghouse for that process because we get to take back restaurants and then rebrand them out to franchisees and opening up territories, et cetera. So the pipeline is definitely growing. Your second question was.

Dennis Geiger

UBS Investment Bank, Research Division

Anything on the returns to support the growth looking ahead to support that -- those development expectations over the coming years, maybe.

Lawrence Kim

President of IHOP

Cash and cash returns for the franchisee.

Dennis Geiger

UBS Investment Bank, Research Division

Yes, however you want to take it, as specific as that would be terrific, of course. And obviously, dual brand looks different than single brand. But yes, if anything that you guys have shared and are comfortable sharing on that front?

Lawrence Kim

President of IHOP

There are a few ways you can think about this. So most -- John mentioned this earlier, most of the dual brands that we've built so far are probably lower AUV units that are adding a second brand, and they're doing 1.5 to 2.5x. So on average, if you say added about \$1 million of top line, the flow-through on that is probably 30% to 40%. And -- and so John also mentioned the cost to convert is about \$1 million plus or minus a few depends on the location.

And so that's -- that's a 3-year payback, right, which is a very, very attractive return profile for the franchisees. On top of that, the way we think about this is these are not new brands that haven't been tested -- these are 2 brands that've been through many, many cycles. The IHOP is 65 years old, Applebee's 55, 60 years old. So the risk profile for this return is lower than a brand-new, hot, exciting concept that the franchisees are building.

Dennis Geiger

UBS Investment Bank, Research Division

Yes. Makes really good sense. How about just broadly the development environment, not even thinking about dual but just -- what are you seeing there? Obviously, macro challenges, et cetera, aside to some extent. Anything that you'd frame up on between build costs and time to get approvals and how that has kind of impacted the development trajectory over the -- looking ahead?

John Peyton*CEO, Applebee's President & Director*

So the 2 biggest challenges coming out of COVID were cost and red tape and getting permits and et cetera, from the local jurisdiction. The cost to build remains largely elevated, which is why we've been focused on not only duals, but we've got multiple ways to develop a restaurant.

IHOP opens 30-plus restaurants a year, 40 last year, and 80% of them or more are conversions of other concepts, right? And so that's a great vehicle for growth as well.

The cost of materials is if it's going to come down, it's going to be very low. So that's sort of still elevated. What's gotten much better is municipalities, counties, et cetera, have rehired with all the people that sort of disappeared during COVID.

So getting things approved is faster with the exception we're learning of liquor licenses, which depending on the state or jurisdiction can take months and months and months.

Dennis Geiger*UBS Investment Bank, Research Division*

Great. How about on remodels and once again, let's put dual brand aside. As we think about remodels. I think you've got the looking good prototype on the Applebee's side of things. How do we think about and how are franchisees thinking about remodels from here over the coming years, what that cycle perhaps looks like if you've got that visibility?

John Peyton*CEO, Applebee's President & Director*

Yes. So Applebee's has fallen behind what we would consider best practice in terms of renovations. And there's a lot of reasons for that. But at the moment, 20% of Applebee's we would consider current, which is why we are so focused on the renovation process and to their credit, why the franchisees are now focused on that as well because as we've now gotten back into normal time, and we can really focus on what the guest is telling us, part of what they're telling us is that the restaurants, some of them are tired and that we've got to focus on the bricks and mortar.

So we're now in year 2 of a renovation process. Our goal is to have 1/3 of the portfolio renovated by the end of this year, and then we'll go on to the next phase from that.

IHOP on the other hand has a history of staying current, they're 80% current, and you never really get to 100%. It's sort of like painting the Golden Gate Bridge as soon as you finish, you start again. So you start to work on the next 20%.

Dennis Geiger

UBS Investment Bank, Research Division

Yes. How about on the international side as you think about the international opportunity, maybe just the performance of international, some of your key markets in general and then how you think about the development from an international perspective?

John Peyton

CEO, Applebee's President & Director

In addition to IHOP, big news, Lawrence is now overseeing international as well. So you can take there.

Lawrence Kim

President of IHOP

The recent change, super exciting just to look at the opportunity for international. Our primary areas of growth are in the Americas because you definitely see scale when you think about Canada, North America and then LatAm.

And we have a big presence, for example, in Mexico, we have a big presence in Canada and in some of the Caribbean islands. So we're also looking at scale opportunities within the global kind of aspects. So when there's scale innovation, there's scale marketing, can those be leveraged across the globe? And if so, how do we best approach it? So there's a lot of great upside that we see in terms of opportunity for international, and we're working through that plan and strategy right now into 2026.

Dennis Geiger

UBS Investment Bank, Research Division

Terrific. Lawrence, I want to ask you kind of another 1 maybe. Actually, I'll ask both of you kind of as we think about tax refunds and just the beneficial macro perhaps.

How are you guys thinking about that? How did that weigh into guidance at all? I know there's a whole lot of macro crosscurrents out there right now. But any kind of expectation that you folks have had or have as it relates to stimulus this year and what kind of benefit the brands may see?

Lawrence Kim*President of IHOP*

I would answer the same way for both, which is we expect the stimulus to make a difference in our guests ability to spend because particularly for guests that earn \$100,000 a year, which is our sweet spot, that couple of hundred or a couple of thousand dollar refund makes a difference. .

And so we do expect that. We didn't build a specific moment into the calendar for when we think that spending will go through. But we do know it will have an effect to some extent because we know from history that our traffic can mirror gas prices, for example.

When we built our budget last year, we didn't know that gas prices would be affected as they are today. So -- so major macro events like that, we tend not to build into a budget because they're just so hard to predict.

Dennis Geiger*UBS Investment Bank, Research Division*

Yes. It makes really good sense. I want to shift over to G&A and CapEx, maybe and Vance, maybe I'll target you with those questions. You've talked in the past just about the benefits of the model and the low operating leverage and all the return capital opportunities. I guess first just on the G&A side of things. How do you think about G&A going forward about the efficiencies and maybe some of the opportunities also to invest at the same time?

Vance Chang*Chief Financial Officer*

The way we try to benchmark our G&A target is, call it, 2.5% of system sales is sort of where we want to be. And to the extent that we have new areas of investment we wanted to grow into, for example, the dual brands and development function within the company. We tend to reallocate.

So we would find efficiency and savings elsewhere and push our resources towards the growth area. So that's how we've been able to sort of keeping the G&A spend relatively flat over time, even in the middle of our investment in new capabilities.

Dennis Geiger*UBS Investment Bank, Research Division*

How about same question, but from a CapEx perspective, given the importance of free cash flow, but also the importance of making the investments and keeping the brands healthy, how should investors think about that CapEx going forward?

Lawrence Kim

President of IHOP

We provided specific guidance on CapEx in the \$20 million to 30 -- \$25 million, \$35 million range. And that's part of that is the company restaurant portfolio. So the core franchisor based business, usually, the CapEx for that business is sort of in the \$15 million to \$20 million range. And anything on top of that is company restaurants related.

And specifically, it's earmarked for remodeling and for dual-brand construction process. Broader question in terms of capital allocation, we do -- we allocate our capital towards the highest ROI usage, right? Organic investments, whether it's CapEx or G&A is part of that algorithm.

Dennis Geiger

UBS Investment Bank, Research Division

And after investments, as you think about capital allocation, how do you think about the other -- under the investment line, the other uses of capital and how you prioritize those?

Lawrence Kim

President of IHOP

A big part of it is capital return. So in 2025, we returned \$90 million back to shareholders, \$60 million of which was through buybacks and \$30 million of which was dividends. And we think as long as there's a disconnect between where the stock is trading versus where we think the stock should be traded at. I think we're going to be aggressive with buybacks.

Dennis Geiger

UBS Investment Bank, Research Division

Great. You touched on the company-owned stores, the company-owned portfolio. How do we think about that going forward? And we've gotten a lot of questions here in recent quarters, are there opportunities to do more of that, the current portfolio of company-owned, -- what's the latest and greatest and how we should think about the go forward on that front?

Lawrence Kim*President of IHOP*

The strategy with company restaurants is to prove out the initiatives that we're trying to - - that's important to us, first, being remodeling, the second is dual brands. And with -- specifically with the restaurants that we have currently, there are operational improvements that we're working on as well in terms of training employees and staffing restaurants the right way. Ultimately, the goal is to refranchise them back to franchisees. In fact, obviously, we're not there yet.

We're not finished with fixing restaurants yet, but we're already getting inbound interest from franchisees that wanted to build dual brands and take some of the restaurants from us. So what you will likely see in the next few years is that this portfolio is not going to be static.

We're going to have restaurants that we refranchise out, but we may take on a few more as well. So it will be a lot of in and out. But again, the ultimate strategy is to turn them around, refranchise them for a proper return on capital for our shareholders.

Dennis Geiger*UBS Investment Bank, Research Division*

Makes good sense. I've been asking most of the companies this just given the investor focus on GLP-1s and if you've seen anything to date and how you're sort of planning for the next few years of that. So maybe, John, thoughts there?

John Peyton*CEO, Applebee's President & Director*

We haven't, in either brand, seen anything to date that materially affects our numbers. And as we think about it for the future, we think about it a couple of ways. One is because we are occasion-driven brands and people frequent us 3, 4, 5 times a year, that, that provides some protection versus if we were the exception of your friends in Washington versus people are visiting us 3, 4, 5 days a week. So that's number one.

Number 2 is we -- both brands have protein friendly carb-light choices, right? You can get an egg white omelette, and vegetables at IHOP, you can get our salmon and broccoli.

And so what we like about that is that -- we also think that we just want to make sure that we're not vetoed by the 1 person in the family who might be, right, thinking about their weight loss journey. And so that we've got a way to offer that to others. And we continue to focus our innovation on making sure that we have enough of our menu that will appeal to them, but we're not radically changing the menu for those reasons.

Dennis Geiger

UBS Investment Bank, Research Division

Terrific. We are just out of time. So John, Vance, Lawrence and Matt, I want to thank all of you very much for your time sharing the insights. We really appreciate it.

John Peyton

CEO, Applebee's President & Director

Thank you. Thanks for having us. We really appreciate it.

Lawrence Kim

President of IHOP

Thank you very much.

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