

Seeking Alpha^α

Transcripts

Consumer

Dine Brands Global, Inc. (DIN) Q1 2025 Earnings Call Transcript

May 07, 2025 8:12 PM ET | **Dine Brands Global, Inc. (DIN) Stock** | DIN

**SA Transcripts**

153.5K Followers

Q1: 2025-05-07 Earnings Summary

Play Call

 PR 10-Q

EPS of \$1.03 **misses by \$0.21** | Revenue of \$214.78M (4.14% Y/Y) **misses by \$313.64K**

Dine Brands Global, Inc. (NYSE:[DIN](#)) Q1 2025 Earnings Conference Call May 7, 2025 9:00 AM ET

Company Participants

Matt Lee - Senior Vice President, Finance and Investor Relations

John Peyton - Chief Executive Officer

Vance Chang - Chief Financial Officer

Lawrence Kim - President, IHOP

Conference Call Participants

Eric Gonzalez - KeyBanc

Jake Bartlett - Truist Securities

Dennis Geiger - UBS

Brian Vaccaro - Raymond James

Brian Mullan - Piper Sandler

Todd Brooks - The Benchmark Company

Operator

Good day, and thank you for standing by. Welcome to the Dine Brands First Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I will now turn the conference over to Matt Lee, Senior Vice President in Finance and Investor Relations. Please go ahead.

Matt Lee

Good morning, and welcome to Dine Brands Global's first quarter fiscal 2025 conference call. This morning's call will include prepared remarks from John Peyton, Dine Brands' CEO and President of Applebee's, and Vance Chang, CFO. Following those prepared remarks, Lawrence Kim, President of IHOP, will also be available, along with John and Vance to address questions from the investment community during the Q&A portion of the call.

Please remember our safe harbor regarding forward-looking information. During the call, management will discuss information that is forward-looking and involves known and unknown risk, uncertainties, and other factors, which may cause the actual results to be different than those expressed or implied. Please evaluate the forward-looking information in the context of these factors, which are detailed in today's press release and 10-Q filing. The forward-looking statements are as of today and we assume no obligation to update or supplement these statements.

We'll refer to certain non-GAAP financial measures, which are described in our press release and available on Dine Brands Investor Relations website. For calendar planning purposes, we are tentatively scheduled to release our Q2 2025 earnings before the market opens on August 6, 2025 and to host a conference call that morning to discuss the results.

With that, it is my pleasure to turn the call over to Dine Brands CEO and President of Applebee's, John Payton.

John Peyton

Good morning, everyone. Thanks for joining us today. On today's call, I'll share Dine's Q1 results. I'll discuss trends in consumer behavior, provide updates on the progress of our brand's key priorities, and then Vance will discuss our financial results in more detail.

First, though, an update regarding the Applebee's leadership team. Over the last two months, I've been working closely with Applebee's leadership and franchisees to further develop our robust growth plan. And while we initially plan to hire a new Applebee's President, the board and management team agree that continuity is crucial right now. And to ensure stability and accelerate business growth, I'll continue to serve as President of Applebee's in addition to my role as Dine Brands CEO. The positive traction we're currently seeing with key initiatives reinforces the need for my focus on Applebee's success. We'll resume the search for a president eventually, but for now, I'll work alongside our franchisees to drive Applebee's forward and profitably grow the business.

The strength and caliber of the Dine Brands team gives me great comfort that this decision is the right one. And at the brand level, new Presidents at IHOP and Fuzzy's are both executing clear visions for their brands. My confidence in the entire Dine system and our brands remains unwavering.

Now, back to our results. As we outlined on our last earnings call, we started the year with a renewed focus on three key priorities. First is elevating the guest experience. Second is enhancing menu and value programs. And third is better communicating the value that our brands offer to our guests. In Q1, consumer confidence declined, and that certainly influences the challenges that our guests continue to face. Guests remain cautious with their spending, particularly the lower income guests, and we continue to see check management and trade down to lower priced items.

Across Applebee's and IHOP, the value mix increased versus Q4. At Applebee's, the value mix increased from 28% to 34%. And at IHOP, that mix increased from 16% to 19% due to the rollout, more broadly, of House Faves. Despite this challenging backdrop, sales, traffic, and our development pipeline each improved in March, and that positive momentum continued into April. Of course, recent global trade tensions have also introduced new uncertainty into the operating environment. And although it's still early to assess the impact of tariffs, we can confirm that only a small portion of our market basket is sourced internationally. Approximately 13% of IHOP and 10% of Applebee's annual market basket comes from international markets.

From a construction cost standpoint, the vast majority of the total equipment package for a new restaurant opening utilizes finished goods from the US, although we may have component parts that come from overseas. We're closely monitoring this dynamic situation and are actively working with our supply chain co-op, CSCS, to mitigate the impact of tariffs on our franchisees to the best of our ability.

And during a challenging environment like this, it's worth emphasizing that our asset light business model serves us well when combating macro headwinds. First, we continue to generate significant free cash flow. This enables us to make investments in our brands such as the reimaging incentive program, while also returning capital to our shareholders. Second, our scale, our infrastructure and capital allows us to opportunistically take over restaurants to advance our long-term goals in a period of reinvestment in our system. And last, and most important, our business model is rooted in the strength and relevance of our brands and the strength and expertise of our franchisees.

With that, I'll now walk through our key financial results. In Q1, our EBITDA was \$54.7 million, compared to \$60.8 million in the same quarter last year. Revenues were up 4% to \$214.8 million. And for comp sales, Applebee's reported a 2.2% decline in comp sales, and IHOP posted comp sales of negative 2.7%. Adjusted free cash flow was \$14.6 million, which was a decrease of \$15.1 million.

Now shifting to our brands, I'll share updates across our portfolio, starting with Applebee's. As I mentioned earlier, Applebee's saw improvement in sales and traffic, closing the gap between our performance in Black Box with positive comp sales in March driven by the growth of off-premise and the Big Easy promotion. Off-premise comp sales increased 3.7% compared to last year, largely driven by demand for the really big meal deal and our \$0.50 America's Favorite Boneless Wings campaign, featured during the NCAA Basketball Tournament. The positive trend in off-premise volume is validation of our deliberate effort to grow off-prem by including nationally advertised campaigns and featuring to-go only promotions.

Menu innovation is an important initiative at Applebee's, and we're at a point where we're now able to introduce a new item every quarter. In Q1, we launched our Big Easy menu, featuring two new Bourbon Street Cajun pasta dishes at a compelling price point starting in \$11.99. This limited time promotion leveraged the fan favorite Bourbon Street section of our menu and the Big Easy menu drove both sales and check in March and that momentum continued into April.

We also brought back our viral date night pass. This year we made date night exclusively available through our loyalty program Club Applebee's as a way to expand the program and create deeper connections with our guests. This resulted in over 175,000 new signups, bringing our total Club Applebee's program to over 8.5 million members. Making date night exclusive to Club Applebee's is an example of how we're leaning into Club Applebee's in a way that we haven't done so before. Providing early or exclusive access to new products and promotions is a key component of our loyalty strategy. We'll continue to leverage Applebee's strong brand relevance and tap into insights from IHOP's loyalty program to enhance the Club Applebee's platform and its offerings.

Overall, we're encouraged by the results that we saw toward the end of the quarter, which have continued through April, and we attribute this momentum to our menu innovation, investments in social media, and the launch of Applebee's new guest training initiative.

Now to talk about IHOP. In early March, we opportunistically took back 10 IHOP restaurants located in Cincinnati, and we already have plans in place to convert four of these restaurants to dual brands. We'll update investors on our progress as we move through the conversion process.

Under Lawrence's leadership, IHOP is focused on several key programs. First is the House Faves value menu. Second, it's focusing on core breakfast equities. Recall that approximately 80% of total food sales at IHOP are breakfast items, and that's nearly 65% during the dinner day part. Third is streamlining operations to increase speed of service and reduced wait times. And the fourth focus for IHOP is igniting social media and other marketing activations to be more culture-centric.

Our commitment to IHOP House Faves value menu, which launched in Q4 2024, is performing exactly as we expected, and it's helped attract more guests to our restaurants. Despite headwinds in the family dining segment, the House Faves menu is a key driver for traffic growth, building on last quarter's momentum, and as a result, IHOP beat the family dining segment on traffic this quarter. As part of IHOP's ongoing marketing efforts to create bigger, more exciting moments to connect with guests, on Saturday, March 1st, IHOP set a Guinness Book of World Records for most pancakes served at eight hours by serving over 25,000 pancakes. This event brought strong marketing awareness, social buzz, and garnered over 3 billion impressions driving the largest national pancake day sales lift that we've seen since COVID. We're pleased to see the positive momentum after Lawrence's first quarter at the helm of IHOP and I'm looking forward to seeing continued progress at the brand.

And now to discuss Fuzzy's. Comp sales continued to be pressured as traffic trends remained challenging for the brand. During the quarter, Fuzzy's implemented several initiatives to enhance its performance, including introducing its first system-wide happy hour to help boost dine-in traffic and expand our bar business. To support off-premise sales, Fuzzy's revamped its online ordering website and partnered with third-party delivery services to increase market visibility and reach our guests where they are and how they want to order. And on the operations front, Fuzzy's is in the process of installing wireless and mobile pay systems in all locations, making the payment process more convenient for guests. This update will be completed by June.

Turning to our international business, we are encouraged by the development discussions we've had with both new and existing international franchisees. In March, we detailed our plans to expand the dual brand concept for the goal of opening 13 additional dual brands, while also completing 10 dual conversions this year, which will more than double our international dual brand restaurant count to 41. This includes our first ever dual brand restaurant in Costa Rica, which will open in Q3, and the opening of the first non-traditional restaurant in Mexico. Latin America is a key international market for us, and we are excited to be working in partnership with our franchisees to strategically scale our presence in these countries and with new restaurant formats.

And finally, I'll discuss our development plans in more detail. We're pleased with the performance of our dual brand concept and we remain on target for our 14 domestic dual brand openings this year. Our first domestic dual brand in Seguin, Texas, continues to perform above expectations doing approximately 3 times the sales compared to when it was a standalone IHOP. Guest feedback is very positive, especially around the fully combined menu of brand favorites. In fact, our franchisee in San Antonio just signed up to open eight more dual brands in the market over the next two years.

As a result of the strong showing, we continue to receive interest from both new and existing franchisees to build or convert to this new concept, and based on our current pipeline, we plan to have more openings in 2026. So in fact, just last week, a current Applebee's and IHOP franchisee successfully acquired a portfolio of six additional Applebee's restaurants, and another IHOP franchisee acquired a portfolio of five Applebee's, all in Wisconsin. This strategic transaction marks a significant expansion allowing these two strong operators to further diversify their portfolio and strengthen their presence in casual dining. The acquired Applebee's restaurants will either be converted to dual brands or they'll complete Applebee's reimage program.

And these deals in particular are positive indicators that our development strategy is resonating with our franchisees for two reasons. First, it's a great example of franchisee cross-pollination between our brands. And second, it shows that our franchisees are engaged and interested in growing our brands, particularly with our new restaurant formats that are demonstrating great results. So these recent deals also build on top of the approximately 100 franchise and corporate restaurants that we're expecting to remodel by the end of the year as part of the Applebee's Looking Good program. It's an important first step in the reimage cycle and reinforces our commitment to refreshing the Applebee's restaurants.

We're pleased to see the positive reaction from franchisees to our new development and restaurant experiences and that's an indicator of the enduring strength and relevancy of our brands. And now our company-owned portfolio. As a reminder, in addition to the 10 IHOPs we took back this quarter, we also took back 47 Applebee's in Q4 2024. This year will be a transition year with investments tied to operations, marketing, remodeling, and dual-brand conversions of these restaurants, and we're working quickly to execute on each of these initiatives.

Since we acquired them last year we've pulled a number of key levers around marketing and operations to improve performance. For example, we adjusted our menu pricing based on a data-driven pricing optimization study, and we boosted local marketing efforts. We increased staffing levels, and within the Atlanta market, we extended restaurant hours to capture more of the lunch day part. As of today, we've completed two remodels with 28 more planned for 2025. As a result of these initiatives, we've seen a steady improvement in comp sales and traffic since we took over, and we'll continue to update investors on our progress as the year progresses.

And so, now I will turn the call over to Vance.

Vance Chang

Thank you, John. On the top line, consolidated total revenues increased 4.1% to \$214.8 million in Q1 versus \$206.2 million in the prior year, primarily driven by a \$21.3 million increase in company restaurant sales, partially offset by a \$9.7 million decrease in franchise revenues. Our total franchise revenues decreased 5.5% to \$166.2 million compared to \$175.9 million for the same quarter of 2024. Excluding advertising revenues, franchise revenues decreased 4.9%.

Rental segment revenues for the first quarter of 2025 decreased compared to the same quarter of 2024, primarily due to lease terminations and a decrease in percentage rent attributable to lower system sales.

G&A expenses were \$51.3 million in Q1 of 2025, down from \$52.2 million in the same period of last year due to a decrease in compensation-related expenses, offset by an increase in legal and professional service fees. Adjusted EBITDA for Q1 of 2025 decreased to \$54.7 million from \$60.8 million in Q1 of 2024. Adjusted diluted EPS for the first quarter of 2025 was \$1.03 compared to adjusted diluted EPS of \$1.33 for the first quarter of 2024.

Now turning to the statement of cash flows. We had adjusted free cash flow of \$14.6 million for the first three months of 2025 compared to \$29.7 million for the same period of last year, driven by lower cash flows from operating activities. Cash provided by operations at the end of the first quarter of 2025 was \$16.1 million compared to cash provided from operations of \$30.6 million for the same period of 2024. The decrease was primarily due to an unfavorable decrease in working capital, resulting from a shift in timing of prepaid rent payments and the collection of an income tax settlement in the prior period, as well as the decrease in gross segment profit offset by a decrease in incentive compensation payments.

CapEx through Q1 of 2025 was \$3.3 million compared to \$3.3 million for the same period of 2024. We finished the first quarter with total unrestricted cash of \$186.5 million compared with unrestricted cash of \$186.7 million at the end of the fourth quarter.

Regarding capital allocation, organic investments will continue to be a focus along with balance sheet management and returning capital to shareholders. Remodeling the Applebee's system is a key initiative, and as we mentioned last quarter, we are providing an early adopter incentive for franchisees which will have an impact on our P&L.

On buybacks and dividends, we repurchased \$1.6 million in shares and paid \$7.8 million in dividends in Q1 of 2025. We continue to remain committed to returning capital to shareholders, while also ensuring reinvest in our business and maintain a healthy balance sheet. As we prepare for the upcoming anticipated repayment date of our remaining Series 2019 bonds, we will look for the best window over the next several months to refinance those notes.

Next, let me discuss Applebee's performance. Q1 same-stores restaurant sales were negative 2.2%. Average weekly sales in 2025 was \$54.7000, including approximately \$12.8000 from off-premise, or over 23% of total sales, of which 12.5% is from to-go and 10.9% is from delivery. IHOP's Q1 same restaurant sales were negative 2.7%. Average weekly sales were \$36.5000, including \$7.7000 from off-premise or over 21% of total sales, of which 8% is from to-go and 13% is from delivery.

Turning to commodities. Applebee's commodity costs in Q1 increased by 0.5%, and IHOP commodity costs increased by 8.4% versus the prior year. Our supply chain co-op, CSCS, continues to expect pricing in 2025 at Applebee's to be flat to slightly down. At IHOP, we now expect commodity costs to increase by mid-single digits for the full year versus our prior expectations of low to mid-single digits for the full year, driven by the continued impact of elevated egg pricing as a result of the avian influenza.

While our egg costs have increased, as with the rest of the industry, CSCS continues to keep the system in supplied of eggs at prices that are competitive to the overall marketplace. We have strong and reliable suppliers supporting the needs of our system in a very challenging environment.

As John previously mentioned, the tariff situation remains very fluid. Therefore, while we continue to closely monitor how our food costs could be impacted, our forecast for commodity costs do not account for the impact of tariffs. CSCS continues to work across both systems to identify additional cost-saving opportunities and support restaurant profitability initiatives through both operational improvements and input costs.

To date, in 2025, we have implemented projects resulting in over \$14 million of annualized savings across both systems and will continue to partner with CSCS to leverage our scale and make progress on our cross-functional restaurant profitability initiatives. On the labor front, franchisees continue to report that staffing and labor costs remain relatively stable.

Before turning the call back over to John for Q&A, I'd like to add that we are maintaining our full year financial guidance at this time. With that, I'll hand it back over to John.

John Peyton

Thank you, Vance. We continue to advance our strategic initiatives, including our value platforms, reimagining our restaurants, our dual brand conversions, our restaurant take backs, and strengthening our social media. And I am pleased that we are making great progress on all fronts.

So now, let's turn the call back to the operator, and we will open up for questions.

Question-and-Answer Session

Operator

Thank you. At this time, we will conduct a question-and-answer session. [Operator Instructions] And our first question comes from the line of Eric Gonzalez with KeyBanc. Your line is now open.

Eric Gonzalez

Hi, good morning, and thanks for the question. I appreciate the comment on Applebee's in April. I'm just wondering if you could maybe give a little more context. I know last year you brought back the DOLLARITA in May, so I'm guessing your year-over-year comparison gets a little bit more difficult. So can you just help us understand what's going on from a multi-year perspective as you exited in March and went into April and what we should expect for the remainder of the second quarter? And then I have a quick follow-up.

John Peyton

Hey, good morning, Eric. It's John. Thanks. We'll have -- Vance can address the trend there.

Vance Chang

Good morning, Eric. Well, so in January we really saw this modest improvement relative to Q4 at both of our brands. But as we got into Feb, we did see some pressure at the rest of the industry, but a much improved March, which is carrying to April, as you pointed out. So despite the positive, the tough compares from last year, we saw momentum continue and into beyond April as well. So this is part of the reason why we're optimistic that the plan is working. And a big part of this momentum is driven by just the big [Apple] (ph) promotion and then also the off-premise momentum that we saw in Q1.

John Peyton

Yes, and Eric, it's John. I'll just put a little bit of an explanation point on that in that strategically for Applebee's we learned a lot last year about what drives our customer in terms of value. We dipped our toe into a couple of different offerings, and what we concluded and is really influencing us this year is that, we really got back to the basics of what our guests tell us they love most about us. We got back to what our menu analysis tells us sells best and what we've been long known for. And so, by leaning into the Bourbon Street portion of our menu, that's not an accident, right? That is one of the most favorite segments of our menu. By introducing two new Bourbon Street dishes, we drove traffic and sales in a way that we haven't in several quarters. And that's why I think we were able to hold our own at a time when, as we all know, that our guest is watching his or her wallet more than ever.

Eric Gonzalez

That's helpful. And just as it relates to the value incidence, I think you mentioned 34% up from 28%. Is that a range that you're comfortable operating in or would you expect that to go up or down as we move ahead here?

John Peyton

We are comfortable with that. It's at the high end of what I would say is the historic range of the last couple of years that we've been in this more value-oriented context. And we're comfortable with where it is because of the investment we're making in two for \$25, which by the way is a profitable good margin area of our menu, particularly for value, and a place for us to introduce new entrees as well. I would suspect that if and when we return to an environment where guests feel less pressure on their wallet, that number would come down a bit.

Operator

One moment for our next question. Our next question comes from the line of Jake Bartlett with Truist Securities. Your line is now open.

Unidentified Analyst

Hi, guys. This is Larsen on for Jake. I just had a question on IHOP. Looks like you're reiterating guidance, same-store sales would imply an acceleration throughout the remainder of the year. Just wondering, is that solely due to ease and compares? Are you baking any changes from the industry into that? What gives you the most confidence in terms of your own self-help drivers to accelerate sales?

John Peyton

Thanks, Larsen. So, Vance, why don't you talk about the trend and how we're looking at it. And then Lawrence, I'd love for you to talk about the IHOP strategy that gives us confidence for the back half of the year.

Vance Chang

Of course. So the trend we saw with IHOP is similar to Applebee's. We saw the momentum of traffic building towards the later part of Q1 and continuing into the early part of Q2. And a big part of it is driven by house phase, the success of it and how our guests are reacting to it. And we have more -- sort of more in the works for the later part of this year that Lawrence will talk about that gives us comfort that we can maintain our IHOP comp sales guidance.

Lawrence Kim

Yes. Hey, Larsen and good morning. So as John mentioned earlier on the call, there are four key areas that the team is really rallying for the year. The first is what we call the focus on our core breakfast equities and as you mentioned it's around 70%, 80% of our total food sales are accounted for in the breakfast offerings. So this is our core area. Our primary messaging is really driven towards these core breakfast equities. But that then follows into our second key priority, which is value. And so, we've had now a house phase since last October, so it's been almost seven months, and we are amplifying our marketing, which we've been doing now for the past quarter, and we're going to continue to support this value program.

We're also testing the evolution of our value. And what this means for consumers, we mentioned this last quarter, and we'll continue to test and learn and value is going to be an important play as we continue to the rest of the year. And then the third is simplifying our operations. John mentioned areas of speed. We're looking at areas also focused on cleanliness, simplifying procedures, looking at ingredients. And this is a key focus of our operations team, just because we want to enhance the -- not just the consumer experience and the guest experience in restaurants, but also we want to amplify and enhance and ease our team member experience as well.

And the fourth key driver is this culture driving marketing. We all know it's critical more than ever to drive awareness, which we've done. We've amplified our media plans, but a big part of it is just being part of conversation. Driving top-of-mind awareness, we broke through with that Guinness World Record event, over 3 billion impressions. We're continuing to look at different activations. And really just figuring out how to stay engaged, whether it's social, whether it's PR, and making sure that we're top of mind, especially you got a lot of cool stuff coming up and we're excited for the rest of the year.

John Peyton

I'll also add to that, Larsen, and for all the guys that IHOP comp traffic beat Black Box for the quarter. We were up 4.3% for the quarter and improved each and every month of the quarter. We haven't done that in a couple of years. And so, that's significant and tells us that the House Faves menu as well as the other plans that IHOP leadership team has put in place is resonating. And also notably the absolute number of traffic. So absolute traffic was up in March and that continued into April as well. We haven't seen traffic growth on an absolute basis for IHOP in years also. So the plan is coming together, and we're seeing it in these numbers.

Operator

One moment please for our next question. Our next question comes from the line of Dennis Geiger with UBS. Your line is now open.

Dennis Geiger

Great. Thanks, guys. First, I just wanted to ask a little bit more on value and the value proposition right now at both brands. John, you gave a lot of good color there. I'm curious if anything to highlight as it relates to the kind of the customer value perceptions, how the customer is viewing the brand on value right now. And Lawrence, you kind of touched on it a bit for the brand as it relates to sort of an evolution of value at IHOP. But I'm curious as it relates to both brands, how you guys think about value positioning and kind of if there will be a notable evolution from here on value plans, depending on the macro or if the brands are generally kind of where you want them to be on value right now.

John Peyton

Thanks Dennis. Lawrence, why don't you go first and I'll follow up.

Lawrence Kim

Yes. Hey Dennis. So we're always listening to our consumers. We have now seven months of a health phase in markets and health phase right now is Monday through Friday. And one of the pieces of feedback is, hey, could this be an everyday program? And that is what we're testing currently in several markets today. But when we look at value and right now we have four incredible breakfast offerings at \$6, \$7 in some markets, we're of course looking at price points, we're looking at the food options, we're looking at of course the availability of time, which is that everyday test. And we're just going to continue to evaluate how value lives within our consumers minds, but also the consumer experience.

The other way we're thinking about value is also, are there other channels that we could drive value offerings? Digital delivery, even our loyalty platform with our International Bank of Pancakes, what we call the stack market. These are all areas that we're finding not just increased value for our loyal guests, but also just bringing new traffic in because we want to make sure that we have offerings from a value perspective in their minds on an everyday basis.

John Peyton

Yes. Thanks, Lawrence. And everything Lawrence said plus Dennis, I like the word in your question of evolution, because that is the way we're thinking about it at both brands and particularly the Applebee's which I'm now speaking for. We are a -- like any company, we're a learning, living, and most importantly evolving organization. We learned a lot last year about how and when our value proposition resonates with guests. I think when we tried to be something we weren't, we were less successful. And when we've returned this year to what we do best, we can see the performance.

And so, we're going to continue to lean into two for \$25, and you're going to see us evolve it throughout the year. We've got a new campaign that's coming behind it. We're using it as a mechanism to introduce new entrees as part of our two for \$25 messaging. And the refining of our value proposition will really be through that platform.

Dennis Geiger

Great. Thanks, guys. And one more, if I could. Encourage you to hear some of the initial results you're seeing from the dual branded concepts as well as what sounds like good franchisee demand. I'm just curious, bigger pictures as you kind of think about franchisee sentiment for both brands and kind of that new open demand sentiment. If that's changed sort of how you're thinking about the longer term, I know we don't want to get too far ahead of ourselves, but as it relates to the long-term development of demand and your confidence maybe in where long-term development for both brands can go?

John Peyton

Yes, I think you're asking if the mix of individual brand openings and dual brands changes, or how we're thinking about that as a result of the dual brand. And we expect to continue to open single Applebee's, single IHOPs, as well as duals. And there's a lot of factors that influence that, Dennis, including things as literal and practical as territories, right? And that not every IHOP can take an Applebee's and not every Applebee's can take an IHOP because of the adjacent brand next to them. And we are being very respectful of our existing franchisees, territories, and making sure that the dual brands, when we add an extra brand, that it doesn't infringe on either restaurant that's in the territory.

So for example, IHOP is continuing to open 40 restaurants a year. It's done that for the last couple of years. It'll do it again this year. We expect it to do so in the future. I think that's remarkable for a brand of its size as well as its tenure. And it's obviously it's a commitment shown by our IHOP franchisees to that concept. And when it comes to Applebee's, we're seeing our franchisees begin to build some new brands, some new Applebee's again, and some of our largest franchisees are doing so. We have just completed the work on the prototype that we've been talking about for a long time, and we've now been able to get cost estimates that take \$1 million out of the cost of that build. We're going to build our own Applebee's in the back half of this year to demonstrate that cost model, and so we can have that as a catalyst going forward.

So I expect going forward that you'll see a healthy mix of dual brands as well as continuing single brands. Internationally, you're more likely to see dual brands as the primary vehicle.

Operator

One moment for our next question. Our next question comes from the line of Brian Vaccaro with Raymond James. Your line is now open.

Brian Vaccaro

Hi. Thanks and good morning. Just back to the Applebee's remodel package, the Looking Good that you mentioned. Could you remind us the different levels of investment that are within the different tiers of the remodel? And I think you mentioned some franchisee incentives. Could you elaborate on that and how -- quantify the impact you expect on your P&L in 2025?

John Peyton

Sure, Brian. One question, Vance, just because I don't recall, have we disclosed the general amount of the renovation?

Vance Chang

In broad terms, not specifically. Obviously, Brian, it varies location by location and region by region. But broadly speaking, sort of in the \$200,000 to \$300,000 level is what we're expecting for the package to be for the franchisees.

John Peyton

And that package, Brian, includes a refresh of the exterior, awnings, lighting, refacing the facade in some cases. Internally, it's new flooring, new wall covering, new lighting, refinishing all of the tables, new upholstery. The restaurants truly look refreshed and renewed and the restaurants that the franchisees have renovated with our new package and the couple that we have done are showing more than the lift required to justify the ROI there, which is exactly what it's intended to do.

Vance Chang

And Brian, in terms of the incentive package, it's -- for competitive reasons, we haven't really disclosed what we're offering to our franchisees. It's a portion of that cost that we will help the franchisees with and support them as part of this early adopters program. But the way it's going to impact our P&L, to your next question, which is, if there is no extension of the franchise agreement, it would come in as a G&A P&L impact. If there is an extension of the franchise agreement, then it gets to be amortized over the term -- the new term of the franchise agreement.

Brian Vaccaro

Okay. That's helpful. Thank you. And then just a quick follow-up, if I could. Could you level set us on what the year-on-year average check growth was for each brand in the first quarter? And I know pricing decisions are made by the franchisees, but any reasonable expectations on average check or pricing for each brand sort of looking through the rest of 2025?

John Peyton

Vance will take care of that.

Vance Chang

Sure. So we're seeing that the menu pricing increases definitely become more normalized for both of our brands in the low to single digit range going forward and we expect that to continue as commodity costs and everything else have come under control.

As far as Q1 specific check, Applebee's check increased slightly versus Q4 versus Q1 last year because of the new menu launch and then the Big Easy campaign that we talked about earlier. And IHOP's check actually dropped a little bit versus Q4 and Q1, primarily because of the P mix drop due to House Faves. But as we said, we saw a meaningful improvement in traffic for IHOP. So that's what makes up the check and traffic movement for both of our brands.

Operator

One moment for our next question. Our next question comes from the line of Brian Mullan with Piper Sandler. Your line is now open.

Brian Mullan

Thank you. Just a question on IHOP. I wanted to follow up on the ease of operations priority for this year. Just curious if there's an example or two Lawrence and team have come across that could potentially be impactful over the near term, whether it's speed of service or franchisee margins.

And then if you could maybe just talk about the early receptivity from the franchisee community, relative ease or relative difficulty of getting them behind some of the initiatives from the new leadership.

John Peyton

Lawrence, please.

Lawrence Kim

Absolutely. Hey, Brian. How was it going? Yes. So from a simplification operation, let me give you one or two examples. So first, one of the things we noticed very quickly are -- we have tablets that the servers utilize. And we've made modifications, optimized anything from text size all the way down to the flow of the tablets themselves to -- based on feedback from our team members, it's just helped them improve just ordering speed.

But that also flows directly into the POS, which then flows into the restaurants at KDS. And so that alone, just leveraging tablets has improved speed by -- or speed of service and table turns by two minutes. So we are, of course, looking to it further. We want to figure out how we can even improve that. But technology, of course, is an ease enabler and we're looking at our road map and evaluating where we go next.

The other thing is our culinary and our operations teams are in restaurants actually on a weekly basis right now. And we are evaluating from a step-by-step process standpoint, how do we improve the operational flow from anything from prep all the way down to cook times. And so for example, if an item that is a little more complex has 17 steps associated with it, how can we reduce that anywhere from 10% to 20% so that we can improve overall speed and just ease, which also ties to training. One of the best parts, I think, over the past few months that we've done is we've looked at the training protocol.

And if it's paper-based or just standard protocol, what we thought is, okay, well, consumer behavior -- team member behavior has changed, how can we leverage technology, leveraging short-form videos to actually make the training experience easier? And also you can memorize a lot more visually than you can by reading a piece of paper. So we're testing that format right now and it's getting a lot of positive feedback.

And your question about franchisee engagement, receptivity, it's been fantastic. We've actually, as I mentioned, are going out to the restaurants, but the best thing is that early on in the process over the past few months, is we engaged what we call a task force from our franchisees directly to get their feedback because even though we may be in the restaurants, it's their operators, it's their GMs, it's themselves who have all this experience in terms of reality and applications behind it. So their feedback, their participation is even more critical than ever as we look to simplify operational protocol and partner with them doing so.

Operator

One moment for our next question. Our next question comes from the line of Todd Brooks with the Benchmark Company. Your line is now open.

Todd Brooks

Hi. Thanks for taking my question. Wanted to ask on the Applebee's side. John, you talked about running Date Night through loyalty only, driving a nice boost in membership. Can we talk about -- or through Club Applebee's, I should say. Can we talk about the path forward for Club Applebee's, what you see from a direction standpoint for where the brand is looking to take that as you look at the success that IHOP's had with loyalty on their side?

John Peyton

Absolutely. Thanks, Todd. So Club Applebee's has been in place for several years and I would say, was somewhat benign in our attention to it. It existed, but not as a result of a lot of innovation or energy.

And so it's one of our focuses for this year is to really lean into that as one of our primary ways of talking to our best customers and doing one-to-one marketing. And so you'll see much more than in the past, a strategy around inside access. So access, first look at new items, promotions only available to people who are members of Club Applebee's, partnerships that we're excited to start to talk about in the next couple of weeks with third parties that will also be linked directly to Club Applebee's. So it's all around creating them -- enabling them to be much more of insiders and to grow our share of those guests that visit us three or more times a year.

Unlike IHOP, it's not going to have a classic currency and be points based. We've decided to -- while IHOP pursues that route, we're going to go with the insider access and special privilege and we'll learn the best of both from the orientation of the two programs.

Todd Brooks

A follow-up on that, John, if I can. You talked about the program being several years old, but really not having done a lot with it yet. What's the quality of the data in the program? And you talked about communicating more frequently through it and trying to get more personalized in your communication. Where do you feel like Club Applebee's is from a frequency driver for specific consumers? And how much more work do you have to do on that front? Thanks.

John Peyton

Yes. So one of the things that we did recently is we reorganized a bit internally and we put Club Applebee's CRM and our digital and off-premise business all under one leader, right? And we did that so that we can do exactly what you're suggesting, Todd, right, which is to leverage the data that we have across all of that technology and those platforms. The data that we have for our Club Applebee's guests, I would say, is good and getting better, right? So we certainly have contact information and we're beginning to understand through that data as well as third-party matching data that we can do, we can understand if they have a family, we can understand if we see them more during the week or on the weekend, so sort of basic information like that.

We also know if they're purchasing on our channels, on our proprietary channels, our dot-com, our app, we know what their purchase history is so that we can offer them -- entice them with things that are relevant to their past purchases and what other people like them look like. And so the data is pretty good and getting better, particularly now that we've put all of that under one leader within Applebee's.

Operator

Thank you. [Operator Instructions] I'm showing no further [Technical Difficulty]

John Peyton

[Technical Difficulty] what we do best, what our core is and communicating that core value back to our guests in compelling ways. For the rest of the year, our focus is on continuing to elevate the guest experience. We're going to continue to enhance our menus and our value programs, focus on operations, particularly at IHOP. And both brands are working really hard to make sure that we communicate our value and our guest experience that's so special to our guests through all channels and particularly social media that we've challenged ourselves to really master over the next year.

So thanks again for your questions, everyone. Have a great day.

Operator

Thank you for your participation in today's conference. This does conclude the program and you may now disconnect.

Read more current DIN [analysis and news](#)

View all [earnings call transcripts](#)

Comments

Newest  