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Dine Brands Global, Inc. (DIN) Q4 2024 Earnings Call Transcript

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Q4: 2025-03-05 Earnings Summary

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EPS of \$0.87 **misses by \$0.48** | Revenue of \$204.77M (-0.74% Y/Y) **beats by \$4.02M**

Dine Brands Global, Inc. (NYSE:[DIN](#)) Q4 2024 Results Conference Call March 5, 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
Dennis Geiger - UBS
Pratik Patel - Barclays
Nick Setyan - Wedbush
Brian Vaccaro - Raymond James
Jake Bartlett - Truist Securities
Todd Brooks - The Benchmark Company
Brian Mullan - Piper Sandler

Operator

Good day, and thank you for standing by. Welcome to the Dine Brands Fourth Quarter and Fiscal 2024 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your host today, Matt Lee, Senior Vice President, Finance and Investor Relations.

Matt Lee

Good morning, and welcome to Dine Brands Global's fourth quarter and fiscal 2024 conference call. This morning's call will include prepared remarks from John Peyton, CEO; 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 risks, 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 will refer to certain non-GAAP financial measures, which are described in our press release and available on Dine Brand's Investor Relations website. For calendar planning purposes, we are tentatively scheduled to release our Q1 2025 earnings before the market opens on May 7, 2025, and to host a conference call that morning to discuss the results.

With that, it's my pleasure to turn the call over to Dine Brands' CEO, John Peyton.

John Peyton

Good morning, everyone. Thanks for joining us today. First, I want to express our sympathy and ongoing commitment to our team members and the community affected by the devastating fires in LA. We're proud to be a Pasadena-based company and we will continue to support our community during this very difficult time.

And now onto our remarks. Today, we will discuss our recent leadership changes, review Q4 and full year 2024 financial results, share key priorities for improving performance in 2025, and our expectations for the year ahead. And then Vance will discuss our financial results and 2025 guidance in greater detail.

In January, we announced that Tony Morelejo will step down as Applebee's President, effective March 4th, and for now, I'll assume the role of Interim Applebee's President while continuing my current capacity as CEO of Dine Brands. I'm grateful to Tony for the passion and commitment he's brought to his work. And Tony and I both share a deep respect for the DNA of Applebee's, and we are all thankful for his contribution since he took on this role two years ago.

We've initiated a nationwide search for a new leader for Applebee's with proven expertise in brand stewardship, marketing and restaurant operations. And in the meantime, Tony will serve as an advisor through June 4th to support the transition. This change together with new leadership in place at IHOP and Fuzzy's, as well as recent steps to right size our organization is part of our broader strategic effort to capture the next generation of loyal guests, unlock our growth potential and drive improved performance.

Now looking at our financial performance during fiscal 2024, Dine generated \$106.4 million in adjusted free cash flow. And while other financial metrics were down year over year, the steady state of cash flow, which increased from \$103.3 million last year, speaks to our financial stability and highlights the resilience of our platform through market cycles. This puts us in a strong position to make the necessary investments needed to drive improved performance and realize value.

For the full year, we generated \$239.8 million of adjusted EBITDA, which was down from \$256.4 million in 2023. In Q4, adjusted EBITDA was \$50.1 million compared to \$62.2 million in the same quarter last year. Our revenues were down 2.3% for the full year and decreased 0.7% in Q4, partially offset by an increase in company restaurant sale due to the takeback of 47 Applebee's restaurants in November, which I'll expand on in a moment.

In terms of comp sales, IHOP had a full year comp sales decline of 2% compared to comp sales growth of 3.5% in 2023. And for the quarter, IHOP posted comp sales of negative 2.8%. Applebee's comp sales were negative 4.2% for the full year compared to 2023's comp sales growth of 0.6%. In Q4, Applebee's reported decline of 4.7% in comp sales.

In 2024 macro headwinds significantly impacted consumer spending. This especially affected guests with household incomes of less than \$75,000, which represents approximately two thirds of our guests. Our teams responded by introducing limited time offers and value driven promotions to attract cost sensitive consumers.

Despite these efforts, market pressures continued in Q4. However, the strategic refinements we made in Q3 helped improve traffic slightly quarter over quarter. And while Dine's 2024 performance didn't meet our expectations, we're confident in our ability to achieve more. As we look to 2025, we see opportunities to leverage Dine's strong free cash flow, scale, and expertise to improve performance at our brands.

We're doing this by focusing on elevating the guest experience through improving operations in Applebee's reimagining program, enhancing our menu and value offerings by focusing on the core of our brands, and better communicating the value that our brands offer to our guests through dynamic marketing. These three areas will be our priority for the coming year as we work to deepen the connection between our guests and the core of our brands, leaning into our strengths to best position us for growth.

One of the many benefits of our asset light business is that we have the ability to strategically or opportunistically take over restaurants across our brands to help advance our long-term goals. This demonstrates our confidence in our brands backed by Dine's strong and flexible business model. In November, Dine took over 47 Applebee's restaurants from two franchisees. And this year, we plan to remodel 30 of those restaurants under the Looking Good reimage program and convert five restaurants to our dual brand concept, further expanding our domestic dual brand pipeline.

Our goal is to rebrand these restaurants, which will help strengthen our franchise base. Our take back strategy isn't new. Owning restaurants allows us to actively invest in our system, improve operations through innovation tests and create a blueprint for franchisee success and growth. We have big ambitions for our brands and our business, and we know there is work to do to unlock our full potential. This isn't an overnight effort, and it will take time to see the full impact of our work, but I'm confident that in combination with targeted investments and enhanced store level execution, it will provide a path to value creation for all stakeholders.

And so, now I'll get into some brand specific updates starting with Applebee's. As 2024 progressed, Applebee's continued to execute an aggressive marketing calendar with profitable promotional campaigns and more limited time offers to meet evolving consumer needs and to stay competitive. In Q4, we further refined our offerings as consumers sought all in affordability and clear meal pricing. The Really Big Meal deal, which launched in Q4, represented 20% of transactions and boosted off-premise sales and ticket volume growth. This supported a slight improvement in traffic and sales compared to Q3.

We know there's more work ahead, and our team has identified four priorities for Applebee's in 2025, focused on elevating the core of the business and attracting new and returning guests. First, marketing remains a key priority for 2025. We're evaluating our current media and creative capabilities, including digital advertising, to better connect with our guests. As part of this, we're taking a new dynamic approach to social media, and we're making a significant investment in our social media strategy to drive engagement.

And lastly, we're beginning to roll out new exciting enhancements to our Club Applebee's loyalty program. Our second priority is launching a new Everyday Value Platform in the second half of the year. Using insights from our recent consumer segmentation study, this platform will target individuals, payers, and groups and is designed to have a more consistent value offering for our guests. As part of this effort, you can expect us to build on our fan favorite two for \$25 deal, and we'll also continue to evolve the Really Big Meal deal for guests seeking all in affordability.

Our third priority is innovating the core menu items that Applebee's is best known for and that are most popular with our guests, appetizers, handhelds, and beverages. We're planning to roll out new menu items throughout the year through limited time promotions, permanent menu items, and even additions to our new value platform, all at attractive price points.

And lastly, we're focused on enhancing the Applebee's guest experience, which starts with the appearance of our restaurants. We launched our Looking Good reimage program in Q1 of this year. It's an extensive multi-year effort to ensure that the look and feel of all our restaurants exceed guest expectations and align with our marketing promise. In 2025, we plan to remodel 30 company-owned restaurants and to accelerate the program system wide, Dine is offering incentives to early adopter franchisees.

The initial response since launching this initiative in January has exceeded our expectations. Six of our top 10 franchisees representing 57% of the Applebee's system have already elected to accelerate remodels of their restaurants by the end of 2025, based on the Looking Good program. In addition to the reimage program, we'll also be sharing designs for our new prototype in Q2, which will be more contemporary in appearance built to better facilitate our off-premise business and more cost effective for franchisees. Dine will build the first restaurant with the new prototype in 2025, and we look forward to sharing more details as we get closer to that opening.

Now to discuss IHOP, in 2024 IHOP focused on refining our value offerings, creating new craveable breakfast menu items, and enhancing our in-restaurant experience for guests. We also continue to deepen our loyalty program increasing by over 30% or 2.4 million members during 2024, taking total membership to over 10 million guests. In Q4 IHOP traffic improved versus Q3 and outperformed Black Box for eight weeks out of the quarter, primarily driven by the launch of our House Faves value menu.

As a reminder, we launched our House Faves menu in October to lean into our guest desire for more Everyday Value options and to put a greater focus on what we do best, our core breakfast offerings. And by that we mean breakfast all day long as nearly 60% of our items sold during the dinner day part are breakfast items. To support the launch, we enhanced our media and creative efforts to highlight the value and pricing of our core breakfast offerings. And we're pleased to see the House Faves value menu resonating with our guests. It's a validation of our value strategy, which we plan to build on in 2025.

And as we focus our attention to 2025, we're excited to lean into the fresh perspective and industry expertise that Lawrence Kim brings as IHOP's new President. He officially stepped into the role on January 6th, as President Lawrence is focusing on three key areas to drive sales growth and amplify brand loyalty in 2025 and beyond. The first is going back to basics, and by that we mean highlighting IHOP's core brand fundamentals and evaluating what we're known for our incredible pancakes and breakfast offerings. In Q4, breakfast items represented 72% of total food sales, showing that breakfast is the core of who we are and what we offer.

We will continue to leverage not only the value of our offerings, but the made to order quality of our food and fresh ingredients to attract new guests and increase the frequency of our existing guests, driven by our core craveable breakfast items. At the same time, IHOP continues to refine its value offerings to drive profitable traffic in sales. House Faves has been a success to date, and we're looking to build on that positive momentum. In fact, we recently launched a test in four key markets to expand the House Faves menu from five to seven days a week. The results from this test will provide important insights on how we can evolve the House Faves menu. We'll share updates on the results in the coming quarters.

The second is ease of operations. We're working to reduce the complexity of our restaurant operations with a calendar that includes fewer product windows and leveraging upgraded technology in the front and back of house. We're also simplifying food preparation procedures and optimizing operational workflow to increase table turns. Our goal is to improve overall speed of service and franchisee margins, and these measures will help us continue to deliver the best-in-class experience that our guests expect from IHOP.

And finally, the third is culture centric marketing. Lawrence has an extremely strong track record of driving success with this marketing strategy. He's already done the initial work to optimize IHOP's media spend to create bigger, more exciting moments to connect with our guests and drive social engagement. As part of this initiative, Lawrence has completed a review of our agency and production spend that yielded almost a 20% increase in working marketing dollars. In addition, Lawrence has expanded our internal creative and social media teams to better capitalize on cultural moments to drive greater awareness and improve traffic trends.

And now to talk about Fuzzy's. Throughout 2024, we've been focused on refining our value offerings to introduce new taco and beverage promotions, supported by insights and strategies from Dine. While financial results for the year did not meet expectations and our Q4 performance remain challenged, we have more clarity than ever on the best practices and resources that Fuzzy's requires to reset its brand strategy in 2025.

First, we'll take advantage of Fuzzy's bar and beverage capabilities to build out more beverage promotions. Second, we'll elevate our menu offerings by improving the quality of our ingredients, especially as we look to compete in the popular taco category. And last, we're leveraging better technology to standardize key processes across our brand to support a consistent and seamless in restaurant experience and to improve operations.

And now on to our international business. In 2024, our international division performed well and met internal expectations, opening 15 restaurants in Q4 and 35 for the full year, driven by encouraging performance at our dual brand locations. Our work to expand the footprint of dual brands internationally served a double purpose, driving international growth, while also surfacing valuable insights to support the U.S. launch of our dual brand concept in 2025.

We remain optimistic about the international growth potential in our core markets of Canada, Mexico and The Middle East. This provides significant white space for us that we've only recently started tapping into, and we think that the dual brand concept presents an exciting, efficient and cost-effective way to introduce our brands to new markets. We now have 18 dual brand restaurants opened internationally, which includes five added in Q4.

Now to discuss our development plans in more detail. At the start of 2024, we expanded our development team, and we're seeing results through the following. First, the continued success of the dual brand concept internationally, which we're now replicating domestically Applebee's reimage program and prototype development and third, securing non-traditional development deals. The dual brand concept is now a core pillar of our development strategy, and we're optimistic about the long-term upside potential.

Having two iconic brands whose dayparts complement each other is a competitive advantage. And on average, we've seen these locations achieve 1.5x to 2x the revenue compared to a single brand restaurant. Plus, our guests love the choice and variety offered by the combined menu. In February, we opened our first U.S. dual brand location in Seguin, Texas. The restaurant is a stunning renovation of an existing IHOP and has exciting dishes on the menu that are exclusive to dual brands, including buffalo chicken, omelets, mimosas, and espresso martinis.

In its opening week, the restaurant achieved sales of almost three times the amount of its performance as a standalone IHOP. We expect the performance to settle to a steady state below this amount, but we're very encouraged by the initial results of this location. Given the positive impact on unit economics, there is strong demand from both the 14 franchisees who attended the Seguin opening as well as from other franchisees. This demonstrates the promise that they see in this concept domestically.

In fact, demand is multiples higher than our projected 2025 pipeline of 12 to 14 in the U.S. and we are currently evaluating our development capabilities to see how fast we can execute on this strong pipeline. We're also optimistic about the prospect of dual brands related to non-traditional development. We recently approved several dual brand locations in travel centers and airports, which are some of our key focus areas, and we'll share more information when these open later in the year.

With Fuzzy's, we're pleased to see traction with the brand among our existing franchisees. In 2024, Fuzzy's signed five new development agreements for 44 restaurants with IHOP franchisees accounting for 27 of these new restaurants. This is absolutely an area of continued focus in the year ahead. Vance is going to provide more details on 2025 development guidance in a moment.

Before I turn the call over to him, let me conclude by once again acknowledging that while 2024 was challenging, we're confident in the strength of Dine's business, leveraging our strong cash flow, our scale, our resources, and our expertise. We will refresh our brand's value offerings and core menu items. We will reinvest in growth initiatives and reinforce our brand's unique value through improved marketing and storytelling.

And so, with that, I'll turn the call over to Vance.

Vance Chang

Thanks John. Despite the challenges in 2024, we generated strong free cash flow of \$106 million and we returned \$43 million of capital to shareholders while maintaining a healthy balance sheet. Our asset light business model continues to position us well to perform even in the midst of ongoing headwinds.

On the top line consolidated total revenues decreased 0.7% to \$204.8 million in Q4 versus \$206.3 million in the prior year, primarily driven by a \$8.7 million decrease in franchise revenues, partially offset by an increase in company restaurant sales due to the take back of 47 Applebee's restaurants in November.

Excluding the takebacks revenues would have been down 4.7%. For the full year, we generated \$812.3 million in total revenues, which was 2.3% lower than prior year, primarily due to negative comps and a decrease in rental revenues partially offset by an increase in company restaurant sales due to the takeback of 47 Applebee's restaurants in November.

Excluding the takebacks revenues would've been down 3.2%. If we exclude advertising revenues franchise revenues in Q4 decreased 5.1% year over year and 2.5% for the full year. Rental segment revenues for the fourth quarter of 2024 decreased compared to the same quarter of 2023, primarily due to operating lease terminations.

G&A expenses were \$52.3 million in Q4 of 2024, up from \$50.5 million in the same period of last year. We ended the year with \$196.7 million of G&A expenses down from \$198.1 million last year due to stopping the IHOP flip initiative in the prior year, a decrease in professional services including acquisition costs and a decrease in occupancy costs, partially offset by an increase in depreciation expense and organization restructuring costs.

Adjusted EBITDA for Q4 2024 decreased to \$50.1 million from \$62.2 million in Q4 of 2023. Adjusted EBITDA for 2024 decreased to \$239.8 million below the low end of our guidance and down from last year's \$256.4 million. 2024 EBITDA includes approximately \$10 million of incremental marketing investments made to the brand advertising funds. Adjusted diluted EPS for the fourth quarter and full year of 2024 was \$0.87 and \$5.34 respectively, compared to adjusted diluted EPS of \$1.40 and \$6.65 for the fourth quarter and full year of 2023 respectively.

Now turning to the statement of cash flows. We generated adjusted free cash flow of \$106.4 million in 2024 compared to \$103.3 million for the same period of last year, driven by a \$23.1 million decrease in capital expenditures and a \$2.9 million increase in principal receipts from notes and equipment contracts receivable, offset by a \$23 million decrease in cash flows provided by operating activities.

Our full year 2024 cash provided by operations was \$108.2 million compared to cash provided from operations of \$131.1 million for the same period of 2023. The decrease was primarily due to the decline in segment profit and a decrease in working capital, partially offset by a decrease in G&A expenses. CapEx for 2024 was \$14.1 million compared to \$37.2 million for 2023.

We finished the fourth quarter with total unrestricted cash of \$186.7 million compared with unrestricted cash of \$169.6 million at the end of the third quarter. Regarding capital allocation, we returned \$43 million to shareholders in 2024 through dividends and stock buybacks. We continue to maintain committed to our current dividend, while also ensuring we invest in our business and maintain a healthy balance sheet.

In 2024, Dine system sales were \$8 billion demonstrating the scale that our enduring brands have through the past decade. Applebee's 2024 same restaurant sales were negative 4.2%. Average weekly sales in 2024 were \$52,300 including approximately \$11,300 from off-premise or over 21% of total sales, of which 11% is from to-go and 10% is from delivery. IHOP's 2024 same restaurant sales were negative 2%. Average weekly sales were \$37,700 including \$7,600 from off-premise or over 20% of total sales, of which 8% is from to-go and 12% is from delivery.

Turning to commodities. Overall, we're seeing costs continue to stabilize. Applebee's commodity costs in Q4 increased by 0.3% and IHOP commodity costs increased by 4.7% versus the prior year. Our supply chain co-ops, CSCS, is expecting pricing in 2025 at Applebee's to be flat to slightly down. At IHOP, we expect commodity costs to increase by low- to mid-single digit for the full year, driven by the avian influenza outbreak impacting egg pricing.

While our egg costs have increased, as with the rest of the industry, CSCS continues to keep the system in supply of eggs at prices that are competitive to the overall marketplace. We have tremendous suppliers supporting the needs of our system in a very challenging environment. CSCS also continues to work across both systems to identify additional cost saving opportunities and support restaurant profitability initiatives through both operational improvements and input costs.

In 2024, we implemented projects resulting in over \$53 million of annualized savings across the system, and we 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 share our financial guidance for 2025. As John mentioned on 2025 development for Applebee's we're expecting 20 to 35 net fewer domestic restaurants. This reflects an increase in gross openings from dual branded domestic openings and new development agreements for standalone Applebee's restaurants offset by similar amount of closures as prior years.

For IHOP, we're expecting between 10 net fewer domestic restaurants to 10 net domestic openings. This reflects continued growth of standalone locations, non-traditional and dual branded locations, offset by expected closures as a result of expiration of franchise agreements. In 2025, we're expecting domestic system-wide comp sales for Applebee's to range between negative 2% and positive 1%.

The comp sales range reflects the current trends as well as the introduction of our new Everyday Value Platform in the second half of the year, continued menu innovation and marketing optimization. At IHOP, we're expecting domestic system-wide comp sales to range between negative 1% and 2%. The comp sales range reflect the benefits of House Faves, marketing optimization and growing loyalty program.

We're forecasting a G&A range of \$200 million to \$205 million, including non-cash stock-based compensation and depreciation of approximately \$35 million. This reflects normalized incentive compensation levels and an increased investment in support for Applebee's restaurants that we took back in November, offset by a reduction of approximately 9% of our corporate office workforce in Q1 of 2025.

On EBITDA, we're guiding to a range of \$235 million to \$245 million. We anticipate 2025 CapEx spend to be in the range of \$20 million and \$30 million. Our IT CapEx remains relatively consistent to 2024, but the increase in 2025 CapEx is a result of our plan to remodel the Applebee's restaurants we recently took back. As John mentioned, we're committed to our asset light model, but we will opportunistically and strategically take back restaurants with the plan of refranchising them over time.

With that, I'll hand it back to John.

John Peyton

As we wrap up our call, it's clear that 2025 offers opportunities to enhance our performance. I want to thank our franchisees, our team members and restaurant teams for their continued support and extraordinary work to serve our guests every day in our restaurants. We'll now open the call for Q&A. Lawrence and Vance are here with me, ready to answer your questions.

Operator, please share the instructions for joining the queue and open the line for our first question.

Question-and-Answer Session

Operator

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

Eric Gonzalez

Last quarter you pointed to the marketing strategy as the primary source of the recent underperformance of your brands. It was said that the messages you shared, the kind of value that you communicated was not as compelling as you needed as opposed to there being some sort of operational problem or issue with guest satisfaction. I think there was some hope that the issues with value would have been addressed in the fourth quarter, but it seems that some of your promotions once again didn't cut through. So, I'm just wondering, do you still think it's the messaging that was a myth versus there being a reason why customers are not coming back after their initial trial?

John Peyton

So, our comments about last quarter, it's John, by the way, remain the same, is that our guest and the guests for restaurants in general were looking for value, particularly the all-in value of the meal. And we've leaned in hard on Applebee's to the Really Big Meal deal, and we've leaned in on IHOP to the house phase. And both of those, we started pushing mid to late fourth quarter, and we saw progress from both. We saw an increase in traffic from the Really Big Meal deal and an increase in traffic from the IHOP House Faves late in the quarter.

And so, both of those, for us, are programs that we intend to build on. The Really Big Meal deal, in particular, Eric, drove incremental sales at lunch, and we also over performed on our digital channels for Applebee's. So, yes, the marketing is really important, the story we tell. And it's also important to note that it was a crowded space in terms of communication. You couldn't watch a football game on Sunday in the fourth quarter without seeing restaurants promoting, some version of a full meal value. And so, breaking through in one quarter was not necessarily our objective. It's to start to make progress and build on it, which is exactly what we did.

Operator

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

Dennis Geiger

First one, if I could, maybe just a follow-up on the value, helpful color. I know you gave the mix on the meal deal. Could you touch a bit more on maybe just what the total value incidence was if you guys have that number? And more on kind of the exciting news coming particularly at Applebee's in the back half of the year? John, I'm sure not too much to share, but anything more there, has that been tested yet? Will you be testing that over the coming months before the launch in 2H? Anything more on those value plans as you look to kind of expand that news on value in 2025?

John Peyton

It's John again. I can take that for both brands. So, for total mix, we define that as the LTOs for the period plus the value portion of our menu. So, for Applebee's, that would be the Really Big Meal deal plus the two for '25 portion of the menu. And for the quarter, that was about 27%, 28%, which is consistent with where we've been the last couple of quarters.

On the IHOP side, that would be the House Faves plus the over 55 menus, which is our value portion of that menu. And they were at about 17% to 18%, which is also consistent where they've been the last couple of quarters, but an increase of a couple of points from the prior year. In terms of where Applebee's is headed, I'm excited about the value program that we're building out, the Everyday Value Platform.

So, the core of it is two for 25, which has been in place for more than 15 years. It's a fan favorite, and as you alluded to is 20% of Applebee's mix. But as we talk to our guests, we've done a lot of research in the last six months, what we can do to build on it is, if you imagine two for 25 being the center column of that platform, to the right, we want to have more offerings for groups and families in terms of being able to share larger portions.

And to the left of it, we want to have more promotions that are relevant to single individuals who aren't necessarily looking to share two entrees as an appetizer. So that larger value platform for singles, for pairs and for groups is what we're building and we expect it to roll out, late spring, early summer. It'll include some new menu items as well and some new combinations that are appealing, not only particularly to new guests and particularly to younger guests as well.

Operator

Thank you. One moment for our next question. Our next question comes from the line of Pratik Patel from Barclays. Your line is now open.

Pratik Patel

Great, thanks. This is Pratik on for Jeff at Barclays. John the release mentions the ongoing partnership with franchisees. Can you just talk about the confidence that they have in the turnaround plan and how much they're willing to invest further in their brands? Just how have those conversations gone? And then I have a follow up. Thanks.

John Peyton

Sure, Pratik, thank you for the question. Look, I want to take a step back because when you look at our performance since covid, right, our, our brands, Applebee's in particular had three years in a row of beating the comp set and having positive and have positive comps. We're disappointed with our 2024 results, but put in the context of the last four years, I think it's important to keep that in mind.

And when you ask about our franchisees, they like us, want to do better than we did in 2024, and we're very aligned on our plans for 2025. I think I've mentioned before between my 18, 19 years at Starwood Hotels, four years at Realogy and now five years here, I've never seen in my career cooperation, communication, and consensus building among franchisees and a franchisor, which we have through our extensive committee network.

And so, when it comes to our plans for 2025 in both brands, our marketing committees are aligned with us on the direction we're heading, our operations committees are aligned, et cetera. And when it comes to franchisees' willingness to invest in the brands it remains, I think, as strong as it's ever been. And examples of that include, we opened 40 IHOP restaurants last year, and we'll do that about the same number again this year.

We opened our new dual brand in Seguin with fabulous results over the last two weeks. We've got 12 to 14 of those that are going to open this year. And based upon what our franchisees are seeing there, we've got a pipeline building of 50 to 60 into next year.

And the last thing I'll say is, the Applebee's franchisees, we offered an incentive to begin the renovation process this year, and it's already oversubscribed, including seven of our top 10 franchisees who've signed up to renovate restaurants with just in the first few weeks of the promotion. So, all of that to me points to our franchisees' strong commitment to investing in their brands and to working with us on our plans to grow in 2025.

Pratik Patel

And then my follow-up was just about the guest experience. There's obviously a strong effort in elevating the guest experience and you've talked about the renovations and the remodels that have been oversubscribed. John, just beyond those remodels, like what do you see as the greatest opportunities to elevate the guest experience and what sort of timeframe are we looking at? And what sort of costs could there be to achieve that and any near-term strategies you can call out?

John Peyton

Yes. So, Pratik, the restaurant business is extraordinarily competitive. It has been for years. It certainly was in 2024, and we expect it will be in 2025. And I think I've said in the past, there isn't a single silver bullet that will transform the performance of any one of our brands or any for that matter. What needs to happen is that we need to execute excellently across the Board, and that means we have to have excellent and relevant marketing, including social media and the promotions that we have.

We have to have excellent guest experiences in the restaurant, which includes both the service, the experience from our team members as well as the preparation of the food. We also have to have a great physical restaurant that is contemporary and welcoming and modern. And we've got to hit all of those at the same time, and we've got plans at both Applebee's and IHOP around those key moments that matter in the restaurants. And I'm very confident you'll expect to see improved performance in 2025.

Operator

Thank you. One moment for our next question. Our next question comes from the line of Nick Setyan from Wedbush. Your line is now open.

Nick Setyan

Just given the industry volatility and pressure we've seen quarter to date across the industry and the peer set, it would be really helpful if you guys gave us at least directional commentary around where trends are in Q1, and or at least relative to the full year guidance in terms of the comp, that would be very, very helpful if possible?

John Peyton

Vance, it would be great if you could go through what we saw in Q4 and Q1.

Vance Chang

So, what we saw in Q4 for IHOP, we did see stronger performance towards that later part of Q4 and that's really driven by the launch of our house-based value menu. Applebee's, on the other hand saw a more mixed performance throughout the quarter, but the improvement over Q3 was really driven by the launch of the really big deal, as John mentioned, and we are expecting Q1 to continue to improve modestly from Q4.

But we do expect the consumer environment to remain challenged for the rest of the year, so that's been built into our guidance. We are a good part of the portion of our call is talking about the focus areas for 2025. We're driving forward the 2025 focus areas with guest experience, with menu and value offering and the dynamic marketing that we're working on and that will help us improve the performance and hit the guidance that we provided.

Operator

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

Brian Vaccaro

Hi. Thanks, and good morning. My question is on IHOP's food cost outlook. Can you just help us understand what if I assume for eggs specifically, and I'm curious if there's other items in the basket that you're seeing favorability on that help offset that egg pressure? And then have any of your franchisees taken egg surcharges like we've seen from some other breakfast concepts in recent weeks?

John Peyton

Thanks, Brian. Vance, can walk us through the IHOP market basket.

Vance Chang

Hey, Brian. So, for IHOP, as I mentioned we're expecting sort of low to mid-single digit inflation cost for the year, and that's really primarily -- it's really driven by eggs. But outside of that, I think there's some headwinds with bacon and coffee as well. You ask specifically about some of the tailwinds. What we're seeing is chicken strips and chicken breasts, turkey and ribs, ribs more for the Applebee's basket that's helping.

And our franchisees have not taken surcharges as of today for egg pricing. CSCS is really working hard at maintaining the availability of eggs at prices that are very competitive to the market right now. We have tremendous support, suppliers supporting our system in this very challenging environment. But as I said, franchisees have not implemented surcharges and we're monitoring the situation very closely.

Operator

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

Jake Bartlett

Great. Thanks for taking the question. Mine was on innovation. It's something that you've talked about for a little while here. And I'm not sure how much we, I guess, maybe you can kind of frame what you did in '24 that really kind of you think was kind of innovative? And then also just what you're looking to in '25. I think from the last call you highlighted 14 items on the Applebee's side that were tested and kind of ready to go. Maybe just your confidence that innovation is going to be a meaningful driver of accelerating comps here? And then I had a follow up. Thanks.

John Peyton

Thanks, Jake. It's John. There's so much to talk about when it comes to innovation. I'll start with the dual brand. If you find yourself in Seguin, Texas, you've got to stop in, the restaurant looks fantastic. It was an IHOP that had been there for many, many years, and in the two weeks since it's opened, it's doing 3x the revenue it did when it was an IHOP and stronger in the second week than the first week which is unusual, and what we're seeing is two really compelling findings.

One is clearly the economics for the franchisee are terrific, and the franchisee with whom we partner there is ecstatic. And in terms of the guest reaction, they're loving the choice and the variety. And that's exactly what guests are looking for today. So, to be able to choose from both the Applebee's and the IHOP menu all day is really terrific. And when I was there for a couple of days, I saw at 10:30 in the morning a four top two of whom had omelets and two of whom had ribs. And the same thing in the afternoon, seeing steaks come out for dinner along with pancakes.

And so, guests are really enjoying the variety there, and that is absolutely tremendous innovation, including new menu items are there. In terms of innovations throughout the year, we had some really good marketing programs, and I'll give you just Applebee's as an example. The NFL partnership, which is a three-year deal for us, did a lot to raise visibility and drive traffic, particularly with the tick six on Mondays of free wings. Date night performs really well.

And what you'll see as a new idea in 2025 is Club Applebee's. We're going to lean into Club Applebee's and growing out the loyalty program in a way that we haven't before, having learned from IHOP and having learned from Applebee's. And just in the last couple of weeks, we've had the Big Easy promotion, which is a New Orleans themed extension of our existing menu that has been performing really well, and we've had a terrific couple of weeks from that. So, there's a lot of innovation there from last year and a lot of new ideas for this year that you'll see particularly on the menu side.

Jake Bartlett

And then my next question, I wanted to maybe try to understand what's coming in the back half with the Everyday Value menu. Is it more of a reorganization of the menu, so that kind of all of the value items kind of put in one place? Is it about marketing or is this about kind of new, new offerings that you're going to be adding to the menu? Is it just sort of kind of a reorganization kind of a more of a marketing push than there is a real change to what the options that the consumers have?

John Peyton

It's all three. You outlined the strategy perfectly, right? So, it's all three. One is it's reorganizing some of the menu around, more clearly around two for '25, which is one of the most sought after and purchased pieces of our menu. Number two, it will include some new menu offerings. And so, our innovation will some of our innovation and our new combinations will launch via that platform. And of course, we're going to introduce it into our marketing and storytelling in a big way next year. So, it's all three.

Operator

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

Todd Brooks

Wanted to explore the take back of the two Applebee's franchisees in those 47 units. I guess historically you've had good success kind of shifting units between franchisees and getting them to stronger operators. Just what was the impetus for the take back here at this time, if you think about the amount of time that you would expect these to stay in the portfolio before having them ready to rebrand? Anything that you can kind of frame up for details about why and the duration of this potential transaction?

John Peyton

Yes. So, as you mentioned, Todd, from time to time, opportunistically, we've got the ability to take back restaurants and we've done that in the last quarter, and we will do it again in the future if necessary. The rationale for doing this is that in conjunction and in conversation with the franchisees, we felt this was a better path forward for these restaurants than if they remained in the status quo.

But it's more than just there's really three reasons to take back these restaurants that are exciting to us. The first is, of course, we believe that we can revitalize and refresh them and spin them off back to franchisees in about a three-year timeframe plus or minus. And obviously increase the value of those restaurants and have a return for Dine on that.

But we also take them back at a time when we are launching our remodeling campaign for Applebee's. And so, we'll remodel 30 of these restaurants ourselves, and that allows us to demonstrate to franchisees what that remodel looks like. It enables us to focus on what the ROI is and to obviously put our money where our mouth is and do the same thing that we're asking of our franchisees.

And the last thing it does is there's probably about a half a dozen of them that are candidates to convert to dual brand, which again, is going to advance our strategy and our mission there to roll out the dual brands in '25 and '26. And we'll invest there as well because we believe so strongly in the concept. So, for us it was -- it's really driving three key initiatives at the same time. And that's, that's a super valuable moment in time for us.

Operator

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

Brian Mullan

Thanks. Question on IHOP, I believe you said Lawrence was on the call. I just wanted to make sure before I, is Lawrence on the call?

John Peyton

He is, he is dying for a question. Brian.

Brian Mullan

Thank you. I just want to make sure before I, okay. So, Lawrence, it would be great to hear what attracted you to the opportunity at IHOP and specifically just talk about how you thought about the chain family dining segment. Traffic trends have, tend to be negative. I'm sure you knew that coming into the role. So just a thesis or a hypothesis you have on the category or the brand, any color, how you thought about it would be great?

John Peyton

There you go, Lawrence.

Lawrence Kim

Alright. Good morning. Yes, so when I was evaluating coming and speaking with John and the team, the first thing I did was really go deep into the restaurants, and I've been in the industry or I always in the restaurant industry for over a decade now. And I just saw an iconic brand. I spoke with a lot of consumers, obviously a lot of peers in the industry, who have also left QSR and gone into casual dining.

And I just saw amazing, amazing potential. And when you look at the incredible food you, I've cooked in a lot of kitchens now at IHOP, and I've gone deep into restaurants, spoken with team members, GMs and you just see the passion. You see the magic that's happening in the back of house. You see the prep time, the prep, the time they spend, the love that comes into the back of house and the preparation of the food.

And what I really saw was true love. And so that's what really got me excited because when you speak with even consumers or guests in our restaurants, I remember the one trigger that really got me excited is, I sat down, I met this girl and she was with her family and I asked her how many times she comes into IHOP a year, and I didn't expect any number and she said 30.

And then I knew there was this area that just I had to focus on from consumer love, brand excitement, and there were just so many opportunities to drive growth for the brand. And that's really what attracted me. I understand the reality transaction declines, but I also know that this can be reversed and there are so many areas of opportunity that we can drive growth for.

And that's what's keeping me and the team excited and we have a lot of work that we're doing right now around it.

Operator

Thank you. I'm showing no further questions at this time. I would now like to turn it back to John Peyton, Dine Brand's CEO, for closing remarks.

John Peyton

Gigi, thanks for taking such good care of us. We always appreciate it. And to all of you who joined and asked questions, thank you. And I'll just wrap by reinforcing where I started, which is, we all, our franchisees and all of us at Applebee's, Fuzzy's, IHOP and Dine, intend to have a strong 2025. We're not satisfied with our 2024 results, and we are working very hard to focus on those moments that matter and implementing our plans, to have a really great 2025.

So, appreciate your questions. Thanks very much.

Operator

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

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