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Dine Brands Global, Inc. (DIN) Q4 2025 Earnings Call Transcript

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Q4: 2026-02-25 Earnings Summary

Insights

EPS of \$1.46 **beats by \$0.40** | Revenue of \$217.60M (6.27% Y/Y) **misses by \$8.67M**

Dine Brands Global, Inc. (DIN) Q4 2025 Earnings Call February 25, 2026 11:00 AM EST

Company Participants

Matthew Lee - Senior Vice President of Finance & Investor Relations

John Peyton - CEO, Applebee's President & Director

Vance Chang - Chief Financial Officer

Lawrence Kim - President of IHOP

Conference Call Participants

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Paul Gong - UBS Investment Bank, Research Division

Allison Arfstrom - Piper Sandler & Co., Research Division

Nerses Setyan - Mizuho Securities USA LLC, Research Division

Brian Vaccaro - Raymond James & Associates, Inc., Research Division

Presentation

Operator

Good day, and thank you for standing by. Welcome to the Dine Brands Fourth Quarter and Fiscal Year 2025 Conference Call. [Operator Instructions] Please be advised that today's conference is being recorded. And now I'd like to introduce your host for today's program, Matt Lee, Senior Vice President, Finance and Investor Relations. Please go ahead, sir.

Matthew Lee

Senior Vice President of Finance & Investor Relations

Good morning, and welcome to Dine Brands Global's Fourth Quarter and Fiscal 2025 Conference Call. This morning's call will include prepared remarks from John Peyton, 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 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-K 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 that is available on Dine Brands' Investor Relations website. With that, it's my pleasure to turn the call over to Dine Brands' CEO, John Peyton.

John Peyton

CEO, Applebee's President & Director

Good morning, everyone, and thanks for joining us today. As usual, today, we'll discuss Dine's fourth quarter and full year 2025 financial results. I'll share some key insights into what we learned in 2025 and how we'll leverage those learnings to extend our strategy in the year ahead, and Vance will then discuss our financial results and 2026 guidance. Our brands' 2025 performance improved compared to 2024, and that was no accident. It was driven by deliberate execution against our clear set of priorities, enhancing the guest experience through operational improvements, strengthening our marketing to better connect with guests and advancing menu innovation and everyday value platforms across our brands. In parallel, we, along with our franchisees, continue to invest in the bricks-and-mortar experience of our restaurants through dual brand openings, supporting Applebee's remodels and improving the look and feel of our company-owned portfolio.

These initiatives built trust with our guests and started translating into tangible results with improving unit level performance driven by positive sales and traffic trends and higher guest engagement scores across our brands. This progress came amid a still challenging consumer environment with guests remaining highly intentional about how they spend their discretionary dollars. Value remains a critical driver in that decision-making. Of note, in the fourth quarter, both the casual and family dining categories experienced some softening in comp sales and traffic as we moved into December. Overall, the value mix remained steady for both brands with Applebee's at 34% and IHOP at 20% despite IHOP's value menu increasing from 5 to 7 days.

Over the past few years, we've been intentional in evolving how we define and deliver value, ensuring that we have compelling everyday offerings that are available at all of our brands anywhere, anytime. For us, value is not simply price. It's an all-encompassing experience that includes portion size, food quality and most importantly, the overall guest experience. We refer to that as the vibe. And that focus on the vibe, the food, the service, the atmosphere represents a meaningful opportunity to drive traffic and strengthen brand relevance. We believe this approach positions us well for sustained positive performance in 2026 and beyond. And as we look to 2026, we're staying the course. The progress we made throughout 2025 validated our strategy and our focus is on disciplined execution, continuing to drive steady improvement and building on the positive momentum we established.

So with that, I'll walk through our financial results. For the full year, we generated \$219.8 million of adjusted EBITDA compared to \$239.8 million last year. In Q4, adjusted EBITDA was \$59.8 million compared to \$50.1 million in the same quarter last year. Adjusted free cash flow was \$62 million. And in terms of comp sales, Applebee's comp sales were positive 1.3% for the full year compared to 2024's comp sales of negative 4.2%. And in Q4, Applebee's reported negative 0.4% in comp sales. IHOP had full year comp sales of negative 1.5% compared to comp sales of negative 2% in 2024. For the quarter, IHOP posted comp sales of positive 0.3%, driven by positive traffic. So now I'll share some updates across our portfolio, starting with Applebee's.

In 2025, Applebee's returned to positive sales growth as we sharpened our focus on value, marketing and the guest experience. While the environment remained competitive, performance was in line with our expectations, underscoring our confidence in the strategy and momentum that we're building. In the fourth quarter, the 2 for platform represented approximately 22% of transactions, supporting both off-premise demand and check growth. The new Grilled Cheese cheeseburger launched in Q4 was our highest selling stand-alone burger ever and our highest selling 2 for burger of all time, reinforcing the strength of the platform. Also, our Ultimate Trio, which we launched in August, remained the best-selling appetizer of Q4, representing approximately 11.5% of transactions.

In January, we launched our O-M-Cheese Burger available on both the 2 for platform and also individually at \$11.99. This new burger was an instant hit and is now the newest highest-selling burger of all time on our 2 for platform. These launches highlight the momentum of our only at Applebee's menu innovation strategy and reflects strong guest demand for menu offerings that can't be replicated at home. Off-premise was a source of growth in 2025 as guests increasingly chose the convenience of eating with us outside the restaurant. In the fourth quarter and full year, off-premise comp sales increased 6.2% and 6.5%, respectively, with delivery up 10.5% for the year. On the digital marketing and social media front, Applebee's delivered year-over-year growth across key platforms in 2025, outperforming our organic social growth targets.

Social media accelerated throughout the year, highlighted by an 84% increase in posting cadence and 107% lift in engagement in the back half of the year compared to the front half. Additionally, Club Applebee's, our data-driven personalization program is driving higher engagement among members. Looking ahead to 2026, we'll focus on core fundamentals that directly enhance the guest experience and drive profitability. Specifically, we're emphasizing manager visibility in the dining room, which is linked to higher guest satisfaction and more consistent execution and improved off-premise order accuracy, a key lever for cost reduction and repeat business. We're confident that the Applebee's strategy is working, and we'll continue to build on this progress. Since the start of the year, we've seen positive sales trends despite the severe weather, which position us well as we look to carry 2025's momentum into 2026.

And now for IHOP. In 2025, IHOP's back to Basic strategy delivered meaningful progress and traffic is the clear highlight. Traffic improved throughout the year. And in the fourth quarter, IHOP delivered positive traffic and sales, outperforming Black Box in both metrics. Notably, this performance came during a year when the family dining segment remained under pressure. IHOP outperformed Black Box in traffic every month of the year, and that outperformance accelerated meaningfully in the fourth quarter. This is a strong signal that guests are responding positively to IHOP's approach and breakthrough marketing. In September, we launched the IHOP value menu, an expanded and rebranded version of House Faves, now available 7 days a week. This gives guests greater confidence that they can access meaningful value any day of the week while preserving a balanced menu mix.

At IHOP, value is designed to drive traffic, not replace full margin items, and that's exactly what we're seeing. The value menu is drawing guests into the restaurant. And once they're here, guests are also choosing premium offerings such as our breakfast, combos and LTOs, like our pumpkin spice and coffee cake pancakes. As a result, average check comp improved 150 basis points during Q3 to Q4. Off-premise also contributed to IHOP's steady sales growth and a positive 4.5% comp sales increase in Q4. Targeted promotions through third-party supported delivery, resulting in delivery comps that reached low double digits throughout much of the quarter. These efforts extended the reach of our platform through digital channels and allowed us to meet guests where they are. Marketing and digital engagement also kept IHOP top of mind for our guests throughout the year.

Social impressions and views increased significantly and overall engagement increased over 300% year-over-year. These results reinforce IHOP's relevance with younger guests and reflect the effectiveness of our investments in social media to reach broader audiences. Operationally, we remain focused on strengthening the fundamentals and in partnership with our franchisee committees, we are constantly evaluating different ways to improve efficiency and execution. Recall that at IHOP, we completed a full rollout of our new POS and handhelds in 2024. These tech enhancements, combined with process improvements supported better throughput and guest flow, delivering a roughly 7-minute or 12% improvement in table turn times versus 2024.

At the same time, guest complaints declined for the second consecutive year, underscoring progress in the in-restaurant experience. And although we ended the year slightly below our comp sales expectations, the positive trajectory for IHOP continued into January despite the impact from the winter storm. As we move into 2026, our focus at IHOP is on disciplined, consistent execution, driving traffic through accessible value and culture-driven marketing, protecting margins through balanced menu mix and continuing to improve restaurant operations to deliver an incredible guest experience every day. Now at Fuzzy's, we saw encouraging progress beginning in Q3 that extended into Q4 and rolled into 2026 as different initiatives around our key priorities, improving the technology, engineering a more profitable menu and enhancing the in-restaurant experience started to gain traction.

Enhancements to our off-premise offerings, including a revamped online ordering platform and expanded third-party delivery partnerships contributed to modest improvements in sales and traffic, with the brand outperforming the Black Box comp set in sales every month in Q4. Additionally, Fuzzy's expanded its Houston footprint by opening 2 additional Fuzzy's Taco and Mark's fast casual plus prototypes. This new hospitality service model is already encouraging higher beverage attachment and driving a noticeable shift toward premium Taco category orders. And now turning to international. We ended the year with 32 international dual brand restaurants, an increase of 14 for the full year. Dual brands are proven to be an effective, capital-efficient way to expand our footprint and introduce our brand into new markets with meaningful white space across our core international regions of Canada, Mexico, Latin America and the Middle East, we see our dual brand platform as an opportunity to drive international growth over time.

And to speak more about development, we accelerated the pace of total gross new openings with 80 new restaurants globally in 2025 versus 68 in the prior year. Restaurant openings remain a key growth lever as we head into 2026. From dual brands and the Applebee's Lookin' Good remodel program to targeted investments in our company-owned portfolio, we're working to strengthen the physical experience of our brands and improve unit level performance. So I'd like to provide an update on dual brands. As we discussed last quarter, dual brands represent a meaningful long-term opportunity for net unit growth. In 2025, we established the foundation, proving out the model, refining the operating playbook and building confidence with our franchisees. The results further reinforce our conviction on the importance of dual brands.

As of today, we've opened 32 dual brand restaurants in the U.S., including 3 company-owned locations with an additional 9 dual brands under construction. These restaurants continue to outperform single brand locations, delivering approximately 1.5 to 2.5x higher revenue. We continue to see evidence that the dual brand concept is highly complementary with balanced performance by both brands across all 4 dayparts. At the same time, we're identifying opportunities to streamline operations, including reducing table turn times and refining kitchen layouts that improve throughput and efficiency. Based on feedback from our franchisees, we continue to expect payback periods of less than 3 years. Franchisee interest remains strong and the pipeline is expanding as operators see the benefits of the model firsthand.

Based on our current pipeline, we expect to achieve at least an incremental 50 dual brand openings in 2026, bringing us close to 80 domestic dual brand restaurants by the end of this year. As we move into 2026, our focus with dual brands is on disciplined expansion, scaling thoughtfully, applying what we've learned and ensuring we can deliver consistent results as the concept grows. Dual brands are not the right solution for every market, but where they make sense, they are powerful incremental unit growth and profit drivers for us as well as the franchisees. Beyond dual brands, we also made meaningful progress with the Applebee's Lookin' Good remodel program.

We ended the year with 103 remodeled restaurants, more than our initial goal, and early results are encouraging with, on average, mid-single-digit lifts in sales when remodels are combined with marketing as well as improvements in operations and the overall guest experience. Refreshing the physical environment remains an important part of improving brand relevance and guest experience. And based on this progress, the remodel program continues in 2026 with the goal of remodeling another 100, if not more, locations this year. Development is an increasingly important part of our growth story. The progress we made in 2025 strengthens our foundation and positions us well to drive steady, disciplined growth in 2026 and beyond. And so now I'll turn the call over to Vance.

Vance Chang*Chief Financial Officer*

Thanks, John. We made meaningful progress in 2025. Applebee's returned to positive comparable sales for the year, and IHOP exited the year with 2 consecutive quarters of positive traffic. We also completed our debt refinancing in June and continue to return capital to shareholders, all while maintaining a strong balance sheet. On the top line, consolidated total revenues increased 6.2% to \$217.6 million in Q4 versus \$204.8 million in the prior year, primarily driven by the timing of when we took back restaurants from franchisees. This was offset by a decrease in franchise revenues, primarily due to the take back of restaurants and closures. For the full year, we generated \$879.3 million in total revenues, which was 8.2% higher than the prior year, resulting from the timing of when we took back company restaurants, partially offset by a decrease in franchise revenues from the restaurants taking back and a decrease in rental income.

Excluding advertising revenues, franchise revenues in Q4 decreased 2.8%. For the full year, franchise revenues, excluding advertising revenues decreased 3% due to the decrease in IHOP domestic same-restaurant sales, the company taking back restaurants from franchisees, closures and merchandise sales. Rental segment revenues for the fourth quarter of 2025 decreased compared to the same quarter of 2024, primarily due to lease terminations and the impact of company acquired IHOP restaurants in March of 2025. G&A expenses were \$51.5 million in Q4 of 2025, down from \$52.3 million in the same period of last year, primarily driven by the recovery of fees from the franchisee. We ended the year with \$203.8 million, up from \$196.7 million last year due to an increase in compensation-related expenses, predominantly incentive compensation and professional services fees, partially offset by the fee recovery.

Adjusted EBITDA for Q4 of 2025 increased to \$59.8 million from \$50.1 million in Q4 of 2024. The increase in adjusted EBITDA for Q4 2025 includes the timing of national advertising fund benefit. Adjusted EBITDA for 2025 decreased to \$219.8 million, down from last year's \$239.8 million. Our 2025 EBITDA was unfavorably impacted by \$10 million from our company-owned restaurants due to the investments and transitory costs we've discussed previously. Adjusted diluted EPS for the fourth quarter and full year of 2025 was \$1.46 and \$4.45, respectively, compared to adjusted diluted EPS of \$0.87 and \$5.34 for the fourth quarter and full year of 2024, respectively.

Now turning to the statement of cash flows. We had adjusted free cash flow of \$61.5 million in 2025 compared to \$106.4 million for the same period of last year, driven by company restaurant operations, including restaurant CapEx and the launch of our remodel incentive program. CapEx for 2025 was \$35.6 million compared to \$14.1 million for 2024. The higher CapEx includes the cost from our company-owned restaurants, of which 70% is related to deferred maintenance and remodeling costs and 30% is related to dual brand conversion costs. We finished the fourth quarter with total unrestricted cash of \$128.2 million compared with unrestricted cash of \$168 million at the end of the third quarter. Regarding capital allocation, we returned \$92 million of capital to shareholders in 2025 through buybacks and dividends. Due to the significant discount in our stock price, on our Q3 2025 call, we committed to repurchasing at least \$50 million of shares during Q4 of 2025 and Q1 of 2026.

In Q4, we repurchased \$31 million, which was slightly over 7% of our shares outstanding. For the full year, we bought back approximately 2.4 million shares or 15% of our shares. We continue to believe our shares are undervalued and remain committed to our goal. In 2025, Dine System sales were approximately \$7.8 billion, demonstrating the scale and size of our brands. Applebee's 2025 same-restaurant sales increased 1.3% year-over-year. Average weekly franchise sales per restaurant in 2025 were \$54,300, including approximately \$12,400 from off-premise or 23% of total sales, of which 11.8% is from to-go and 11% is from delivery. Off-premise saw a positive 6.5% lift in comp sales in 2025 compared to the same period last year. IHOP's 2025 same-restaurant sales were negative 1.5%. Average weekly franchise sales per restaurant in 2025 were \$38,700, including \$8,000 from off-premise or 21% of total sales, of which 7.5% is from To Go and 13.1% is from delivery.

Turning to commodities. Applebee's commodity costs in Q4 increased by 0.5% and IHOP commodity costs increased by 3.5% versus the prior year. For the full year, Applebee's commodity costs increased 0.1% due to inflation, while IHOP saw a 6.4% inflation, primarily driven by the higher egg prices in the beginning of 2025. Excluding eggs, IHOP's commodity inflation was 3%. Our supply chain co-op CSCS, expects commodity costs in 2026 at mid-single digits for Applebee's and low single digits for IHOP. The primary driver for both brands commodity costs is higher beef prices, including the lapping of favorable beef contracts at Applebee's and the impact of tariffs more broadly on our market baskets.

Our franchisee health remained resilient. Our most recent quarter indicates an improvement in both margin percent and dollars for our franchisees, driven by improved sales and cost management. CSCS continues to work across both systems to identify additional cost savings opportunities and support restaurant profitability initiatives through both operational improvements and input costs. In 2025, we implemented projects resulting in over \$46 million of annualized savings across both systems, and we continue to partner with CSCS to leverage our scale and make progress on our cross-functional restaurant profitability initiatives. Lastly, our company-owned portfolio remains instrumental in strengthening brand performance and supporting the overall health of our system.

Operating these restaurants also helps us maintain a presence in key markets while providing us the ability to reinvest directly in the business, test and refine initiatives and create proof points that can scale across the system, all while maintaining our asset-light business model. At the end of 2025, we operated 72 company-owned restaurants, including 2 new dual brand restaurants we just built, just about 2% of our system. In 2025, we completed 14 remodels and 2 dual brand conversions. Given the positive results we're seeing from these investments, in 2026, we expect to remodel approximately 23 restaurants as well as complete approximately 8 dual brand conversions. While we invest in the physical aspects of the restaurants, we are seeing sequential improvements with key operational scores such as reduced guest complaints and improved table turns since we have taken over the restaurants.

Our approach and focus remains the same, which is to improve performance, strengthen brand fundamentals and ultimately rebrand these locations at the right time. Before turning the call back over to John for Q&A, I'd like to share our financial guidance for 2026. On development, we anticipate that we're moving closer towards a period of returning to combined net positive unit growth for our domestic Applebee's and IHOP brands. It's also important to note that the average unit sales of new restaurant openings are greater than older closed restaurants and it's not a 1:1 ratio. For the Applebee's brand, we're expecting 15 to 5 net fewer domestic restaurants. This reflects an increase in gross openings from both stand-alone and dual brand openings, offset by a similar amount of closures as prior years.

For the IHOP brand, we're expecting between 10 net fewer domestic restaurants and 10 new domestic openings. This reflects continued growth of stand-alone locations, nontraditional and dual brand locations, offset by expected closures as a result of natural expirations of franchise agreements. In 2026, we're expecting domestic system-wide comp sales for Applebee's to range between 0% and 2%. The comp sales range reflects current trends as well as our ongoing focus on menu and bar innovation, marketing optimization and growth in our off-premise channel. At IHOP, we're expecting domestic system-wide comp sales to range between 0% and 2%. The comp sales range reflects current trends and the continued evolution of our IHOP value menu, check driving initiatives and increased engagement across channels.

We're forecasting a G&A range of \$205 million to \$210 million, including noncash stock-based compensation and depreciation of approximately \$35 million. This reflects a slight year-over-year increase primarily tied to investment in our dual brand initiative, given the strategic rationale and strong results we're seeing. On EBITDA, we're guiding to a range of \$220 million to \$230 million. Our outlook reflects the positive trends in our franchise business and modest improvement in our company-owned restaurants, which is based on our existing portfolio. To the extent portfolio changes, we'll update our shareholders. We anticipate 2026 CapEx to be in the range of \$25 million and \$35 million, which is slightly lower than 2025. Our CapEx reflects continued investment in our company-owned restaurants, including capital for dual brand conversions. With that, I'll hand it back over to John.

John Peyton

CEO, Applebee's President & Director

Thanks, Vance. I'll close just with a brief recap. 2025 was a meaningful improvement for all of Dine, rooted in strong partnerships with our franchisees, driven by focused priorities across our brands and executed against clear long-term goals to generate value for the future. We will remain disciplined with capital allocation, accelerating share repurchases to capitalize on what we see as a meaningful valuation discount. Given the strong start to Q1, we're optimistic for the year ahead and achieving additional growth, led by improved comp sales, improved traffic and net unit development. And so with that, I will turn the call over to the operator for questions and answers.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question for today comes from the line of Jeffrey Bernstein from Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

My first question is just on the comp trends. You seem encouraged by the strengthening fundamentals of both brands. I know both brands fell short of, I guess, the sell-side consensus for the fourth quarter comp, but I'm assuming that's just us perhaps not modeling it very well. I'm just wondering how the fourth quarter compared to your internal expectations? And then just to clarify, I want to make sure that the first quarter, I think you said strong start at both brands despite the weather. So is it fair to assume both brands are running within that flat to plus 2% that you guided to for the full year?

John Peyton

CEO, Applebee's President & Director

Jeff, it's John. Vance will take you through the comp trends in the first quarter.

Vance Chang

Chief Financial Officer

Jeff, this is Vance. For both of our brands, the momentum that we saw, we talked about in Q3 continue to build into Q4. But as you noticed with the best of the industry, we did experience some temporary softening in December. So that's the inter-quarter trend. But we're now seeing that momentum building back up in Q1 despite the winter storms and both brands have recovered to the pre-winter storm trend of positive trajectory, which allows us to provide the guidance that we just did.

Jeffrey Bernstein*Barclays Bank PLC, Research Division*

Understood. So it's safe to say that both are now positive and within that 0 to plus 2% despite the inclement weather?

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

That's correct.

Jeffrey Bernstein*Barclays Bank PLC, Research Division*

Understood. And then my follow-up, Vance, the share repurchase, you talked about the acceleration in '25 versus '24. I think it was north of \$60 million in '25, which, like you said, I think is like 15% of the market cap. I think you had already implied that between the fourth quarter and the first quarter, you're looking at a combined \$50 million, which would leave, I guess, \$20 million for this first quarter. Just wondering what your plans are for full year '26 with your view that such a significant valuation discount, how we should think about the share repurchase plans for the full year '26?

Vance Chang*Chief Financial Officer*

Jeff, our capital allocation priority is the same. We're going to invest organically to drive dual brand development to drive company restaurant improvement. But a key part of it is capital return, and we are net buyers at this price. So we're going to continue that buyback program as long as we believe there is a discount in our share price versus the price where we think the company should be.

Operator

And our next question comes from the line of Dennis Geiger from UBS.

Paul Gong*UBS Investment Bank, Research Division*

This is Paul on with Dennis. And my first one is just wondering if you guys have noticed any change in consumer behavior by different income or age cohort. And I think I recall last quarter, you guys mentioned there's some higher income shifting in -- some lower income shifting out. Just wondering if you are still seeing that happening in fourth quarter and maybe into first quarter?

John Peyton

CEO, Applebee's President & Director

Paul, it's John. I can answer that on behalf of Applebee's and IHOP because we see very similar consumer behavior in both brands. The way I would characterize the consumer broadly for 2025 is that they were looking for both the value and the vibe. And by value, we mean, obviously, the price of the item, but also the taste, the quality, an abundant serving and most importantly, the vibe, which is a really good service. And we see that trend continuing to '26.

In terms of specific consumer behavior, it was pretty consistent through all 4 quarters of last year. The value portion of tickets at Applebee's was about 1/3, and that number was about 20% at IHOP. And you're correct, of all of our cohorts, both brands saw growth in the higher-income guests. The other income categories were relatively stable. And then both brands also attracted new guests in the fourth quarter, which we attribute to our product innovation and our marketing. On the Applebee's side, that would be the Grilled Cheeseburger and the Ultimate Trio via 2 for \$25 and at IHOP, the everyday value menu expanding to 7 days a week and all the promotion we had behind that.

Paul Gong

UBS Investment Bank, Research Division

Great. And then just on the dual brand openings, I think you guys talked about at least 50 in 2026. And I think the net opening between the 2 brands is about maybe down 25 to plus 5 units. Is that correct? And does that imply that there's going to be about like 45 to maybe 75 total closures? And how should we think about development and closures going maybe a little bit beyond 2026 based on the current projections and pipeline?

John Peyton

CEO, Applebee's President & Director

Sure, Paul, it's John again. I'll take that in terms of the development strategy. And then perhaps, Vance, you can follow up with more detail about the net numbers. So when it comes to development, our strategy the last couple of years has been to make sure that we have multiple products available to our franchisees and to other developers so that we have the right product for the right franchisee in the right market. And at this point, of course, that includes the dual brands. It also includes individual Applebee's and IHOPs. And it includes both new builds and conversions.

As we've mentioned in the past, more than 80% of new IHOPs are actually conversions. And so as we look at our total pipeline that's been accelerated by our dual brands, as you referenced, we see an inflection point coming where we get to positive net unit growth sometime in the next 12 to 24 months. And that's fueled certainly in part by the interest in the duals and the pipeline that we're building. Vance, can you speak more specifically to the unit count question and the closures that Paul referenced?

Vance Chang

Chief Financial Officer

Sure. Paul, good to hear from you. So the way we think about closures, we've said this before, for a system our size, we typically see closures in the 2% to 3% of our portfolio in that range. So you can probably model it the same way going forward. That closure rate hasn't changed dramatically. In fact, it probably in the next few years, it should come down primarily because of, one, the dual brand possibility; two, the natural expiration of the franchise agreement is going to come down over the next few years. So we see that. But aside from that, I think the other side of the equation is opening, so you can net out the math to get to the net numbers you're talking about. And so that's -- for this year, globally, I think we opened 80 restaurants this year, and that number will continue to go up as we build our dual brand pipeline.

John Peyton

CEO, Applebee's President & Director

And specifically, Vance, just to connect that last dot is that the closures are expected to decline because the dual brand is now serving as a mechanism to "save" lower revenue restaurants that might have otherwise closed. But now that they can add the second brand, it puts them back into a healthy space.

Operator

And our next question comes from the line of Brian Mullan from Piper Sandler.

Allison Arfstrom*Piper Sandler & Co., Research Division*

This is Allison Arfstrom on for Brian Mullan. Curious what you're seeing at IHOP with the changes on value on the weekend. Is it bringing on the weekend working for franchisees? Or any other color would be helpful there.

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

Allison, that sounds a good question for Lawrence.

Lawrence Kim*President of IHOP*

As in all promotions and programs, we partner closely with our franchisee partners before bringing a program like that to life, and that is in particular, even with the everyday value menu. And as we converted the House phase, which is a Monday through Friday program into the everyday value menu, which launched this past September, we obviously tested this prior in key several markets to understand the incidents on the weekend impact. And the great news is that even on the weekends, our incidents remained at around 10% of total checks even as expanded from Monday to Friday into the weekend.

And so in partnership with our franchisee partners, we've continued to maintain momentum of the everyday value menu. We're actually extending it all throughout 2026, and we're excited for the momentum it's bringing, especially in regards to traffic.

Operator

[Operator Instructions] Our next question comes from the line of Nick Setyan from Mizuho.

Nerses Setyan*Mizuho Securities USA LLC, Research Division*

In 2025, obviously, there was a big pivot towards value at both brands, which stabilized to accelerated traffic trends. How are we thinking about 2026? Is sort of the cadence of value? Is it enough now? Is there anything that we need to do more, whether it's in value or in addition to value? How are we thinking about incremental comp drivers in 2026? And then the second question is just on the operating cash flow side, any reason why it shouldn't be in line to above 2025 given the EBITDA guidance?

John Peyton

CEO, Applebee's President & Director

Nick, it's John. I'll address Applebee's first and then Lawrence will take IHOP and Vance will take cash flow. So our strategy for Applebee's is to, number one, have fewer promotions in market for longer periods of time. And so in the past several years, we might have 10 to 12 different promotions in a given year. In '26 and at the end of '25, we're focused more on 6 to 8. And our primary message is the 2 for \$25 menu, which on its own accounts for 22% of our tickets. We think that communicating that program more consistently and more often is exactly what guests are looking for in 2026, just as they were in 2025.

The second component of that is that as we communicate 2 for \$25 each quarter, we will introduce a new a new entree and a new appetizer so that we also have exciting new news and innovation along the way. And so as an example, when we introduced the Grilled Cheese Cheeseburger in Q4, that became our #1 selling burger of all time and drove the performance that we saw toward the end of the year before we slowed in December. And in January, as Vance referenced, we introduced the O-M-Cheese Burger, which if you haven't seen it, is a burger cut in half and served in a skillet of bubbling cheese. And that quickly became our #1 best-selling burger ever, blew up on social media and has been a big driver of our performance in Q1. And so our strategy for the year is to leverage 2 for \$25, and we have other exciting new entrees like the O-M-Cheese Burger planned for the rest of the year. Lawrence?

Lawrence Kim

President of IHOP

Yes. And similar to Applebee's, for IHOP, we also, in the same light, have fewer promotions with longer period times in terms of sustaining those promotions. As you know, our current primary messaging is around the \$6 everyday value menu, and you're going to continue to see that trend. But as mentioned in a prior call, we are complementing that with our barbell strategy. And this is including other promotions, for example, like our latest bottomless pancake promotion, which we tied in with a very strong cultural moment with fantasy football. But also, we have a great lineup of innovation. And you have to complement that with new news to balance that equation of value plus innovation and bring that excitement and awareness to new consumer bases as well.

So we're constantly listening to our guests, looking at different trends. And coming into 2026, we're going to complement our everyday value menu with, for example, a new proprietary coffee because you got to have the best coffee in the world together with the best pancakes in the world. But also, we're going to be innovating around our omelet platform. So this March, we're also going to introduce a new barbecue pulled pork omelet, which we're excited because it's something our guests have been asking for. And then, of course, as we go further into the year, we have a whole lineup of innovation to balance that. But we're staying extremely focused and vigilant in terms of our key strategies of maintaining value as the core and driving that and complementing that together with innovation.

Vance Chang

Chief Financial Officer

Nick, this is Vance. Good to have you back, man. So for free cash flow -- in this quarter, we -- there were some timing issues. So we actually had to pay 2 quarters of interest expense. And that's part of our -- that's impacting the cash flow. We also had higher remodel incentives. And obviously, you saw the nonoperating part, the CapEx and some of the working capital changes that's impacting this year's cash flow. But we do expect next year to be back on a more normalized basis. And given the higher EBITDA guidance, we expect cash flow to improve next year as well.

Operator

And our next question comes from the line of Brian Vaccaro from Raymond James.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

Just back to the fourth quarter comps. Could you walk us through the traffic and check dynamics for each brand?

John Peyton

CEO, Applebee's President & Director

Sure, Vance can do that.

Vance Chang

Chief Financial Officer

So fourth quarter, let me see -- so we had negative 0.4% comp for Applebee's. Check was up about 3% and then the rest was traffic for Applebee's. IHOP comp was 0.3% and then our check was slightly down, call it, flattish, and then the traffic was up. So that's the makeup.

Brian Vaccaro

Raymond James & Associates, Inc., Research Division

All right. And in the quarter -- or in the year of 2025, the company operations, I think the EBIT loss was about \$8 million, which I think was a little bit ahead of your expectations. But I'm just curious, what kind of an EBIT loss have you layered into your '26 EBITDA guidance for company operations?

Vance Chang

Chief Financial Officer

Brian, so -- basically -- so you're talking about EBIT and then we kind of -- we're thinking about it in terms of EBITDA with a similar trend. But basically, we're expecting company restaurant portfolio to be at a breakeven level for '26. And then 2025, if you're backing out depreciation, company restaurant and backing out some of the onetime stuff, transitory cost type of things, company restaurant portfolio was negative \$10 million of EBITDA. So we're expecting to see a meaningful swing in performance.

Operator

This does conclude the question-and-answer session of today's program. I'd like to hand the program back to John Peyton, Dine Brands' CEO, for any further remarks.

John Peyton

CEO, Applebee's President & Director

Jonathan, thank you for moderating, and thank you, everybody, for your questions this morning. I'll just summarize with where we started in that we're pleased that 2025 performed better than 2024. We certainly don't think that was an accident. We think it was because both of the big brands focused on marketing and social media with new messages and new plans. Both of them really put the value programs front and center in front of consumers and backed it up with great menu innovation like we discussed today. And we also made great experience in the guest experience in terms of operations and OSAT, which we didn't talk about this morning, but both guests improved their reviews in terms of guest satisfaction. So thank you all for your time this morning, and look forward to talking to you next time.

Operator

Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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