Great franchisees. Great brands.℠

dineEquity™

Applebee's Acquisition

Applebee's IHOP RESTAURANT

DineEquity's Core Beliefs

- Bias toward highly franchised business model
  - Maximize free cash flow with moderated volatility
    - Minimize capital expenditures
  - Avoid operational complexities and financial risks of company operations
  - Focus on brand and operations leadership for franchise system

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DineEquity Today

IHOP

- 50-year old American icon
- 1,353 units
- 99% franchised
- Solid same-store sales growth momentum
- Consistent unit expansion
- Moderate G&A growth
- Minimal CAPEX needs
- Strong, stable cash flow generation

Applebee's

- Leading brand in grill & bar segment
- 1,986 units
- 75% franchised with opportunity to become more highly franchised
- Plan in place to:
  - Restructure the business
  - Re-energize the topline
  - Reduce debt burden

IHOP's Historical Transformation (2003-Present)

- Implemented business model change from balance sheet intensive "turnkey" franchising to traditional franchising approach
- Revitalized business through strategic marketing and operational initiatives
- Refranchised Company-operated restaurants
- Tightly managed G&A and CAPEX spending.
- Transformed free cash flow profile of the business and dedicated cash return to shareholders

Framework for IHOP's Success

Key Strategies – 2003 to Present

- *Energize the IHOP Brand*
- *Improve Operations Performance*
- *Maximize Franchise Development*

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IHOP's Successful Track Record

Restructured to Highly Franchised System
- Reduced company-operated IHOPs from approximately 80 to 10
- Franchisees have built approximately 250 units.
- Secured 465 commitments for future restaurant development

Drove Same-Store Sales Growth
- Achieved 21 consecutive quarters of positive growth

Generated Significant Free Cash Flow*
- Drove $124.6 million improvement from 2002 to 2007
- Minimized CAPEX to less than $3 million in 2007

Focused on Maximizing Shareholder Value
- Returned $376.0 million to shareholders through share repurchases and dividends since 2003

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Applebee's Acquisition Proposition

- Leadership brand in casual dining
- Highly franchised with significant ability to franchise more
- Drive free cash flow per share to higher levels than IHOP business alone
- Added benefit of CEO previously president of Applebee's

The acquisition of Applebee's is expected to create significant long-term value for DineEquity shareholders over and above standalone basis

Key Objectives in Purchase of Applebee's

Restructure

- Transition to 99% franchised system
  - Reduce G&A
  - Minimize CAPEX
- Sell Company-owned real estate
- Pay down Debt

Revitalize

- Provide vision and leadership for brand that had underperformed
- Reestablish same-store sales momentum
- Refocus on operational excellence

IHOP's Proven Expertise a Perfect Match for Applebee's Needs

Here is What We Learned in the M&A Process

- Prepare thoroughly for undertaking M&A
- Proactively manage the M&A process
  - Have a strong point of view on valuation and understand the important valuation levers
- Choose a path to financing that works for your company's specific needs

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It's All in the Preparation!

- Evaluate the benefit of M&A against business as usual.
- Recognize what you are good at and what you are not
  - Rate your core competencies as a company
- Establish screening criteria and do not waiver from it
- Clearly articulate rationale and criteria for M&A to key constituencies

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What Was Next for IHOP?

— After a number of successful years executing our business model, management advocated an evaluation of strategic alternatives.

— Strategic alternative evaluation identified several avenues for future growth for the IHOP brand which would provide incremental benefit.
  - International restaurant expansion
  - Licensing
  - Brand extension

— As a result, we extended strategic alternative evaluation to include the possibility of M&A.
  - Compared to stand-alone IHOP

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Identifying Our Core Competencies

— Initiated a process with IHOP management team to rate our competencies.

Strengths

— Franchising expertise

— Proven ability to turnaround under-managed brands

— Developed skill set around G&A and CAPEX management

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DineEquity's Acquisition Criteria Aligned with Core Competencies

Competencies	Criteria
Franchising Expertise →	• Would only purchase a "franchise-able" concept
Turnaround Brands →	• Identify "underperforming" brand where incremental value could be gained by a turnaround
G&A Management →	• Identify an opportunity where restructuring and cost management would create value
Other →	• Should be large enough to be meaningful • Should be cash flow/earnings accretive within a reasonable period • Must be non-competitive with IHOP

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Communications Can be a Make or Break Factor

- Acquisition strategy must have a well-thought out communications plan
  - Convey rationale publicly in a straight-forward manner
  - News releases, investor conference calls, media coverage
- Solicit feedback and support of shareholders
  - Essential to avoid dissention or activism as the acquisition process progresses
  - Can become important partner in the evaluation process
- Keep employees focused
  - Convey limited involvement in acquisition evaluation
  - Re-enforce importance of managing existing business

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Proactively Manage the M&A Process

– Be proactive in searching for candidates.
– Surround yourself with strong external resources.
– Involve your Board every step of the way.
– Have a strong point of view on valuation.
– Turn over every stone on due diligence.
– Retain negotiating leverage as long as possible.
– Have a plan in place and “hit the ground running.”

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Proactive Search for Candidates

- IHOP announced our intention to seek out M&A in January 2006.
  - Shared screening criteria
  - The opportunity was first raised by a former holder of our stock.
- From the announcement date to the surfacing of the Applebee’s opportunity, we proactively:
  - Screened against our criteria and developed an actionable list.
  - Reached out to a number of candidates on the list.
- There were important discoveries in this effort:
  - Seldom found a restaurant operating business which had a competency for/interest in franchising.
  - Many restaurant <u>concepts</u> but few restaurant <u>brands</u>.
  - Cultural value systems vary widely.

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Have a Strong Point of View on Valuation

— Prioritize the "economic" value creation of an acquisition and understand the accounting impact.
  - Focus on the discounted cash flow/share.

— Establish base case and upside/downside scenarios
  - Thorough due diligence will enhance your valuation work.

— Focus on the key levers for value creation.
  - Same store sales
  - G&A/CAPEX spending
  - Multiples on refranchised restaurants and proceeds from sale leaseback activities
  - Financing structure and costs.

Turn Over Every Stone on Due Diligence

— Align a strong team of external resources with internal functional leadership.
  - Finance and Accounting
  - Comp and Benefits
  - Risk Management
  - Legal

— When establishing valuation, use the data room fully.
  - Require expansion of information when necessary.

— Franchisees are the "secret sauce" of any restaurant franchising business.
  – Speaking to franchisees was an imperative in the due diligence effort.

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“Hit the Ground Running”

— We had a detailed five-year strategic and financial plan in place when the deal closed .
  - G&A/CAPEX management plan
  - Refranchising game plan
  - Sale Leaseback marketing efforts

— We completed an organizational integration effort before the deal closed.
  - Targeted a $50mm+ G&A reduction at end state.

— Engagement with key members of management and functional areas was well underway.
  - Marketing and Operations engagement was critical.

Finance and Accounting Integration

— A team comprised of all key finance and accounting personnel from IHOP and Applebee’s addressed the following critical areas:
  - Coordinated financial close process
  - Uniform Chart of Accounts
  - Consolidation
  - SEC reporting requirements including new 10-K/-Q format
  - New Auditor Integration with Applebee’s
  - Purchase price allocation
  - Tax planning and filings

Construct a Suitable Financing Path

- Our financing plan relies largely on securitized debt to be paid down by proceeds from the sale of assets.
- It's nice to have supportive investors who believe in the story.
- Because of the franchising structure of our business, we were able to take advantage of relatively low cost securitized debt.
  - Complex to structure and administer.
  - High upfront set-up costs more than offset by low coupon.
- Credit Markets do move quickly!
- Negotiate every deal point to protect your interest.

Financing Components

	Applebee's Debt	+	IHOP Debt	+	Preferred Stock	
Senior Notes	Six Month notes	$350mm	Five year unwrapped	$245mm	Perpetual Preferred	$190mm
Senior Notes	Five year wrapped notes	$675mm	Variable Funding Notes	$15mm	Convertible preferred	$35mm
Senior Notes	Five year unwrapped notes	$650mm	Cash in hand	$15mm		
	Subordinated notes	$119mm				
	Variable Funding Notes	$75mm				
	Total Applebee's	$1,869mm	**Total IHOP**	$275mm	**Total Preferred**	$225mm

Total Financing of $2,369mm

Weighted average coupon of 7.8%

Paydown of Debt from Sales Proceeds

	Expected After-tax Proceeds
Refranchising approximately 480 company units	$400-$450mm
Sale leaseback of approximately 190 real estate parcels and subsequent assignment of leases to franchises	$300mm
	$700-$750mm

Goal is to bring down leverage ratio from 7X to 5.5-6.0X.

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Applebee's Strategic Imperatives

- Re-energize Applebee's brand and re-establish same-store sales momentum
- Execute Applebee's business model transformation

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Strategic Agenda for Revitalizing Applebee's System Performance

Re-Energize the Brand

Improve Operations Execution

Improve Company Restaurant Profitability

Status of Applebee's Business Transformation

Reduce Applebee's General and Administrative Expenses

Achieve at least $50 million in annual savings in steady state

Incremental Upside Likely

Significantly Reduce Applebee's Capital Expenditures

Historical CAPEX levels in excess of $100 million

2008 CAPEX expectations reduced to $18-$20 million

Expected Cash Generation from Applebee's Transformation

Execute Sale-Leaseback on 187 Company-Owned Locations and Headquarters

Approx. $294 Million in After-Tax Cash Proceeds

Approx. $40 Million in After-Tax Cash Proceeds

Franchise Approx. 475 Company-Operated Restaurants

Expect 100 Restaurants Franchised in 2008 with After-Tax Cash Proceeds of $90 to $100 Million

Expect Balance Franchised in 2009 and 2010 with After-Tax Cash Proceeds of $300 to $350 Million

Key Financial Objectives

- **Transform Applebee's to maximize cash profile of business**
  - Overall objective is to maximize free cash flow per share
  - Sell volatile company operations cash flow for stable franchise operations cash flow
  - Significantly reduce capital expenditures
- **Optimize capital structure**
  - Reduce overall debt to target levels
  - Prioritize pay-off of perpetual preferred stock
  - Objective to resume practice of returning cash to shareholders

Applebee's Progress-to-Date

— Enjoyed first positive same store sales quarter in Q1 since .

— Announced an agreement to sell 187 real estate parcels for gross proceeds of approximately $350mm.

— Announced the sale of California and Nevada company markets to the largest Applebee's franchisee.

— Appointed Mike Archer, president of the Applebee's business unit.