

DineEquity, Inc  
Form 10-Q  
October 28, 2009  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2009

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-15283

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## DineEquity, Inc.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of incorporation or organization)

**95-3038279**  
(I.R.S. Employer Identification No.)

**450 North Brand Boulevard,  
Glendale, California**  
(Address of principal executive offices)

**91203-1903**  
(Zip Code)

**(818) 240-6055**  
(Registrant's telephone number, including area code)

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was Required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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**Class**  
Common Stock, \$.01 par value

**Outstanding as of October 23, 2009**  
17,580,574

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Table of Contents

**DINEEQUITY, INC. AND SUBSIDIARIES**

**INDEX**

	<b>Page</b>
<b><u>PART I.</u></b>	
<b><u>FINANCIAL INFORMATION</u></b>	2
<u>Item 1 Financial Statements</u>	2
<u>Consolidated Balance Sheets September 30, 2009 (unaudited) and December 31, 2008</u>	2
<u>Consolidated Statements of Operations (unaudited) Three and Nine Months Ended September 30, 2009 and 2008</u>	3
<u>Consolidated Statements of Cash Flows (unaudited) Nine Months Ended September 30, 2009 and 2008</u>	4
<u>Notes to Consolidated Financial Statements</u>	5
<u>Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3 Quantitative and Qualitative Disclosures about Market Risk</u>	41
<u>Item 4 Controls and Procedures</u>	41
<b><u>PART II.</u></b>	
<b><u>OTHER INFORMATION</u></b>	42
<u>Item 1 Legal Proceedings</u>	42
<u>Item 1A Risk Factors</u>	42
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	42
<u>Item 3 Defaults Upon Senior Securities</u>	42
<u>Item 4 Submission of Matters to a Vote of Security Holders</u>	42
<u>Item 5 Other Information</u>	42
<u>Item 6 Exhibits</u>	42
<u>Signatures</u>	43

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****DINEEQUITY, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share amounts)**

	<b>September 30, 2009</b>		<b>December 31, 2008</b>	
	<b>(Unaudited)</b>			
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$	105,075	\$	114,443
Restricted cash		75,382		83,355
Short-term investments, at market value		280		276
Receivables, net		77,282		117,930
Inventories		12,086		10,959
Prepaid income taxes				15,734
Prepaid expenses		15,853		17,067
Deferred income taxes		24,526		27,504
Assets held for sale		7,314		11,861
Total current assets		317,798		399,129
Non-current restricted cash		50,683		53,395
Restricted assets related to captive insurance subsidiary		4,601		5,573
Long-term receivables		263,747		277,106
Property and equipment, net		784,911		824,482
Goodwill		697,470		697,470
Other intangible assets, net		946,503		956,036
Other assets, net		136,529		148,026
Total assets	\$	3,202,242	\$	3,361,217
<b>Liabilities and Stockholders Equity</b>				
Current liabilities:				
Current maturities of long-term debt	\$	22,650	\$	15,000
Accounts payable		38,336		48,983
Accrued employee compensation and benefits		29,436		44,299
Deferred revenue		44,779		95,532
Accrued financing costs				20,071
Other accrued expenses		61,099		55,249
Accrued interest payable		3,393		3,580
Total current liabilities		199,693		282,714
Long-term debt, less current maturities		1,711,273		1,853,367
Financing obligations, less current maturities		312,592		318,651

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Capital lease obligations, less current maturities	155,471	161,310
Deferred income taxes	402,385	395,448
Other liabilities	118,480	119,910
Total liabilities	2,899,894	3,131,400
Commitments and contingencies		
Preferred stock, Series A, \$1 par value, 220,000 shares authorized; 190,000 shares issued and outstanding as of September 30, 2009 and December 31, 2008	187,050	187,050
Stockholders' equity:		
Convertible preferred stock, Series B, at accreted value, 10,000,000 shares authorized; 35,000 shares issued and outstanding at September 30, 2009 and December 31, 2008	39,038	37,332
Common stock, \$.01 par value, 40,000,000 shares authorized; September 30, 2009: 23,797,375 shares issued and 17,581,809 shares outstanding; December 31, 2008: 23,696,950 shares issued and 17,466,355 shares outstanding	238	237
Additional paid-in-capital	169,486	165,315
Retained earnings	205,314	145,810
Accumulated other comprehensive loss	(23,028)	(29,408)
Treasury stock, at cost (September 30, 2009: 6,215,566 shares; December 31, 2008: 6,230,595 shares)	(275,750)	(276,519)
Total stockholders' equity	115,298	42,767
Total liabilities and stockholders' equity	\$ 3,202,242	\$ 3,361,217

See the accompanying Notes to Consolidated Financial Statements.

## Table of Contents

**DINEEQUITY, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(In thousands, except per share amounts)**

**(Unaudited)**

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2009		2008		2009		2008	
<b>Revenues</b>								
Franchise revenues	\$	90,198	\$	87,429	\$	278,922	\$	264,784
Company restaurant sales		206,357		265,919		668,149		874,337
Rental revenues		32,929		32,962		99,182		98,495
Financing revenues		4,067		4,871		12,504		20,487
Total revenues		333,551		391,181		1,058,757		1,258,103
<b>Costs and Expenses</b>								
Franchise expenses		25,377		24,255		77,411		70,016
Company restaurant expenses		179,306		236,389		573,343		772,706
Rental expenses		24,264		24,488		73,081		73,758
Financing expenses		14		326		360		6,213
General and administrative expenses		35,897		41,788		117,015		138,622
Interest expense		45,231		50,490		139,611		152,698
Impairment and closure charges		4,471		28,466		6,472		69,898
Amortization of intangible assets		3,019		3,077		9,056		9,056
Gain on extinguishment of debt				(2,434)		(38,803)		(2,434)
Gain on disposition of assets		(2,111)		(274)		(7,253)		(432)
Other expense (income), net		888		(429)		1,017		(2,153)
Total costs and expenses		316,356		406,142		951,310		1,287,948
Income (loss) before income taxes		17,195		(14,961)		107,447		(29,845)
(Provision) benefit for income taxes		(3,690)		3,157		(31,987)		12,510
<b>Net income (loss)</b>	\$	13,505	\$	(11,804)	\$	75,460	\$	(17,335)
Net income (loss)	\$	13,505	\$	(11,804)	\$	75,460	\$	(17,335)
Less: Series A preferred stock dividends		(4,750)		(4,750)		(14,250)		(14,250)
Less: Accretion of Series B preferred stock		(577)		(544)		(1,706)		(1,600)
Less: Net (income) loss allocated to unvested participating restricted stock		(301)		687		(2,211)		1,191
Net income (loss) available to common stockholders	\$	7,877	\$	(16,411)	\$	57,293	\$	(31,994)
<b>Net income (loss) available to common stockholders per share</b>								
Basic	\$	0.46	\$	(0.98)	\$	3.39	\$	(1.91)
Diluted	\$	0.46	\$	(0.98)	\$	3.34	\$	(1.91)
<b>Weighted average shares outstanding</b>								
Basic		16,942		16,786		16,904		16,752
Diluted		16,942		16,786		17,717		16,752
Dividends declared per common share	\$		\$	0.25	\$		\$	0.75

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Dividends paid per common share	\$		\$	0.25	\$		\$	0.75
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See the accompanying Notes to Consolidated Financial Statements.

Table of Contents

**DINEEQUITY, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	Nine Months Ended September 30,			
	2009		2008	
<b>Cash flows from operating activities</b>				
Net income (loss)	\$	75,460	\$	(17,335)
Adjustments to reconcile net income (loss) to cash flows provided by operating activities				
Depreciation and amortization		48,406		53,532
Non-cash interest expense		29,338		28,947
Gain on extinguishment of debt		(38,803)		(2,434)
Impairment and closure charges		6,472		69,898
Deferred income taxes		5,723		(48,585)
Stock-based compensation expense		7,367		10,237
Tax benefit from stock-based compensation		472		1,463
Excess tax benefit from stock options exercised		(48)		(315)
Gain on disposition of assets		(7,253)		(432)
Other		(5,628)		97
Changes in operating assets and liabilities				
Receivables		39,704		35,858
Inventories		(1,323)		149
Prepaid expenses		5,950		