DENNYS CORP
Form 10-K
February 29, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 30, 2015
Commission file number 0-18051
DENNY'S CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	13-3487402
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
203 East Main Street, Spartanburg, South Carolina	29319-9966
(Address of principal executive offices)	(Zip Code)

(864) 597-8000
(Registrant’s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
$.01 Par Value, Common Stock	The Nasdaq Stock Market

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ¨ No þ
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ¨ No þ
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 þ 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 þ No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ
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 the definitions of “large accelerated filer," "accelerated filer” and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	þ	Accelerated filer	o	Non-accelerated filer	o	Smaller reporting company	o
				(Do not check if a 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 þ

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $842.1 million as of July 1, 2015, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sales price of the registrant's common stock on that date of $11.68 per share and, for purposes of this computation only, the assumption that all of the registrant's directors, executive officers and beneficial owners of 10% or more of the registrant's common stock are affiliates.

As of February 24, 2016, 77,008,685 shares of the registrant's common stock, $.01 par value per share, were outstanding.

Documents incorporated by reference:

Portions of the registrant's definitive Proxy Statement for the 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

The forward-looking statements included in the “Business,” “Risk Factors,” “Legal Proceedings,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures About Market Risk” sections and elsewhere herein, which reflect our best judgment based on factors currently known, involve risks and uncertainties. Words such as “expect,” “anticipate,” “believe,” “intend,” “plan,” “hope,” and variations of such words similar expressions are intended to identify such forward-looking statements. Such statements speak only as to the date thereof. Except as may be required by law, we expressly disclaim any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors including, but not limited to, the factors discussed in such sections and, in particular, those set forth in the cautionary statements contained in “Risk Factors.” The forward-looking information we have provided in this Form 10-K pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors.

PART I

Item 1. Business

Description of Business

Denny’s Corporation (Denny’s) is one of America’s largest franchised full-service restaurant chains based on the number of restaurants. Denny’s, through its wholly-owned subsidiary, Denny’s, Inc., owns and operates the Denny’s brand. At December 30, 2015, the Denny’s brand consisted of 1,710 franchised, licensed and company operated restaurants around the world with combined sales of $2.7 billion, including 1,599 restaurants in the United States and 111 international locations. As of December 30, 2015, 1,546 of our restaurants were franchised or licensed, representing 90% of the total restaurants, and 164 were company operated.

Denny’s is known as America's Diner, or in the case of our international locations, “the local diner.” Open 24/7 in most locations, we provide our guests quality food that emphasizes everyday value and new products through our compelling limited time only offerings, delivered in a warm, friendly “come as you are” atmosphere. Denny's has been serving guests for over 60 years and is best known for its breakfast fare, which is available around the clock. The Original Grand Slam, introduced in 1977, remains one of our most popular menu items. In addition to our breakfast-all-day items, Denny's offers a wide selection of lunch and dinner items including burgers, sandwiches, salads and skillet entrées, along with an assortment of beverages, appetizers and desserts.

In 2015, Denny's average annual restaurant sales were $2.2 million for company restaurants and $1.6 million for franchised restaurants. At our company restaurants, the guest check average was $9.69 with an approximate average of 4,400 guests served per week. Because our restaurants are open 24 hours, we have four dayparts (breakfast, lunch, dinner and late night), accounting for 24%, 35%, 22% and 19%, respectively, of average daily sales at company restaurants. Weekends have traditionally been the most popular time for guests to visit our restaurants. In 2015, 36% of an average week of sales at company restaurants occurred between Friday late night and Sunday lunch.

References to "Denny's," the "Company," "we," "us," and "our" in this Form 10-K are references to Denny's Corporation and its subsidiaries.

Restaurant Development

Franchising

Our criteria to become a Denny’s franchisee include minimum liquidity and net worth requirements and appropriate operational experience. We believe that Denny’s is an attractive financial proposition for current and potential franchisees and that our fee structure is competitive with other full-service brands. Traditional twenty-year Denny’s franchise agreements have an initial fee of up to $40,000 and the royalty payment is up to 4.5% of gross sales. Additionally, our franchisees are required to contribute up to 3% of gross sales for brand promotion and may make additional advertising contributions as part of a local marketing co-operative. Franchise agreements for nontraditional locations, such as university campuses and military bases, may contain higher royalty and lower advertising contribution rates than the traditional franchise agreements. For 2015, our average royalty rate was approximately 4.02%.

We work closely with our franchisees to plan and execute many aspects of the business. The Denny's Franchisee Association ("DFA") was created to promote communication among our franchisees and between the Company and our franchise community. DFA board members and Company management primarily work together through Brand Advisory Councils relating to Development, Marketing and Operations matters, as well as through a Supply Chain Oversight Committee for procurement and distribution matters.

Site Selection

The success of any restaurant is significantly influenced by its location. Our development team works closely with franchisees and real estate brokers to identify sites which meet specific standards. Sites are evaluated on the basis of a variety of factors, including but not limited to:

- demographics;
- traffic patterns;
- visibility;
- building constraints;
- competition;
- environmental restrictions; and
- proximity to high-traffic consumer activities.

Domestic Development

To accelerate the growth of the brand in certain under-penetrated markets, we offer certain incentive programs. These programs provide significant incentives for franchisees to develop multiple locations in areas where Denny's does not have the top market share. The benefits to franchisees include reduced franchise fees, lower royalties for a limited time period and credits towards certain development services, such as training fees.

In recent years, we have opened restaurant locations within travel centers, primarily with Pilot and Pilot Flying J Travel Centers. At the end of 2015, we opened three new travel center restaurants in partnership with Kwik Trip™ convenience stores. Additionally, we have opened nontraditional locations on university campuses and military bases operating under the Denny's Fresh Express®, Denny's AllNighter® or The Den® names.

Through our various development efforts, we currently have approximately 75 domestic franchised restaurants in our development pipeline. The majority of these restaurants are expected to open over the next five years. While we anticipate the majority of the restaurants to be opened under these agreements, generally as scheduled, from time to time some of our franchisees' ability to grow and meet their development commitments may be hampered by the economy, the lending environment or other circumstances.

International Development

In addition to the development agreements signed for domestic restaurants, we have approximately 100 international franchised restaurants in our development pipeline. The international pipeline includes 28 restaurants in the Middle East, 15 in Indonesia, 13 in Canada, ten in Turkey and ten in the Philippines. During 2015, we opened eight franchised international locations, including four in Canada, two in the United Arab Emirates and two in the Dominican Republic.

During 2016, we expect to open a total of 40 to 45 franchised restaurants in domestic and international markets, resulting in net growth of five to ten restaurants.

Franchise Focused Business Model

Through our development and refranchising efforts we have achieved a restaurant portfolio mix of 90% franchised and 10% company operated. The majority of our future restaurant openings and growth of the brand will come primarily from the development of franchised restaurants. The following table summarizes the changes in the number of company restaurants and franchised and licensed restaurants during the past five years (excluding relocations):

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	2015	2014	2013	2012	2011
Company restaurants, beginning of period	161	163	164	206	232
Units opened	3	1	—	1	8
Units acquired from franchisees	3	—	2	1	—
Units sold to franchisees	(1)	—	(2)	(36)	(30)
Units closed	(2)	(3)	(1)	(8)	(4)
End of period	164	161	163	164	206
Franchised and licensed restaurants, beginning of period	1,541	1,537	1,524	1,479	1,426
Units opened	42	37	46	39	53
Units purchased from Company	1	—	2	36	30
Units acquired by Company	(3)	—	(2)	(1)	—
Units closed	(35)	(33)	(33)	(29)	(30)
End of period	1,546	1,541	1,537	1,524	1,479
Total restaurants, end of period	1,710	1,702	1,700	1,688	1,685

The table below sets forth information regarding the distribution of single-store and multi-store franchisees as of December 30, 2015:

	Franchisees	Percentage of Franchisees	Restaurants	Percentage of Restaurants
One	94	35.3%	94	6.1%
Two to five	105	39.5%	308	19.9%
Six to ten	28	10.5%	214	13.8%
Eleven to fifteen	14	5.3%	176	11.4%
Sixteen to thirty	16	6.0%	325	21.0%
Thirty-one and over	9	3.4%	429	27.8%
Total	266	100.0%	1,546	100.0%

Restaurant Operations

We believe that the consistent and reliable execution of basic restaurant operations in each Denny’s restaurant, whether it is company or franchised, is critical to our success. To meet and exceed our guests’ expectations, we require both our company and our franchised restaurants to maintain the same strict brand standards. These standards relate to the preparation and efficient serving of quality food and the maintenance, repair and cleanliness of each restaurant.

We devote significant effort to ensuring all restaurants offer quality food served by friendly, knowledgeable and attentive employees in a clean and well-maintained restaurant. We seek to ensure that our company restaurants meet our high standards through a network of Directors of Company Operations, Company District Managers and restaurant level managers, all of whom spend the majority of their time in the restaurants. A network of Regional Directors of Franchise Operations and Franchise Business Leaders provide oversight of our franchised restaurants to ensure compliance with brand standards, promote operational excellence and provide general support to our franchisees.

A principal feature of our restaurant operations is the consistent focus on improving operations at the restaurant level. Our Pride Review Program, executed by a team of coaches, is designed to continuously improve the execution of our brand standards and shift management at each company and franchised restaurant. In addition, Denny’s maintains training programs for hourly employees and restaurant management. Hourly employee training programs (including eLearning) are position-specific and focus on skills and tasks necessary to successfully fulfill the responsibilities assigned to them, while continually enhancing guest satisfaction. Denny's Manager In Training (“MIT”) program provides managers with the knowledge and leadership skills needed to successfully operate a Denny's restaurant. The MIT program is required for all new managers of company restaurants and is also available to Denny's franchisees to train their managers.

Product Development and Marketing

Menu Offerings

The Denny's menu offers a large selection of high-quality, moderately priced products designed to appeal to all types of guests. We offer a wide variety of items for breakfast, lunch, dinner and late night dining, in addition to appetizers, desserts and beverages. Our Fit Fare® menu helps our guests identify items best suited to their dietary needs. Most Denny's restaurants offer special items for children and seniors at reduced prices. Our "America's Diner" brand positioning, which provides the promise of Everyday Value with craveable, indulgent products served in a friendly and welcoming atmosphere, establishes the framework for our primary marketing strategies. These strategies focus on optimizing our product offering to further align with consumer needs, which includes enhancing our core "breakfast all day" platform while providing everyday affordability, primarily through our $2 $4 $6 $8 Value Menu® and delivering compelling limited-time-only products.

Product Development

Denny's is a consumer-driven brand focusing on hospitality, menu choices and the overall guest experience. Our Product Development team works closely with consumer insights obtained through primary and secondary qualitative and quantitative studies. Input and ideas from our franchisees, vendors and operators are also integrated into this process. These insights form the strategic foundation for menu architecture, pricing, promotion and advertising. Before a new menu item can be brought to fruition, it is rigorously tested against consumer expectations, standards of culinary discipline, food science and technology, nutritional analysis, financial benefit and operational execution. This testing process ensures that new menu items are not only appealing, competitive, profitable and marketable, but can be prepared and delivered with excellence in our restaurants.

The added value of these insights and strategic understandings also assists our Restaurant Operations and Information Technology staff in the evaluation and development of new restaurant processes and upgraded restaurant equipment that may enhance our speed of service, food quality and order accuracy.

We continually evolve our menu through new additions, deletions or improvements to meet the needs of a changing consumer and market place.

Product Sources and Availability

Our Purchasing department administers programs for the procurement of food and non-food products. Our franchisees also purchase food and non-food products directly from the vendors under these programs. Our centralized purchasing program is designed to ensure uniform product quality as well as to minimize food, beverage and supply costs. Our size provides significant purchasing power, which often enables us to obtain products at favorable prices from nationally recognized manufacturers.

While nearly all products used in our restaurants are contracted for by our Purchasing department, the majority are purchased and distributed through Meadowbrook Meat Company ("MBM"), a wholly owned subsidiary of McLane Company, Inc., under a long-term distribution contract. MBM distributes restaurant products and supplies to the Denny's system from approximately 200 vendors, representing approximately 90% of our restaurant product and supply purchases. We believe that satisfactory alternative sources of supply are generally available for all the items regularly used by our restaurants. We have not experienced any material shortages of food, equipment, or other products which are necessary to our restaurant operations.

Marketing and Advertising

Our Marketing team employs integrated marketing and advertising strategies that promote the Denny's brand. Brand and communications strategy, advertising, broadcast media, social media, digital media, menu management, product innovation and development, consumer insights, target segment marketing, public relations, field marketing and national/local promotions and partnerships all fall under the marketing umbrella.

We focus our marketing campaigns on amplifying Denny's brand strengths as America's Diner, promoting the various breakfast, lunch, dinner, late night and Fit Fare® menu offerings in addition to both value and premium limited time only offerings. Denny's deploys comprehensive marketing strategies on a national level and through local co-operatives, targeting customers through network, cable and local television, radio, online, digital, social, outdoor and print media.

Brand Protection & Quality

Denny’s will only serve our guests food that is safe and wholesome and that meets our quality standards. Our systems, from "farm to fork," are based on Hazard Analysis and Critical Control Points ("HACCP"), whereby we prevent, eliminate or reduce hazards to a safe level to protect the health of the employees and guests. To ensure this basic expectation of our guests, Denny’s also has risk-based systems in place to validate only approved vendors and distributors which meet and follow our product specifications and food handling procedures. Vendors, distributors and restaurant employees follow regulatory requirements (federal, state and local), industry “best practices” and Denny’s Brand Standards.

We use multiple approaches to quality including third-party unannounced restaurant inspections (utilizing Denny’s Brand Protection Reviews), health department reviews and employee/manager training in their respective roles. It is a brand standard that all regulatory reviews/inspections be submitted to the Brand Protection department within 24 hours. We follow-up on all inspections received, and assist Operations and Facilities personnel, as well as franchisees, where applicable, to bring resolution to regulatory issues or concerns. If operational brand standard expectations are not met, a remediation process is immediately initiated. Our HACCP program uses nationally recognized food safety training courses and American National Standards Institute accredited certification programs.

All Denny’s restaurants are required to have a person certified in food protection on duty for all hours of operation. Our Food Safety/HACCP program has been recognized nationally by regulatory departments, the restaurant industry and our peers as one of the best. We continuously work toward improving our processes and procedures. We are advocates for the advancement of food safety within the industry’s organizations, such as the National Council of Chain Restaurants, the National Restaurant Association (NRA) and the NRA's Quality Assurance Executive Study Groups.

Seasonality

Restaurant sales are generally higher in the second and third calendar quarters (April through September) than in the first and fourth calendar quarters (October through March). Additionally, severe weather, storms and similar conditions may impact sales volumes seasonally in some operating regions.

Trademarks and Service Marks

Through our wholly-owned subsidiaries, we have certain trademarks and service marks registered with the United States Patent and Trademark Office and in international jurisdictions, including "Denny's®", "Grand Slam®", "$2 $4 $6 $8 Value Menu®" and "Fit Fare®". We consider our trademarks and service marks important to the identification of our restaurants and believe they are of material importance to the conduct of our business. Domestic trademark and service mark registrations are renewable at various intervals from 10 to 20 years. International trademark and service mark registrations have various durations from 5 to 20 years. We generally intend to renew trademarks and service marks that come up for renewal. We own or have rights to all trademarks we believe are material to our restaurant operations in the United States and other jurisdictions where we do business. In addition, we have registered various domain names on the internet that incorporate certain of our trademarks and service marks, and believe these domain name registrations are an integral part of our identity. From time to time, we may resort to legal measures to defend and protect the use of our intellectual property.

Competition

The restaurant industry is highly competitive. Restaurants compete on the basis of name recognition and advertising; the price, quality, variety and perceived value of their food offerings; the quality and speed of their guest service; and the convenience and attractiveness of their facilities.

Denny's direct competition in the full-service category includes a collection of national and regional chains, as well as thousands of independent operators. We also compete with quick service restaurants as they attempt to upgrade their menus with premium sandwiches, entrée salads, new breakfast offerings and extended hours.

We believe that Denny's has a number of competitive strengths, including strong brand recognition, well-located restaurants and market penetration. We benefit from economies of scale in a variety of areas, including advertising, purchasing and distribution. Additionally, we believe that Denny's has competitive strengths in the value, variety and quality of our food products, and in the quality and training of our employees. See "Risk Factors" for certain additional factors relating to our competition in the restaurant industry.

Economic, Market and Other Conditions

The restaurant industry is affected by many factors, including changes in national, regional and local economic conditions affecting consumer spending; the political environment (including acts of war and terrorism), changes in customer travel patterns including changes in the price of gasoline; changes in socio-demographic characteristics of areas where restaurants are located; changes in consumer tastes and preferences; food safety and health concerns; outbreaks of flu viruses (such as avian flu) or other diseases; increases in the number of restaurants; and unfavorable trends affecting restaurant operations, such as rising wage rates, health care costs, utilities expenses and unfavorable weather. See "Risk Factors" for additional information.

Government Regulations

We and our franchisees are subject to local, state, federal and international laws and regulations governing various aspects of the restaurant business.

We are subject to Federal Trade Commission regulation and a number of state laws which regulate the offer and sale of franchises. We also are subject to a number of state laws which regulate substantive aspects of the franchisor-franchisee relationship. We believe we are in material compliance with applicable laws and regulations, but we cannot predict the effect on operations of the enactment of additional regulations in the future.

We are also subject to federal and state laws, including the Fair Labor Standards Act, governing matters such as minimum wage, tip reporting, overtime, exempt status classification and other working conditions. A substantial number of our employees are paid the minimum wage. Accordingly, increases in the minimum wage or decreases in the allowable tip credit (which reduces wages deemed to be paid to tipped employees in certain states) increase our labor costs. This is especially true for our operations in California, where there is no tip credit. Employers must pay the higher of the federal or state minimum wage. We have attempted to offset increases in the minimum wage through pricing and various cost control efforts, however, there can be no assurance that we will be successful in these efforts in the future.

The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act required that most individuals obtain health insurance coverage beginning in 2014 and also required that certain large employers offer coverage to their employees or pay a financial penalty beginning in 2015. We began complying with the laws in 2014. Although we cannot predict with certainty the financial and operational impacts these laws will have on us in the future, we expect that our expenses related to employee health benefits will increase over the long term as a result of these laws. Any such increases could adversely affect our business, cash flows, financial condition and results of operations. Additionally, the health care reform laws will require restaurant companies such as ours to disclose calorie information on their menus effective December 1, 2016. We early adopted this requirement during 2015 and did not incur any material costs from compliance with this provision of the law.

We are subject to governmental regulations in our international markets impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act.

Environmental Matters

Federal, state and local environmental laws and regulations have not historically had a material impact on our operations; however, we cannot predict the effect of possible future environmental legislation or regulations on our operations.

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Executive Officers of the Registrant

The following table sets forth information with respect to each executive officer of both Denny’s Corporation and Denny's Inc.:

Name	Age	Positions
Christopher D. Bode	53	Senior Vice President, Chief Operating Officer
John W. Dillon	44	Senior Vice President, Chief Marketing Officer
Stephen C. Dunn	51	Senior Vice President, Chief Global Development Officer
Timothy E. Flemming	55	Senior Vice President, General Counsel and Chief Legal Officer
John C. Miller	60	Chief Executive Officer and President
Jill A. Van Pelt	47	Senior Vice President, Chief People Officer
F. Mark Wolfinger	60	Executive Vice President, Chief Administrative Officer and Chief Financial Officer

Mr. Bode has been Senior Vice President, Chief Operating Officer since October 2014. He previously served as Senior Vice President, Operations from January 2013 to October 2014, as Divisional Vice President, Franchise Operations from January 2012 to January 2013 and as Vice President, Operations Initiatives from March 2011 to January 2012. Prior to joining the Company, Mr. Bode served as Chief Operating Officer of QSR Management, LLC (a franchisee of Dunkin’ Donuts) from 2008 to 2010.

Mr. Dillon has been Senior Vice President, Chief Marketing Officer since October 2014. He previously served as Vice President, Brand and Field Marketing from June 2013 to October 2014 and as Vice President, Marketing from July 2008 to June 2013.

Mr. Dunn has been Senior Vice President, Chief Global Development Officer since July 2015. He previously served as Senior Vice President, Global Development from April 2011 to July 2015 and Vice President, Company and Franchise Development from September 2005 to April 2011.

Mr. Flemming has been Senior Vice President, General Counsel and Chief Legal Officer since March 2009. He previously served as Vice President, General Counsel and Chief Legal Officer from June 2008 to March 2009.

Mr. Miller has been Chief Executive Officer and President since February 2011. Prior to joining the Company, he served as Chief Executive Officer and President of Taco Bueno Restaurants, Inc. (an operator and franchisor of quick service Mexican eateries) from 2005 to February 2011.

Ms. Van Pelt has been Senior Vice President and Chief People Officer since October 2014. She previously served as Vice President, Human Resources from October 2008 to October 2014.

Mr. Wolfinger has been Executive Vice President and Chief Administrative Officer since April 2008 and Chief Financial Officer since September 2005. He previously served as Executive Vice President, Growth Initiatives from October 2006 to April 2008.

Employees

At December 30, 2015, we had approximately 8,500 employees, of whom 8,100 were restaurant employees, 100 were field support employees and 300 were corporate personnel. None of our employees are subject to collective bargaining agreements. Many of our restaurant employees work part-time, and many are paid at or above minimum wage levels. As is characteristic of the restaurant industry, we experience a high level of turnover among our restaurant employees. We have experienced no significant work stoppages, and we consider relations with our employees to be satisfactory.

The staff for a typical restaurant consists of one General Manager, two or three Restaurant Managers and approximately 45 hourly employees. The Chief Operating Officer, along with the VP, Franchise Operations, the VP, Training and the VP, Operations Services, establish the strategic direction and key initiatives for the Operations Teams. In addition, we employ two Directors of Company Operations, four Regional Directors of Franchise Operations and a team of Company District Managers and Franchise Business Leaders to guide and support the franchisees and in-restaurant teams. The duties of the Directors of Operations, District Managers and Franchise Business Leaders include regular restaurant visits and inspections, as well as frequent interactions with our franchisees, employees and guests, which ensure the ongoing adherence to our standards of quality, service, cleanliness, value and hospitality.

Available Information

We make available free of charge through our website at investor.dennys.com (in the Investor Relations—SEC Filings section) copies of materials that we file with, or furnish to, the Securities and Exchange Commission ("SEC"), including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC.

Item 1A. Risk Factors

We caution you that our business and operations are subject to a number of risks and uncertainties. The occurrence of any of the events discussed in the following risk factors may materially and adversely affect our business, financial condition and results of operations, which may materially and adversely affect the value of our shares of common stock. It is not possible to predict or identify all risk factors. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

A decline in general economic conditions could adversely affect our financial results.

Consumer spending habits, including discretionary spending on dining at restaurants such as ours, are affected by many factors including:

- prevailing economic conditions, including interest rates;
- energy costs, especially gasoline prices;
- levels of employment;
- salaries and wage rates, including tax rates;
- consumer confidence; and
- consumer perception of economic conditions.

Weakness or uncertainty regarding the United States economy, as a result of reactions to consumer credit availability, increasing energy prices, inflation, increasing interest rates, unemployment, war, terrorist activity or other unforeseen events could adversely affect consumer spending habits, which may result in lower restaurant sales.

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The restaurant business is highly competitive, and if we are unable to compete effectively, our business will be adversely affected.

Each of our restaurants competes with a wide variety of restaurants ranging from national and regional restaurant chains to locally owned restaurants. We expect competition to continue to increase. The following are important aspects of competition:

- restaurant location;
- advantageous commercial real estate suitable for restaurants;
- number and location of competing restaurants;
- attractiveness and repair and maintenance of facilities;
- ability to develop and support evolving technology to deliver a consistent and compelling guest experience;
- food quality, new product development and value;
- dietary trends, including nutritional content;
- training, courtesy and hospitality standards;
- ability to attract and retain high quality staff;
- quality and speed of service; and
- the effectiveness of marketing and advertising programs.

The returns and profitability of our restaurants may be negatively impacted by a number of factors, including those described below.

Food service businesses are often materially and adversely affected by changes in:

- consumer preferences, including nutritional and dietary concerns;
- consumer spending habits;
- global, national, regional and local economic conditions; and
- demographic trends.

The performance of our individual restaurants may be materially and adversely affected by factors such as:

- traffic patterns;
- demographic trends; and
- the type, number and location of competing restaurants.

Dependence on frequent deliveries of fresh produce and groceries subjects food service businesses to the risk that shortages or interruptions in supply caused by adverse weather or other conditions could adversely affect the availability, quality and cost of ingredients. In addition, the food service industry in general, and our results of operations and financial condition in particular, may be adversely affected by unfavorable trends or developments such as:

- inflation;
- volatility in certain commodity markets;
- increased food costs;
- health concerns arising from food safety issues and other food-related pandemics, outbreaks of flu viruses, such as avian flu, or other diseases;
- increased energy costs;
-

- labor and employee benefits costs (including increases in minimum hourly wage, employment tax rates, health care costs and workers’ compensation costs);
- regional weather conditions; and
- the availability of experienced management and hourly employees.

Operating results that are lower than our current estimates may cause us to incur impairment charges on certain long-lived assets and potentially close certain restaurants.

The financial performance of our franchisees can negatively impact our business.

As we are heavily franchised, our financial results are contingent upon the operational and financial success of our franchisees. We receive royalties, contributions to advertising and, in some cases, lease payments from our franchisees. We have established operational standards, guidelines and strategic plans for our franchisees; however, we have limited control over how our franchisees' businesses are run. While we are responsible for ensuring the success of our entire chain of restaurants and for taking a longer term view with respect to system improvements, our franchisees have individual business strategies and objectives, which might conflict with our interests. Our franchisees may have business interests outside of their Denny's restaurants, making them subject to business and financial risks unrelated to the operation of our restaurants. These unrelated risks could adversely affect a franchisee's ability to make payments to us or their ability to secure adequate financing to open or continue operating their Denny's restaurants. If they incur too much debt or if economic or sales trends deteriorate such that they are unable to repay existing debt, it could result in financial distress or even bankruptcy. Our franchisees are impacted by the implementation of The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act. If a significant number of franchisees become financially distressed, it could harm our operating results through reduced royalties and lease income.

For 2015, our ten largest franchisees accounted for 29% of our franchise revenue. The balance of our franchise revenue is derived from the remaining 256 franchisees. Although the loss of revenues from the closure of any one franchised restaurant may not be material, such revenues generate margins that may exceed those generated by other restaurants or offset fixed costs which we continue to incur.

We have guarantees related to certain franchisee leases and loans. Payments under these guarantees would result from the inability of a franchisee to fund required payments when due. Through December 30, 2015, no events had occurred that caused us to make payments under the guarantees. There were $8.7 million and $9.8 million of loans outstanding under these programs as of December 30, 2015 and December 31, 2014, respectively. As of December 30, 2015, the maximum amounts payable under the lease guarantee and loan guarantees were $2.0 million and $1.3 million, respectively.

Our growth strategy depends on our ability and that of our franchisees to open new restaurants. Delays or failures in opening new restaurants could adversely affect our planned growth.

The development of new restaurants may be adversely affected by risks such as:

- costs and availability of capital for the company and/or franchisees;
- competition for restaurant sites;
- inability to identify suitable franchisees;
- negotiation of favorable purchase or lease terms for restaurant sites;
- inability to obtain all required governmental approvals and permits;
- delays in completion of construction;
- challenge of identifying, recruiting and training qualified restaurant managers;
- developed restaurants not achieving the expected revenue or cash flow;
- challenges specific to the growth of international operations and nontraditional restaurants that are different from traditional domestic development; and
- general economic conditions.

The locations where we have restaurants may cease to be attractive as demographic patterns change.

The success of our owned and franchised restaurants is significantly influenced by location. Current locations may not continue to be attractive as demographic patterns change. It is possible that the neighborhood or economic conditions where our restaurants are located could decline in the future, potentially resulting in reduced sales at those locations.

Our expansion into international markets may present increased risks due to lower customer awareness of our brand, our unfamiliarity with those markets and other factors.

The international markets in which our franchisees currently operate and any additional markets our franchisees may enter outside of the United States, have many differences compared to our domestic markets. There may be lower consumer familiarity with the Denny's brand in these markets, as well as different competitive conditions, consumer tastes and economic, political and health conditions. Additionally, there are risks associated with sourcing quality ingredients and other commodities in a cost-effective and timely manner. As a result, our franchised international restaurants may take longer to reach expected sales and profit levels, and may never do so, thereby affecting the brand's overall growth and profitability. Building brand awareness may take longer than expected, which could negatively impact our profitability in those markets.
We are subject to governmental regulations in our international markets impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our results of operations and financial condition.

Failure of computer systems, information technology or cyber security could result in material harm to our reputation and business.
We and our franchisees rely on computer systems and information technology to conduct our business. A material failure or interruption of service or a breach in security of our computer systems caused by malware or other attack could cause reduced efficiency in operations, loss or misappropriation of data, or business interruptions, or could impact delivery of food to restaurants or financial functions such as vendor payment or employee payroll. We have business continuity plans that attempt to anticipate and mitigate such failures, but it is possible that significant capital investment could be required to rectify these problems, or more likely that cash flows could be impacted, in the shorter term.

We receive and maintain certain personal information about our guests, employees and franchisees. Our use of this information is regulated at the federal and state levels, as well as by certain third-party contracts. If our security and information systems are compromised and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, operations, results of operations and financial condition, and could result in litigation against us or the imposition of penalties. As privacy and information security laws and regulations change or cyber risks evolve pertaining to this data, we may incur additional costs to ensure we remain in compliance.

Numerous government regulations impact our business, and our failure to comply with them could adversely affect our business.

We and our franchisees are subject to federal, state and local laws and regulations governing, among other things:

- preparation, labeling, advertising and sale of food;
- sanitation and safety;
- land use, sign restrictions and environmental matters;
- employee health care requirements, including the implementation and uncertain legal, regulatory and cost implications of the health care reform law;
- management and protection of the personnel data of our guests, employees and franchisees;
- payment card regulation and related industry rules;
- the sale of alcoholic beverages;

- hiring and employment practices, including minimum wage and tip credit laws and fair labor standards; and
- Americans with Disabilities Act.

The operation of our franchisee system is also subject to regulations enacted by a number of states and rules promulgated by the Federal Trade Commission. Due to our international franchising, we are subject to governmental regulations throughout the world impacting the way we do business with our international franchisees. Additionally, given our significant concentration of restaurants in California, changes in regulations in that state could have a disproportionate impact on our operations. If we or our franchisees fail to comply with these laws and regulations, we or our franchisees could be subjected to restaurant closure, fines, penalties and litigation, which may be costly and could adversely affect our results of operations and financial condition. In addition, the future enactment of additional legislation regulating the franchise relationship could adversely affect our operations.

We continue to evaluate the potential impacts of The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act on our business, and accommodate various parts of the law and related rules and regulations as they take effect. Because of the breadth and complexity of these laws and the phased-in nature of implementation, we cannot predict with certainty the financial and operational impacts the laws will have on us in the future. However, we expect that our expenses related to employee health benefits will increase over the long term as a result of this these laws. Any such increases could adversely affect our business, cash flows, financial condition and results of operations.

Additionally, the health care reform laws will require restaurant companies such as ours to disclose calorie information on their menus effective December 1, 2016. We early adopted this requirement during 2015 and did not incur any material costs from compliance with this provision of the law. We cannot anticipate the changes in guest behavior that could result from the implementation of this provision, which could have an adverse effect on our sales or results of operations.

We are also subject to federal, state and international laws regulating the offer and sale of franchises. Such laws impose registration and disclosure requirements on franchisors in the offer and sale of franchises, and may contain provisions that supersede the terms of franchise agreements, including limitations on the ability of franchisors to terminate franchises and alter franchise arrangements.

Litigation may adversely affect our business, financial condition and results of operations.

We are subject to the risk of, or are involved in from time to time, complaints or litigation brought by former, current or prospective employees, customers, franchisees, vendors, landlords, shareholders or others. We assess contingencies to determine the degree of probability and range of possible loss for potential accrual in our financial statements. An estimated loss contingency is accrued if it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Because lawsuits are inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine the adequacy of the accruals and related disclosures. However, the amount of ultimate loss may differ from these estimates. A judgment that is not covered by insurance or that is significantly in excess of our insurance coverage for any claims could materially adversely affect our financial condition or results of operations. In addition, regardless of whether any claims against us are valid or whether we are found to be liable, claims may be expensive to defend, and may divert management’s attention away from operations and hurt our performance. Further, adverse publicity resulting from claims may harm our business or that of our franchisees.

Food safety and quality concerns may negatively impact our business and profitability.

Incidents or reports of food- or water-borne illness, or other food safety issues, food contamination or tampering, employee hygiene and cleanliness failures, improper employee conduct, or presence of communicable disease at our restaurants or suppliers could lead to product liability or other claims. Such incidents or reports could negatively affect our brand and reputation and a decrease in customer traffic resulting from these reports could negatively impact our revenues and profits. Similar incidents or reports occurring at other restaurant brands unrelated to us could likewise create negative publicity, which could negatively impact consumer behavior towards us. In addition, if a regional or global health pandemic occurs, depending upon its location, duration and severity, our business could be severely affected.

We rely on our domestic and international vendors, as do our franchisees, to provide quality ingredients and to comply with applicable laws and industry standards. A failure of one of our domestic or international vendors to meet our quality standards, or meet domestic or international food industry standards, could result in a disruption in our supply chain and negatively impact our brand and our business and profitability. Our inability to manage an event such as a product recall or product related litigation could also cause our results to suffer.

Negative publicity generated by incidents at a few restaurants can adversely affect the operating results of our entire chain and the Denny's brand.

Food safety concerns, health concerns, outbreaks of flu viruses (such as avian flu) or other diseases, criminal activity, alleged discrimination or other operating issues stemming from one restaurant or a limited number of restaurants do not just impact that particular restaurant or a limited number of restaurants. Rather, our entire chain of restaurants may be at risk from the negative publicity generated by an incident at a single restaurant. The increasing use of social media platforms has increased the speed and scope of adverse publicity and could hinder our ability to quickly and effectively respond to such reports. This negative publicity can adversely affect the operating results of our entire chain and the Denny's brand.

If we fail to recruit, develop and retain talented employees, our business could suffer.

Our future success significantly depends on the continued services and performance of our key management personnel. Our future performance will depend on our ability to attract, motivate and retain these and other key officers and key team members, particularly regional and area managers and restaurant general managers. Competition for these employees is intense.

If our internal controls are ineffective, we may not be able to accurately report our financial results or prevent fraud.

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. We maintain a documented system of internal controls which is reviewed and tested by the company’s full time Internal Audit department. The Internal Audit department reports directly to the Audit and Finance Committee of the Board of Directors. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our common stock.

As a holding company, Denny’s Corporation depends on upstream payments from its operating subsidiaries.

Almost all of our assets are owned, and all of our operating revenues are earned, by our subsidiaries, which are also the primary obligors for substantially all of the indebtedness, obligations and liabilities related to our business. Accordingly, our ability to repurchase shares of our common stock and to make any distributions to our shareholders depends on the performance of those subsidiaries and their ability to make distributions to Denny’s Corporation. Their ability to make such distributions may be subject to contractual and other restrictions.

Many factors, including those over which we have no control, affect the trading price of our common stock.

Factors such as reports on the economy or the price of commodities, as well as negative or positive announcements by competitors, regardless of whether the report directly relates to our business, could have an impact on the trading price of our common stock. In addition to investor expectations about our prospects, trading activity in our common stock can reflect the portfolio strategies and investment allocation changes of institutional holders, as well as non-operating initiatives such as our share repurchase programs. Any failure to meet market expectations whether for same-store sales, restaurant unit growth, earnings per share or other metrics could cause our share price to decline.

Our indebtedness could have an adverse effect on our financial condition and operations.

As of December 30, 2015, we had total indebtedness of $215.7 million, including capital leases.

We continually monitor our cash flow and liquidity needs. Although we believe that our existing cash balances, funds from operations and amounts available under our credit facility will be adequate to cover those needs, we could seek additional sources of funds, including incurring additional debt and selling selected assets, to maintain sufficient cash flow to fund our ongoing operating needs, pay interest and scheduled debt amortization and fund anticipated capital expenditures over the next twelve months. We have no material debt maturities scheduled until March 2020. If we are unable to satisfy or refinance our current debt as it comes due, we may default on our debt obligations.

For additional information concerning our indebtedness see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Our debt instruments include restrictive covenants. These covenants may restrict or prohibit our ability to engage in or enter a variety of transactions. A breach of these covenants could cause acceleration of a significant portion of our outstanding indebtedness.

The credit agreement governing our indebtedness contains various covenants that limit, among other things, our ability to:

- incur additional indebtedness;
- pay dividends, repurchase shares of our common stock or make distributions or certain other restricted payments;
- make certain investments;
- create dividend or other payment restrictions affecting restricted subsidiaries;
- issue or sell capital stock of restricted subsidiaries;
- guarantee indebtedness;
- enter into transactions with shareholders or affiliates;
- create liens;
- sell assets and use the proceeds thereof;
- engage in sale-leaseback transactions; and
- enter into certain mergers and consolidations.

These covenants could have an adverse effect on our business by limiting our ability to take advantage of financing, merger, acquisition or other corporate opportunities and to fund our operations. If we incur additional debt in the future, covenant limitations on our activities (and risks associated with such increased debt levels generally) could increase.

Though we currently participate in a share repurchase program, such program is subject to restrictions under our credit agreement and there can be no assurance that we will repurchase our common stock pursuant to the program. Our credit agreement contains additional restrictive covenants, including financial maintenance requirements. Our ability to comply with these covenants may be affected by events beyond our control, such as uncertainties related to the current economy, and we cannot be sure that we will be able to comply with these covenants.

Upon the occurrence of an event of default under any of our debt instruments, the lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them, if any, to secure the indebtedness. If the lenders under our current or future indebtedness accelerate the payment of the indebtedness, we cannot be sure that our assets would be sufficient to repay in full our outstanding indebtedness.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Most Denny’s restaurants are free-standing facilities with property sizes averaging approximately one acre. The restaurant buildings average between 3,800 - 5,000 square feet, allowing them to accommodate an average of 110-170 guests. The number and location of our restaurants as of December 30, 2015 are presented below:

United States	Company	Franchised / Licensed	Total
Alabama	2	5	7
Alaska	—	3	3
Arizona	7	74	81
Arkansas	—	9	9
California	59	340	399
Colorado	—	29	29
Connecticut	—	11	11
Delaware	—	1	1
District of Columbia	—	2	2
Florida	18	120	138
Georgia	1	20	21
Hawaii	2	4	6
Idaho	—	11	11
Illinois	7	47	54
Indiana	—	37	37
Iowa	—	2	2
Kansas	—	8	8
Kentucky	2	14	16
Louisiana	1	3	4
Maine	—	7	7
Maryland	3	22	25
Massachusetts	—	7	7
Michigan	4	17	21
Minnesota	—	15	15
Mississippi	1	4	5
Missouri	4	37	41
Montana	—	4	4
Nebraska	—	5	5
Nevada	6	29	35
New Hampshire	—	3	3
New Jersey	—	9	9
New Mexico	—	27	27
New York	1	52	53
North Carolina	—	28	28
North Dakota	—	4	4
Ohio	4	38	42
Oklahoma	—	15	15
Oregon	—	24	24
Pennsylvania	11	28	39
Rhode Island	—	4	4
South Carolina	—	17	17
South Dakota	—	3	3
Tennessee	2	4	6
Texas	17	173	190
Utah	—	25	25
Vermont	—	2	2
Virginia	9	19	28

Washington	—	45	45
West Virginia	—	3	3
Wisconsin	3	21	24
Wyoming	—	4	4
Total Domestic	164	1,435	1,599

International	Company	Franchised / Licensed	Total
Canada	—	70	70
Chile	—	1	1
Costa Rica	—	3	3
Curacao N.V.	—	1	1
Dominican Republic	—	3	3
El Salvador	—	1	1
Guam	—	2	2
Honduras	—	3	3
Mexico	—	6	6
New Zealand	—	7	7
Puerto Rico	—	12	12
United Arab Emirates	—	2	2
Total International	—	111	111
Total Domestic	164	1,435	1,599
Total	164	1,546	1,710

Of the total 1,710 restaurants in the Denny's brand, our interest in restaurant properties consists of the following:

	Company Restaurants	Franchised Restaurants	Total
Owned properties	36	57	93
Leased properties	128	258	386
	164	315	479

We have generally been able to renew our restaurant leases as they expire at then-current market rates. The remaining terms of leases range from less than one to approximately 47 years, including optional renewal periods. In addition to the restaurant properties, we own an 18-story, 187,000 square foot office building in Spartanburg, South Carolina, which serves as our corporate headquarters. Our corporate offices currently occupy 17 floors of the building, with a portion of the building leased to others.

See Note 10 to our Consolidated Financial Statements for information concerning encumbrances on substantially all of our properties.

Item 3. Legal Proceedings

There are various claims and pending legal actions against or indirectly involving us, incidental to and arising out of the ordinary course of the business. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect the Company's consolidated results of operations or financial position. We record legal settlement costs as other operating expenses in our Consolidated Statements of Income as those costs are incurred.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock is listed under the symbol "DENN" and trades on the NASDAQ Capital Market ("NASDAQ"). The following table lists the high and low sales prices of our common stock for each quarter of fiscal years 2015 and 2014, according to NASDAQ.

	High	Low
2015		
First quarter	$12.08	$9.61
Second quarter	12.10	10.20
Third quarter	12.80	10.86
Fourth quarter	11.54	9.18
2014		
First quarter	$7.49	$6.27
Second quarter	6.93	6.13
Third quarter	7.28	6.18
Fourth quarter	10.73	6.92

Stockholders

As of February 24, 2016, there were 77,008,685 shares of our common stock outstanding and approximately 12,200 record and beneficial holders of our common stock.

Dividends and Share Repurchases

Our credit facility allows for the payment of cash dividends and/or the repurchase of our common stock, subject to certain limitations and continued maintenance of all relevant covenants before and after any such payment of any dividend or stock purchase. An aggregate amount is available for such dividends or stock repurchases as follows:

- not to exceed $50.0 million if the Consolidated Leverage Ratio (as defined in the Credit Agreement, as amended) is 3.0x or greater and unlimited if the Consolidated Leverage Ratio is below 3.0x, provided that, in each case, at least $20.0 million of availability is maintained under the revolving credit facility after such payment; and
- an additional annual aggregate amount equal to $0.05 times the number of outstanding shares of our common stock, as of December 31, 2014, plus each additional share of our common stock that is issued after such date.

Though we have not historically paid cash dividends, we have in recent years undertaken share repurchases. The table below provides information concerning repurchases of shares of our common stock during the quarter ended December 30, 2015.

Period	Total Number of Shares Purchased		Average Price Paid Per Share [1]		Total Number of Shares Purchased as Part of Publicly Announced Programs [2][3]		Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs [2][3]	
	(In thousands, except per share amounts)							
October 1, 2015 - October 28, 2015	1,033		$11.10		1,033		$93,173	
October 29, 2015 – November 25, 2015	3,899	(4)	10.47	(4)	3,899	(4)	$39,251	(5)
November 26, 2015 – December 30, 2015	147		9.71		147		$37,825	
Total	5,079		$10.57		5,079			

(1) Average price paid per share excludes commissions.

(2) On April 25, 2013, we announced that our Board of Directors had approved a new share repurchase program, authorizing us to repurchase up to an additional 10 million shares of our common stock (in addition to prior authorizations). Such repurchases may take place from time to time on the open market (including pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Exchange Act) or in privately negotiated transactions, subject to market and business conditions. During the quarter ended December 30, 2015, we purchased 420,265 shares of our common stock for an aggregate consideration of approximately $4.7 million, pursuant to this share repurchase program, thus completing this program.

(3) On March 31, 2015, our Board of Directors approved a new share repurchase program, authorizing us to repurchase up to an additional $100 million of our common stock. Such repurchases are to be made in a manner similar to, and in addition to, authorizations under the April 25, 2013 repurchase program. During the quarter ended December 30, 2015, we purchased 4,658,609 shares of our common stock for an aggregate consideration of approximately $49.1 million, pursuant to this share repurchase program.

(4) Includes the initial delivery of 3.5 million shares of our common stock received under the variable term, capped accelerated share repurchase (the "ASR") agreement we entered into in November 2015 to repurchase an aggregate of $50 million of our common stock. These shares were recorded at the closing price on the day of repurchase and represent the minimum shares to be delivered based on the cap price. The total aggregate number of shares of our common stock repurchased pursuant to the ASR agreement will be based generally on the average of the daily volume-weighted average prices of our common stock, less a fixed discount, over the term of the ASR agreement, subject to a minimum number of shares.

(5) Includes the full $50 million payment related to the ASR agreement, consisting of $36.9 million for the initial delivery of 3.5 million shares of our common stock and $13.1 million for the equity forward contract related to the settlement of the ASR agreement.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 30, 2015 with respect to our compensation plans under which equity securities of Denny's Corporation are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted average exercise price of outstanding options, warrants and rights (2)	Number of securities remaining available for future issuance under equity compensation plans	
Equity compensation plans approved by security holders	3,575,903	(1)	$3.08	2,455,041	(3)
Equity compensation plans not approved by security holders	200,000	(4)	3.89	827,589	(5)
Total	3,775,903		$3.20	3,282,630	

(1) Includes shares issuable in connection with our outstanding stock options, performance share awards and restricted stock units awards.
(2) Includes the weighted-average exercise price of stock options only.
(3) Includes shares of our common stock available for issuance as awards of stock options, restricted stock, restricted stock units, deferred stock units and performance awards under the 2012 Omnibus Plan.
(4) Includes shares of our common stock issuable pursuant to the grant or exercise of employment inducement awards of stock options and restricted stock units granted outside of the Denny's Incentive Plans in accordance with NASDAQ Listing Rule 5635(c)(4).
(5) Includes shares of our common stock available for issuance as awards of stock options and restricted stock units outside of the Denny's Incentive Plans in accordance with NASDAQ Listing Rule 5635(c)(4).

Performance Graph

The following graph compares the cumulative total shareholders’ return on our common stock for the five fiscal years ended December 30, 2015 (December 29, 2010 to December 30, 2015) against the cumulative total return of the Russell 2000® Index and a peer group. The graph and table assume that $100 was invested on December 29, 2010 (the last day of fiscal year 2010) in each of the Company’s common stock, the Russell 2000® Index and the peer group and that all dividends were reinvested.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN
ASSUMES $100 INVESTED ON DECEMBER 29, 2010
ASSUMES DIVIDENDS REINVESTED
FISCAL YEAR ENDED DECEMBER 30, 2015

	Russell 2000® Index (1)	Peer Group (2)	Denny's Corporation
December 29, 2010	$100.00	$100.00	$100.00
December 28, 2011	$94.29	$124.36	$108.83
December 26, 2012	$109.13	$135.62	$137.04
December 25, 2013	$153.17	$218.95	$210.83
December 31, 2014	$161.00	$262.83	$293.73
December 30, 2015	$155.76	$240.45	$284.62

(1) The Russell 2000 Index is a broad equity market index of 2,000 companies that measures the performance of the small-cap segment of the U.S. equity universe. As of December 30, 2015, the weighted average market capitalization of companies within the index was approximately $1.9 billion with the median market capitalization being approximately $0.7 billion.

(2) The peer group consists of 19 public companies that operate in the restaurant industry. The peer group includes the following companies: BJ's Restaurants, Inc. (BJRI), Bob Evans Farms, Inc. (BOBE), Buffalo Wild Wings, Inc. (BWLD), The Cheesecake Factory Incorporated (CAKE), Cracker Barrel Old Country Store, Inc. (CBRL), Chipotle Mexican Grill, Inc. (CMG), DineEquity, Inc. (DIN), Dunkin' Brands Group, Inc. (DNKN), Domino’s Pizza, Inc. (DPZ), Brinker International, Inc. (EAT), Jack In The Box Inc. (JACK), Krispy Kreme Doughnuts, Inc. (KKD), Panera Bread Company (PNRA), Papa John’s International, Inc. (PZZA), Red Robin Gourmet Burgers, Inc. (RRGB), Ruby Tuesday, Inc. (RT), Sonic Corp. (SONC), Texas Roadhouse, Inc. (TXRH) and The Wendy’s Company (WEN).

Item 6. Selected Financial Data

The following table provides selected financial data that was extracted or derived from our audited financial statements. The data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes included elsewhere in this report.

	Fiscal Year Ended				
	December 30, 2015	December 31, 2014 (a)	December 25, 2013	December 26, 2012	December 28, 2011 (b)
	(In millions, except ratios and per share amounts)				
Statement of Income Data:					
Operating revenue	$491.3	$472.3	$462.6	$488.4	$538.5
Operating income	$63.2	$57.3	$47.5	$56.4	$51.0
Income from continuing operations	$36.0	$32.7	$24.6	$22.3	$112.3
Basic net income per share:	$0.44	$0.38	$0.27	$0.23	$1.15
Diluted net income per share:	$0.42	$0.37	$0.26	$0.23	$1.13
Cash dividends per common share (c)	—	—	—	—	—
Balance Sheet Data (at end of period):					
Current assets (d)	$36.4	$56.1	$53.8	$64.6	$61.3
Working capital deficit (e)	$(65.1)	$(24.3)	$(20.3)	$(27.2)	$(25.9)
Net property and equipment	$124.8	$109.8	$105.6	$107.0	$112.8
Total assets	$297.0	$289.9	$295.8	$324.9	$350.5
Long-term debt and capital lease obligations, excluding current portion	$212.5	$151.1	$165.9	$177.5	$211.3

(a) The fiscal year ended December 31, 2014 includes 53 weeks of operations compared with 52 weeks for all other years presented. We estimate that the additional operating week added approximately $10.7 million of operating revenue in 2014.

(b) During 2011, we concluded that it was more likely than not that certain of our deferred tax assets would be utilized. As a result, we released the majority of our valuation allowance, recognizing a tax benefit of $89.1 million.

(c) Our credit facility allows for the payment of cash dividends and/or the purchase of our common stock subject to certain limitations. See Part II Item 5.

(d) During 2015, we early adopted ASU 2015-17, which simplifies the presentation of deferred taxes by requiring that deferred tax assets and liabilities be classified as noncurrent in a classified statement of financial position. We chose to prospectively apply the guidance, therefore, as a result of our early adoption, all deferred taxes are reported as noncurrent in our Consolidated Balance Sheet as of December 30, 2015. Prior periods were not retrospectively adjusted.

(e) A negative working capital position is not unusual for a restaurant operating company.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with “Selected Financial Data,” and our Consolidated Financial Statements and the notes thereto.

Overview

Nature of Our Business

Denny’s Corporation (Denny’s) is one of America’s largest franchised full-service restaurant chains. Denny’s, through its wholly-owned subsidiary, Denny’s, Inc., owns and operates the Denny’s brand. At December 30, 2015, the Denny’s brand consisted of 1,710 franchised, licensed and company operated restaurants. Of this amount, 1,546 of our restaurants were franchised or licensed, representing 90% of the total restaurants, and 164 were company operated.

Our revenues are derived primarily from two sources: the sale of food and beverages at our company restaurants and the collection of royalties and fees from restaurants operated by our franchisees under the Denny’s name. Sales and customer traffic at both company and franchised restaurants are affected by the success of our marketing campaigns, new product introductions, customer service and menu pricing, as well as external factors including competition, economic conditions affecting consumer spending and changes in guest tastes and preferences. Sales at company restaurants and royalty income from franchise restaurants are also impacted by the opening of new restaurants, the closing of existing restaurants and the sale of company restaurants to franchisees.

Our operating costs are exposed to volatility in two main areas: payroll and benefit costs and product costs. The volatility of payroll and benefit costs results primarily from changes in wage rates and increases in labor related expenses, such as medical benefit costs and workers' compensation costs. Additionally, changes in guest counts and investments in store-level labor impact payroll and benefit costs as a percentage of sales. Many of the products sold in our restaurants are affected by commodity pricing and are, therefore, subject to price volatility. This volatility is caused by factors that are fundamentally outside of our control and are often unpredictable. In general, we purchase food products based on market prices or we set firm prices in purchase agreements with our vendors. Our ability to lock in prices on certain key commodities is imperative to control food costs in an environment in which many commodity prices are on the rise. In addition, our continued success with menu management helps us to offer menu items that provide a compelling value to our customers while maintaining consistent product costs and appropriate profitability.

2015 Summary of Operations

During 2015, we achieved domestic system-wide same-stores sales growth of 5.8%, comprised of a 6.5% increase at company restaurants and a 5.7% increase at domestic franchised restaurants. In addition to growing system-wide same-store sales in 18 of the past 19 quarters, Denny’s has achieved its fifth consecutive year of positive system-wide same-store sales and highest annual system-wide same-store sales growth in over a decade. The system-wide same-store sales increases during 2015 included benefits from both product mix and price increases slightly above 2%.

A total of 232 remodels were completed during 2015, comprised of 51 at company restaurants and 181 at franchised restaurants. Most of these remodels were in our new Heritage image, which we launched late in 2013. This updated look reflects a more contemporary diner feel to further reinforce our America's Diner positioning. We anticipate over 200 remodels will be completed system-wide in 2016, including approximately 25 company restaurant remodels.

During 2014, we implemented a new franchise agreement, which included an increased royalty rate of 4.5% and a reduced advertising contribution of 3%, excluding any incentives. There were approximately 420 franchised restaurants operating under this agreement as of December 30, 2015, and we expect there to be approximately 520 franchised restaurants operating under this agreement by the end of 2016. We anticipate that existing franchisees will elect to migrate to the new fee structure over the next decade as incentives under the previous franchise agreements expire. Due to the long-term migration of existing franchisees, we will not see the full benefit of the higher royalty rate for some time. For 2015, our average royalty rate was approximately 4.02%.

Operating income increased $5.8 million to $63.2 million in 2015 from $57.3 million in 2014. Net income increased $3.3 million to $36.0 million, or $0.42 per diluted share, in 2015 compared to $32.7 million, or $0.37 per diluted share, in 2014.

We had a 52 week year in 2015 and a 53 week year in 2014, which impacts the comparison of our financial information. We estimate that the additional 2014 operating week added approximately $8.3 million of company restaurant sales and $2.4 million of franchise and license revenue and resulted in approximately $0.6 million of additional general and administrative expenses, $3.6 million of additional operating income and $2.2 million of additional net income.

Growing the Brand

Over the last five years our growth initiatives have led to 230 new restaurant openings. During 2015, we had net restaurant growth of eight restaurants, with 45 openings and 37 closures. Our openings included three new company operated travel center restaurants in partnership with Kwik Trip™ convenience stores and eight franchised international locations, including four in Canada, two in the United Arab Emirates and two in the Dominican Republic. Our goal is to increase net restaurant growth through all avenues: domestic, international and nontraditional. Domestic growth will focus on markets in which we have modest penetration.

Balancing the Use of Cash

We are focused on balancing the use of cash between reinvesting in our base of company restaurants, growing and strengthening the brand and returning cash to shareholders. As noted above, we are accelerating the timing of remodels at our company restaurants under our new Heritage image. During 2015, approximately $12.7 million of our $27.0 million of capital expenditures were from remodels.

In November 2015, as part of our previously authorized share repurchase programs, we entered into a variable term, capped accelerated share repurchase (the "ASR") agreement with Wells Fargo Bank, National Association ("Wells Fargo"), to repurchase an aggregate of $50 million of our common stock. Pursuant to the terms of the ASR agreement, we paid $50 million in cash and received approximately 3.5 million shares of our common stock, which represents the minimum shares to be delivered based on the cap price. We recorded $36.9 million of treasury stock related to these shares. The remaining balance of $13.1 million is included as additional paid-in capital in shareholders' equity as of December 30, 2015 as an equity forward contract and will be settled during 2016. The total aggregate number of shares of our common stock repurchased pursuant to the ASR agreement will be based generally on the average of the daily volume-weighted average prices of our common stock, less a fixed discount, over the term of the ASR agreement, subject to a minimum number of shares. The ASR agreement is expected to be completed no later than July 2016, although the completion date may be accelerated or, under certain circumstances, extended, at Wells Fargo's option.

During 2015, we repurchased 8.5 million shares of our common stock for $92.7 million, which includes the initial shares received under the ASR agreement. Taking into consideration the $13.1 million equity forward contract, we allocated $105.8 million to share repurchases during the year. Since initiating our share repurchase programs in November 2010, we have repurchased a total of 29.7 million shares of our common stock for $201.0 million. As of December 30, 2015, there is $37.8 million of our common stock remaining to be repurchased under the current repurchase program.

Factors impacting comparability

For 2015, 2014 and 2013, the following items impacted the comparability of our results:

- Company restaurant sales have increased from $328.3 million in 2013 to $353.1 million in 2015, primarily as a result of the increase in same-store sales.
-

Royalty income, which is included as a component of franchise and license revenue, has increased from $85.5 million in 2013 to $94.8 million in 2015, primarily as a result of the increase in same-store sales.

- Initial franchise fees, included as a component of franchise and license revenue, are generally recognized in the period in which a restaurant is sold to a franchisee or when a new restaurant is opened. These initial fees are completely dependent on the number of restaurants sold to or opened by franchisees during a particular period and, as a result, can cause fluctuations in our total franchise and license revenue from year to year.
- Occupancy revenues, also included as a component of franchise and license revenue, result from leasing or subleasing restaurants to franchisees. When restaurants are sold and leased or subleased to franchisees, the occupancy costs related to these restaurants move from costs of company restaurant sales to costs of franchise and license revenue to match the related occupancy revenue. As leases or subleases with franchisees end over time, franchise occupancy revenue and costs could decrease if franchisees enter into direct leases with landlords. At the end of 2015, we had 315 franchise restaurants that are leased or subleased from Denny’s.

Our fiscal year ends on the last Wednesday in December. As a result, a fifty-third week is added to a fiscal year every five or six years. As noted above, the year ended fiscal 2014 included 53 weeks of operations, whereas 2015 and 2013 each included 52 weeks of operations.

Statements of Income

	Fiscal Year Ended December 30, 2015 (Dollars in thousands)			December 31, 2014			December 25, 2013		
Revenue:									
Company restaurant sales	$353,073	71.9	%	$334,684	70.9	%	$328,334	71.0	%
Franchise and license revenue	138,220	28.1	%	137,611	29.1	%	134,259	29.0	%
Total operating revenue	491,293	100.0	%	472,295	100.0	%	462,593	100.0	%
Costs of company restaurant sales (a):									
Product costs	89,660	25.4	%	86,825	25.9	%	85,540	26.1	%
Payroll and benefits	136,626	38.7	%	133,280	39.8	%	131,305	40.0	%
Occupancy	20,443	5.8	%	20,845	6.2	%	21,519	6.6	%
Other operating expenses	47,628	13.5	%	47,858	14.3	%	45,192	13.8	%
Total costs of company restaurant sales	294,357	83.4	%	288,808	86.3	%	283,556	86.4	%
Costs of franchise and license revenue (a)	43,345	31.4	%	44,761	32.5	%	46,109	34.3	%
General and administrative expenses	66,602	13.6	%	58,907	12.5	%	56,835	12.3	%
Depreciation and amortization	21,472	4.4	%	21,218	4.5	%	21,501	4.6	%
Operating (gains), losses and other charges, net	2,366	0.5	%	1,270	0.3	%	7,071	1.5	%
Total operating costs and expenses, net	428,142	87.1	%	414,964	87.9	%	415,072	89.7	%
Operating income	63,151	12.9	%	57,331	12.1	%	47,521	10.3	%
Interest expense, net	9,283	1.9	%	9,182	1.9	%	10,282	2.2	%
Other nonoperating expense (income), net	139	0.0	%	(612)	(0.1	)%	1,139	0.2	%
Net income before income taxes	53,729	10.9	%	48,761	10.3	%	36,100	7.8	%
Provision for income taxes	17,753	3.6	%	16,036	3.4	%	11,528	2.5	%
Net income	$35,976	7.3	%	$32,725	6.9	%	$24,572	5.3	%

Other Data:						
Company average unit sales	$2,217		$2,100		$2,012	
Franchise average unit sales	$1,579		$1,506		$1,427	
Company equivalent units (b)	159		159		163	
Franchise equivalent units (b)	1,538		1,534		1,525	
Company same-store sales increase (c)(d)	6.5	%	4.2	%	0.0	%
Domestic franchised same-store sales increase (c)	5.7	%	2.5	%	0.6	%

(a) Costs of company restaurant sales percentages are as a percentage of company restaurant sales. Costs of franchise and license revenue percentages are as a percentage of franchise and license revenue. All other percentages are as a percentage of total operating revenue.

(b) Equivalent units are calculated as the weighted average number of units outstanding during a defined time period.

(c) Same-store sales include sales from restaurants that were open the same period in the prior year.

(d) Prior year amounts have not been restated for 2015 comparable restaurants.

Unit Activity

	Fiscal Year Ended December 30, 2015	December 31, 2014	December 25, 2013
Company restaurants, beginning of period	161	163	164
Units opened	3	1	—
Units acquired from franchisees	3	—	2
Units sold to franchisees	(1)	—	(2)
Units closed	(2)	(3)	(1)
End of period	164	161	163
Franchised and licensed restaurants, beginning of period	1,541	1,537	1,524
Units opened	42	37	46
Units purchased from Company	1	—	2
Units acquired by Company	(3)	—	(2)
Units closed	(35)	(33)	(33)
End of period	1,546	1,541	1,537
Total restaurants, end of period	1,710	1,702	1,700

Company Restaurant Operations

Company same-store sales increased 6.5% in 2015 and 4.2% in 2014 compared with the respective prior year. Company restaurant sales for 2015 increased $18.4 million, or 5.5%, primarily resulting from the increase in same-store sales and from the November 2014 reopening of our highest volume restaurant in Las Vegas, Nevada. Company restaurant sales for 2014 increased $6.4 million, or 1.9%, primarily resulting from the additional operating week and the increase in same-store sales. The 2014 increase was partially offset by a 4 equivalent unit decrease in company restaurants, including the temporary closure of the Las Vegas, Nevada restaurant noted above and temporary closures for remodeling restaurants.

Total costs of company restaurant sales as a percentage of company restaurant sales were 83.4% in 2015, 86.3% in 2014 and 86.4% in 2013.

Product costs were 25.4% in 2015, 25.9% in 2014 and 26.1% in 2013. The decrease in 2015 was primarily due to the favorable impact of product mix and the leveraging effect of higher sales, partially offset by the increased cost of eggs. The decrease in 2014 was primarily due to the leveraging effect of higher sales.

Payroll and benefits were 38.7% in 2015, 39.8% in 2014 and 40.0% in 2013. The decrease in 2015 was primarily due to a 1.0 percentage point decrease in labor costs, a 0.7 percentage point decrease in workers' compensation costs and a 0.2 percentage point decrease in group insurance, partially offset by a 0.8 percentage point increase in incentive compensation costs. The decrease in labor costs as a percentage of company restaurant sales was primarily due to the leveraging effect of higher sales. The decrease in 2014 was primarily due to a 0.5 percentage point decrease in labor costs and a 0.3 percentage point decrease in workers' compensation costs, partially offset by a 0.3 percentage point increase in group insurance and a 0.3 percentage point increase in incentive compensation costs. The 2015 period included $2.1 million in favorable workers' compensation claims development compared to $0.6 million in unfavorable claims development in the 2014 period. The incentive compensation increases in both years are primarily due to increased same-store sales performance.

Occupancy costs were 5.8% in 2015, 6.2% in 2014 and 6.6% in 2013. The 2015 decrease is primarily related to a 0.4 percentage point decrease in general liability costs. The 2014 decrease is primarily related to an increase in the number of capital leases and a decrease in rent resulting from certain lease amendments.

Other operating expenses were comprised of the following amounts and percentages of company restaurant sales:

	Fiscal Year Ended								
	December 30, 2015			December 31, 2014			December 25, 2013		
	(Dollars in thousands)								
Utilities	$12,866	3.6	%	$13,915	4.2	%	$13,051	4.0	%
Repairs and maintenance	6,017	1.7	%	5,971	1.8	%	5,943	1.8	%
Marketing	12,527	3.5	%	12,329	3.7	%	11,696	3.6	%
Other direct costs	16,218	4.6	%	15,643	4.7	%	14,502	4.4	%
Other operating expenses	$47,628	13.5	%	$47,858	14.3	%	$45,192	13.8	%

Franchise Operations

Franchise and license revenue and costs of franchise and license revenue were comprised of the following amounts and percentages of franchise and license revenue for the periods indicated:

	Fiscal Year Ended								
	December 30, 2015			December 31, 2014			December 25, 2013		
	(Dollars in thousands)								
Royalties	$94,755	68.6	%	$90,835	66.0	%	$85,508	63.7	%
Initial fees	2,478	1.8	%	1,893	1.4	%	1,666	1.2	%
Occupancy revenue	40,987	29.6	%	44,883	32.6	%	47,085	35.1	%
Franchise and license revenue	$138,220	100.0	%	$137,611	100.0	%	$134,259	100.0	%
Occupancy costs	$30,416	22.0	%	$33,134	24.1	%	$34,631	25.8	%
Other direct costs	12,929	9.4	%	11,627	8.4	%	11,478	8.5	%
Costs of franchise and license revenue	$43,345	31.4	%	$44,761	32.5	%	$46,109	34.3	%

Royalties increased by $3.9 million, or 4.3%, in 2015 primarily resulting from a 5.7% increase in domestic same-store sales compared to 2014. In addition, certain franchised restaurants moved to a higher rate structure. Royalties increased by $5.3 million, or 6.2%, in 2014 primarily resulting from the additional operating week and a 2.5% increase in domestic same-store sales compared to 2013. In addition, there was a nine equivalent unit increase in franchised and licensed restaurants compared to 2013 and certain franchised restaurants moved to a higher rate structure.

Initial fees increased by $0.6 million, or 30.9%, in 2015 primarily resulting from an increase in the number of restaurants being opened by franchisees and a higher number of successor franchise agreements signed during the current year. Initial fees increased by $0.2 million, or 13.6%, in 2014 primarily resulting from an increase in the number of assignments between franchisees compared to the prior year period. Occupancy revenue decreased by $3.9 million, or 8.7%, in 2015 and by $2.2 million, or 4.7%, in 2014 primarily resulting from lease expirations.

Occupancy costs decreased by $2.7 million, or 8.2%, in 2015 and by $1.5 million, or 4.3%, in 2014 primarily resulting from lease expirations. Other direct costs increased by $1.3 million, or 11.2%, in 2015 due to increased franchise administrative costs and by $0.1 million, or 1.3%, in 2014. As a result, costs of franchise and license revenue decreased by $1.4 million, or 3.2%, in 2015 and by $1.3 million, or 2.9%, in 2014.

Other Operating Costs and Expenses

Other operating costs and expenses such as general and administrative expenses and depreciation and amortization expense relate to both company and franchise operations.

General and administrative expenses are comprised of the following:

	Fiscal Year Ended December 30, 2015 (In thousands)	December 31, 2014	December 25, 2013
Share-based compensation	$6,635	$5,846	$4,852
Other general and administrative expenses	59,967	53,061	51,983
Total general and administrative expenses	$66,602	$58,907	$56,835

General and administrative expenses increased by $7.7 million in 2015 primarily resulting from increases of $3.2 million in incentive compensation, $1.9 million in payroll and benefits and $0.8 million in share-based compensation. General and administrative expenses increased by $2.1 million in 2014 primarily resulting from increases of $1.6 million in incentive compensation, $1.0 million in share-based compensation and the impact of an additional operating week, partially offset by a reduction in deferred compensation of $0.6 million. The increases in share-based compensation over the past two years are primarily due to the total shareholder return performance of our stock as compared to that of our competitor peer group within our share-based award plans.

Depreciation and amortization is comprised of the following:

	Fiscal Year Ended December 30, 2015 (In thousands)	December 31, 2014	December 25, 2013
Depreciation of property and equipment	$16,548	$15,627	$15,062
Amortization of capital lease assets	3,449	3,536	3,527
Amortization of intangible and other assets	1,475	2,055	2,912
Total depreciation and amortization expense	$21,472	$21,218	$21,501

Operating (gains), losses and other charges, net are comprised of the following:

	Fiscal Year Ended December 30, 2015 (In thousands)	December 31, 2014	December 25, 2013
Gains on sales of assets and other, net	$(93)	$(112)	$(66)
Restructuring charges and exit costs	1,524	981	1,389
Impairment charges	935	401	5,748
Operating (gains), losses and other charges, net	$2,366	$1,270	$7,071

Restructuring charges and exit costs were comprised of the following:

	Fiscal Year Ended December 30, 2015 (In thousands)	December 31, 2014	December 25, 2013
Exit costs	$697	$335	$630
Severance and other restructuring charges	827	646	759
Total restructuring and exit costs	$1,524	$981	$1,389

Impairment charges for 2015 resulted primarily from the impairment of restaurants identified as assets held for sale. Impairment charges for 2014 resulted primarily from the impairment of an underperforming restaurant. Impairment charges for 2013 resulted primarily from the $4.8 million impairment of an underperforming restaurant and the impairment of two restaurants and real estate identified as assets held for sale.

Operating income was $63.2 million in 2015, $57.3 million in 2014 and $47.5 million in 2013.

Interest expense, net is comprised of the following:

	Fiscal Year Ended		
	December 30, 2015	December 31, 2014	December 25, 2013
	(In thousands)		
Interest on credit facilities	$2,789	$3,519	$4,067
Interest on interest rate swaps	859	—	—
Interest on capital lease liabilities	3,537	3,319	3,708
Letters of credit and other fees	1,180	1,381	1,391
Interest income	(66)	(80)	