

Dine Brands Global, Inc.
Form 10-Q
May 01, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

OR

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

For the transition period from _____ to _____

Commission File Number 001-15283

Dine Brands Global, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-3038279

(I.R.S. Employer Identification No.)

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

91203-1903 (Zip Code)

(818) 240-6055

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	DIN	New York Stock Exchange

As of April 25, 2019, the Registrant had 17,535,046 shares of Common Stock outstanding.

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Dine Brands Global, Inc. and Subsidiaries

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Cautionary Statement Regarding Forward-Looking Statements

Statements contained in this Quarterly Report on Form 10-Q may constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results to be materially different from those expressed or implied in such statements. You can identify these forward-looking statements by words such as “may,” “will,” “would,” “should,” “could,” “expect,” “anticipate,” “believe,” “estimate,” “intend,” “plan,” “goal” and other similar expressions. You should consider our forward-looking statements in light of the risks discussed under the heading “Risk Factors,” as well as our consolidated financial statements, related notes, and the other financial information appearing elsewhere in this report and our other filings with the United States Securities and Exchange Commission. The forward-looking statements contained in this report are made as of the date hereof and Dine Brands Global, Inc. does not intend to, nor does it assume any obligation to, update or supplement any forward-looking statements after the date of this report to reflect actual results or future events or circumstances.

Factors that could cause actual results to differ materially from the projections, forecasts, estimates and expectations discussed in this Quarterly Report on Form 10-Q include, among other things: general economic conditions; our level of indebtedness; compliance with the terms of our securitized debt; our ability to refinance our current indebtedness or obtain additional financing; our dependence on information technology; potential cyber incidents; the implementation of restaurant development plans; our dependence on our franchisees; the concentration of our Applebee’s franchised restaurants in a limited number of franchisees; the financial health of our franchisees, including any insolvency or bankruptcy; credit risks from our IHOP franchisees operating under our Previous IHOP Business Model; insufficient insurance coverage to cover potential risks associated with the ownership and operation of restaurants; our franchisees’ and other licensees’ compliance with our quality standards and trademark usage; general risks associated with the restaurant industry; potential harm to our brands’ reputation; risks of food-borne illness or food tampering; possible

future impairment charges; trading volatility and fluctuations in the price of our stock; our ability to achieve the financial guidance we provide to investors; successful implementation of our business strategy; the availability of suitable locations for new restaurants; shortages or interruptions in the supply or delivery of products from third parties or availability of utilities; the management and forecasting of appropriate inventory levels; development and implementation of innovative marketing and use of social media; changing health or dietary preference of consumers; risks associated with doing business in international markets; the results of litigation and other legal proceedings; third-party claims with respect to intellectual property assets; delivery initiatives and use of third-party delivery vendors; our

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allocation of human capital and our ability to attract and retain management and other key employees; compliance with federal, state and local governmental regulations; risks associated with our self-insurance; natural disasters or other serious incidents; our success with development initiatives outside of our core business; the adequacy of our internal controls over financial reporting and future changes in accounting standards.

Fiscal Quarter End

The Company's fiscal quarters end on the Sunday closest to the last day of each calendar quarter. For convenience, the fiscal quarters of each year are referred to as ending on March 31, June 30, September 30 and December 31. The first fiscal quarter of 2019 began on December 31, 2018 and ended on March 31, 2019. The first fiscal quarter of 2018 began on January 1, 2018 and ended on April 1, 2018.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Dine Brands Global, Inc. and Subsidiaries

Consolidated Balance Sheets

(In thousands, except share and per share amounts)

Assets	March 31, 2019 (Unaudited)	December 31, 2018
Current assets:		
Cash and cash equivalents	\$ 132,932	\$ 137,164
Receivables, net	97,786	137,504
Restricted cash	36,654	48,515
Prepaid gift card costs	30,045	38,195
Prepaid income taxes	19,370	17,402
Other current assets	5,980	3,410
Total current assets	322,767	382,190
Other intangible assets, net	583,040	585,889
Operating lease right-of-use assets	383,962	—
Goodwill	343,862	345,314
Property and equipment, net	225,396	240,264
Long-term receivables, net	99,582	103,102
Deferred rent receivable	75,569	77,069
Non-current restricted cash	14,700	14,700
Other non-current assets, net	27,239	26,152
Total assets	\$2,076,117	\$ 1,774,680
Liabilities and Stockholders' Deficit		
Current liabilities:		
Current maturities of long-term debt	\$—	\$ 25,000
Accounts payable	37,726	43,468
Gift card liability	115,974	160,438
Current maturities of operating lease obligations	67,340	—
Current maturities of finance lease and financing obligations	13,708	14,031
Accrued employee compensation and benefits	15,338	27,479
Dividends payable	12,461	11,389
Deferred franchise revenue, short-term	10,376	10,138
Other accrued expenses	30,167	24,243
Total current liabilities	303,090	316,186
Long-term debt, less current maturities	1,274,916	1,274,087
Operating lease obligations, less current maturities	386,364	—
Finance lease obligations, less current maturities	87,624	87,762
Financing obligations, less current maturities	38,306	38,482
Deferred income taxes, net	102,074	105,816
Deferred franchise revenue, long-term	62,472	64,557
Other non-current liabilities	12,092	90,063
Total liabilities	2,266,938	1,976,953
Commitments and contingencies		
Stockholders' deficit:	250	250

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Common stock, \$0.01 par value; shares: 40,000,000 authorized; March 31, 2019 - 24,974,665 issued, 17,650,765 outstanding; December 31, 2018 - 24,984,898 issued, 17,644,267 outstanding		
Additional paid-in-capital	239,585	237,726
Retained earnings	24,588	10,414
Accumulated other comprehensive loss	(61) (60
Treasury stock, at cost; shares: March 31, 2019 - 7,323,900; December 31, 2018 - 7,340,631	(455,183) (450,603
Total stockholders' deficit	(190,821) (202,273
Total liabilities and stockholders' deficit	\$2,076,117	\$ 1,774,680

See the accompanying Notes to Consolidated Financial Statements.

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Dine Brands Global, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)
Three
Months
Ended
March 31,
2019