



INVEST/STAY CONNECTED

INITIAL REPORT SEPTEMBER 21, 2024
 LAST UPDATED SEPTEMBER 21, 2024

\$29.61 / Recommendation: HOLD, target \$30.00

DINE BRANDS GLOBAL, INC.

Dine Brands Global, Inc. (DIN) is a restaurant operator that owns and franchises Applebee's, International House of Pancakes and Fuzzy's Taco Shop. 83% of total revenue is generated from the two largest franchise operating segments, Applebee's and IHOP. Internationally, Dine restaurants are in 18 countries and two United States territories. The company has 1,642 Applebee's franchised restaurants, 1,814 IHOP franchised and 131 Fuzzy's franchised restaurants.

Since the high in 2021 of \$100 per share the shares have continuously fallen to a recent price of \$29. On the most recent conference call, the company slightly lowered guidance: "Starting with the top line, we now expect Applebee's domestic system-wide comp sales to fall between negative 4% to negative 2% compared to the previous range of 0% to 2%. At IHOP, we expect domestic system-wide comp sales to range between negative 2% to 0% compared to the 1% to 3% range of growth we initially provided." The National Restaurant association [reported](#) that: Only 20% of restaurant operators said their same-store sales rose between July 2023 and July 2024. Although the industry has been challenged some operators are growing and doing well.

One key to success right now revolves around value strategies. Chili's, which has growing revenue, is using a value strategy. Joe Guszowski ([Restaurant business](#)): "The chain has been aggressive on value at a time when consumers are smarting from years' worth of menu price inflation. Chili's has invested heavily in promoting its 3 for Me value menu, which offers customers an appetizer, entree and a non-alcoholic beverage starting at \$10.99. Chili's is seeing sales growth across all income brackets, even as other chains are reporting fewer visits from lower-income consumers." As another example Papa Johns pizza reported a decline as Dominos reported an increase in sales. CEO of Dominos: "It's not about just having the lowest price in the market, it's about providing value that's innovative." So, we know that value driving strategies are working and Dine is not executing on this.

We are attracted to Dine due to the strong value of the shares, such as the 29% free cash flow yield, 5 to 6 X earnings multiple and the 6.9% dividend. However, we can see that in the current restaurant world managements need to be focused on value strategies and Dine is not right now. Our hold recommendation is based on the excellent value of the shares, which may be a good enough reason for new buyers in the face of declining sales. But, as soon as the management adjusts strategy, Dine will probably quickly turn around.

Company Stats & Estimates \$	
Shares Outstanding	15
Equity Market Cap	442
Enterprise Value	1,474
EBITDA	235
EV EBITDA multiple	6.27
2024 EPS	5.47
2025 EPS	6.26
2024 Cash Flow Yield	29%
Projected Dividend Coverage %	414%
2024 Current Cash Flow Yield	29.08%
Enterprise Value	1,474
Dividend coverage	414%
Dividend Yield	6.90%

[DIN INVESTOR RELATIONS](#)

Stock Chart DINE



Disclosures

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