Restaurant Research®

Concept Analysis & Benchmark Report

IHOP 2024

Executive Summary

IHOP is well positioned as the largest player in the $1B+ family chain segment with 30% market share and the largest marketing budget in the segment. #1 brand awareness in the family segment reflects its positioning around: an unexpected twist on “all things breakfast, any time of the day"; world famous pancakes; flavored syrups; and the never empty coffee pot. The chain's sit-down appeal centers around: a fun/likeable experience provided by warm & welcoming servers; and all-day accessibility with many restaurants open 24/7. The brand's target market includes “Breakfastarians” (people who eat breakfast throughout the day) and over indexes towards African Americans, Hispanics, seniors & blue-collar workers. This includes families on the weekends, seniors throughout the week and business people during the weekdays. IHOP's goal is to maintain breakfast leadership while also expanding other dayparts and it is notable that its 2023 product innovation was nearly 2x its 2022 level & nearly 4x the industry average. While value-oriented guests represent a sizeable share of IHOP’s total, the brand has been successful upselling with POP materials, menu layout and suggestive selling. A 21% off-premise sales mix is supported by virtual brands and its International Bank of Pancakes loyalty program (launched 4/22) includes 8MM members which drive a 6.5% sales mix. Full-year 2023 system comps increased +3.5% y/y in a very difficult FSR operating environment and results reflected elevated levels of product innovation, growth in its rewards program & menu price increases. The chain's long-term sales outlook is favorable given the brand's strong execution around: its new loyalty program that is extending its reach into a younger demo while increasing core frequency; menu innovation; strategies to drive sales during low-capacity PM dayparts; and its virtual brand portfolio. An all-time high AUV, reflects 11 straight quarters of positive comps and its 2024 system comps are expected to increase +1% to +3%. However, near-term sales concerns include: the likelihood that weakened consumers will cut down on visits all together rather than trading down to less expensive restaurants; and the vulnerability of its key breakfast daypart given the impact of economic weakness & inflation on the chain's core lower-income demo. Also, while 2023 net unit growth remained positive for the second year, development could use a boost from a better sales-to-investment ratio. In conclusion, while IHOP's strategy and execution provide a solid long-term positioning, the potential need to pivot further towards value given the current economic environment could be constrained by the system’s unit level EBITDAR margin which significantly underperforms its own 2015 best.

Table of Contents

Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt (1)/ EBITDA	EV/ EBITDA	Stock Performance		
					2023	TTM	Feb-24
Dine Brands Global, Inc.	DIN	Not Rated	7.01	10.40	-23.2%	-36.7%	
$1B+ Chains			5.49	15.52	21.1%	10.2%	

Table of Contents

	Page		Page		Page
Strengths & Challenges	2	Operations	10	Closings	18
RR Dashboard	3	Tech & Equipment	11	Remodeling	19
System Statistics	4	Sales & Market Share	12	Franchise Summary	20
Marketing Strategy	5	Unit Economic Summary	13	Menu Exhibit	21 - 22
Marketing Spend	6	Unit Economic Trends	14	State Unit Map	23
Menu Strategy	7	New Build Costs	15	State Unit Detail	24
Menu Trends	8	New Build vs. Buy Analysis	16	Photos	25
New Products & Promotions	9	Development	17	RR Overview	26

(1) Net Debt includes operating leases.

 Copyright 2024 Restaurant Research® LLC.