



# GROWING FINANCIAL STRESS

**Best Idea: SHORT DineEquity (DIN)**

December 6, 2016

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PLEASE SUBMIT QUESTIONS\* TO

**QA@HEDGEYE.COM**

*\*ANSWERED AT THE END OF THE CALL*

# KEY POINTS

1

## **BUSINESS FUNDAMENTALS ARE DETERIORATING**

The issues with the casual dining space are well documented. That being said, there are some brands in casual dining that are doing well and there are those that are failing. Applebee's is one of the old line brands that is failing and its food offering is stale and uncompetitive in the marketplace. Significant market share losses, little re-investment in the brand, strategic operational errors and vacant executive positions are only some of the issues the company faces. We believe the company's ability to fix these issues are limited and on top of that it will be expensive to execute.

2

## **FRANCHISEES ARE STRUGGLING**

The heart and soul of the DIN business model is the health of the Applebee's franchisees. To this end, there are significant issues and a number of franchisees are rumored to be in significant trouble. Years of market share losses and mismanagement have finally taken its toll on the company. Franchise profitability has been declining for years and the latest decline in same-store sales could be the tipping point for some franchisees.

3

## **FINANCIALS ARE STRAINED/SIGNIFICANT OFF BALANCE SHEET ISSUES**

Today, DIN finds itself in a precarious financial position. Given the decline in the profitability of the franchisees, the company needs to invest in the business, but it has limited financial resources to do so. The company's significant leverage, off balance sheet liabilities and 62% dividend payout ratio are only the start of the issues. As franchisee profitability continues to decline and the need for incremental investment grows, the pressure on the company's financials will be significant.

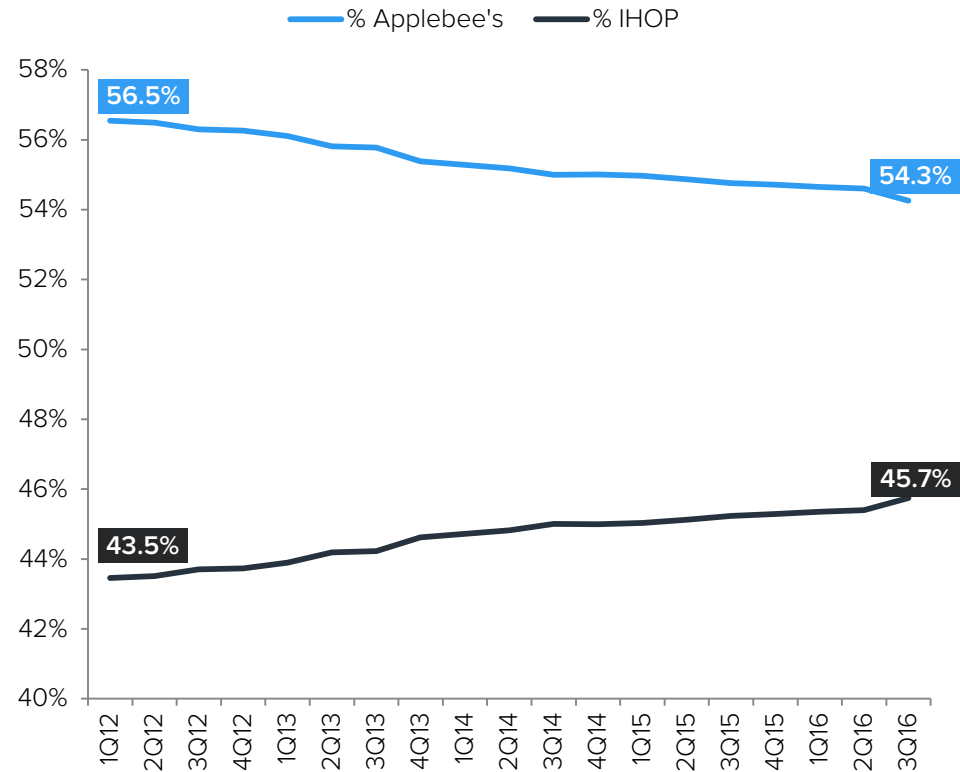




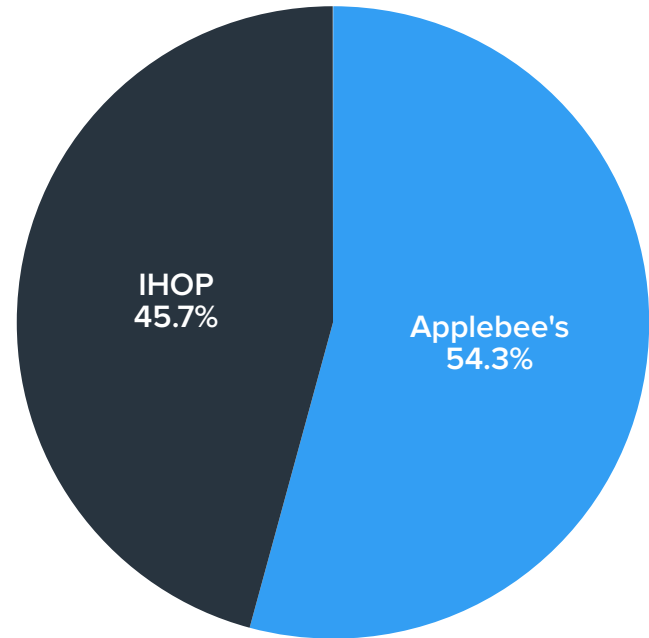
**BUSINESS FUNDAMENTALS ARE DETERIORATING**

# DIN UNIT BREAKDOWN

## Unit Breakdown Over Time

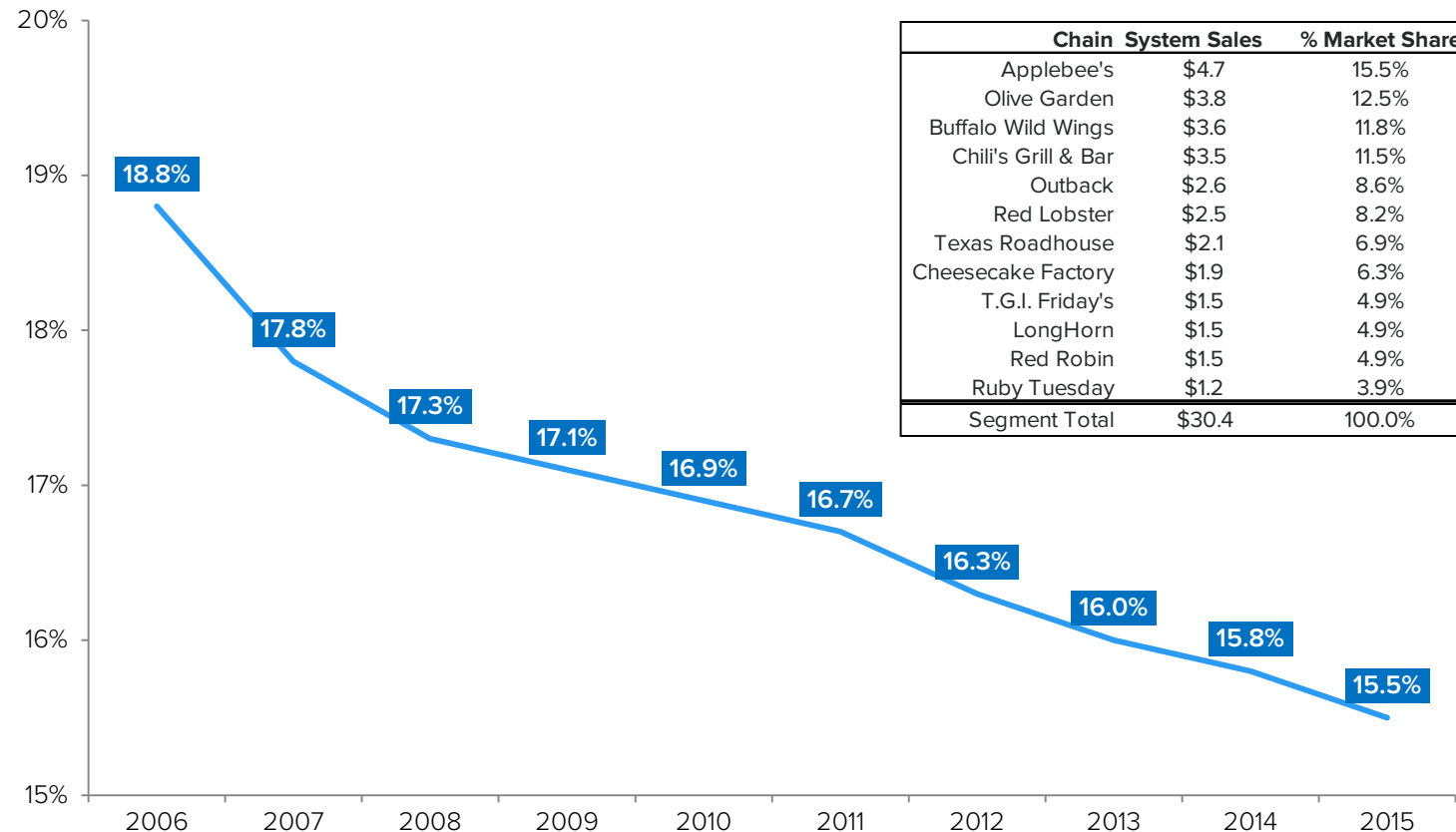


## 3Q16 Unit Breakdown



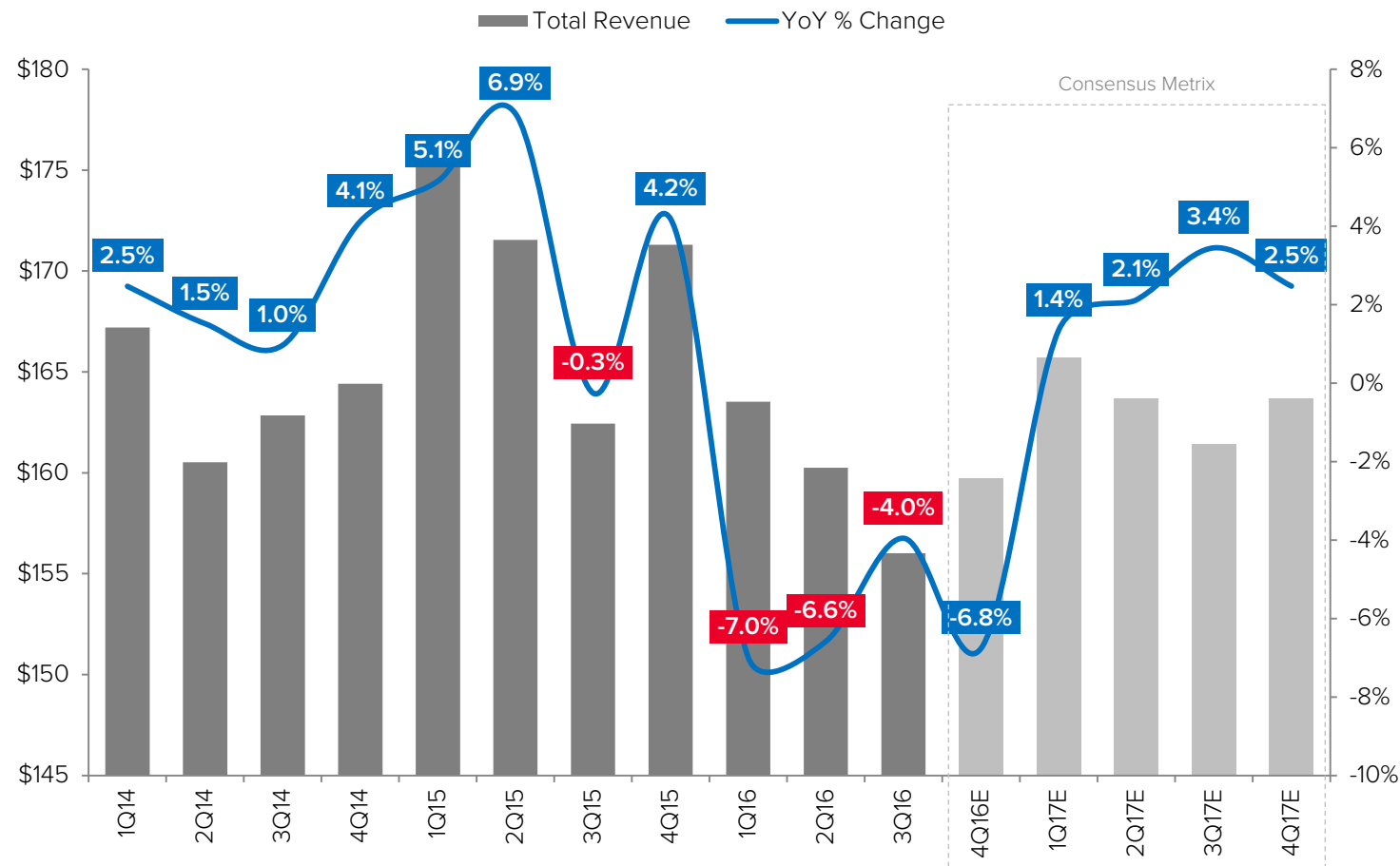
# LOSING SHARE TO THEIR PEERS

## APPLEBEE'S SHARE OF \$1B+ CASUAL CHAINS



- When empires fall, this is how it starts...
- Not to compare Applebee's to any prominent empire, but the 25 year-old chain is struggling to stay relevant.
- Since Julia bought Applebee's in 2007 the company has seen market share losses every year.
- Not only are they facing stiffer competition from their \$1bn+ peers, additionally independent restaurants are increasingly stealing share from chains more broadly.

# DIN REVENUE GROWTH SLOWING

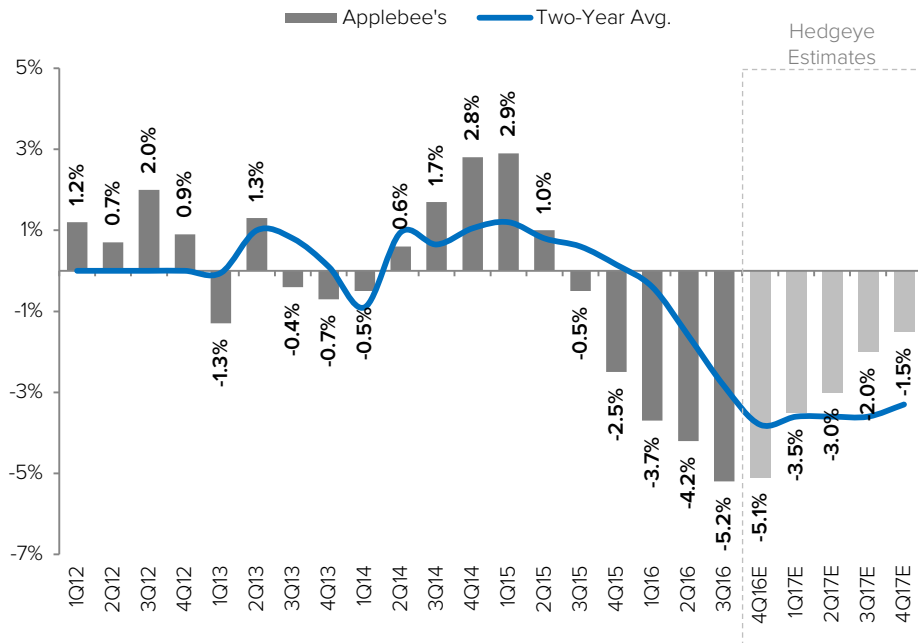


- No reason for the acceleration in revenue growth as we see it.

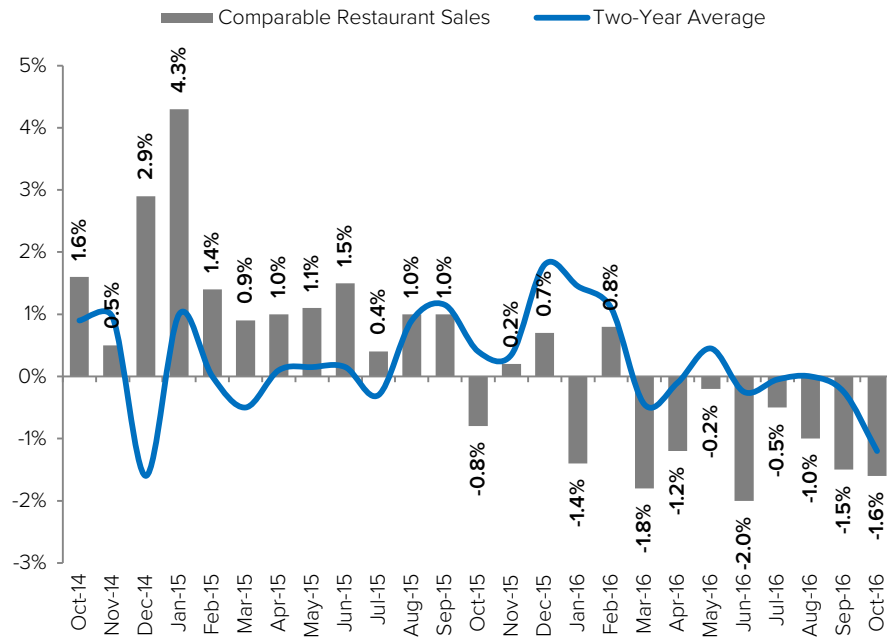


# SSS ARE IN A FREE FALL

## Applebee's SSS



## KNAPP-TRACK Comparable SSS

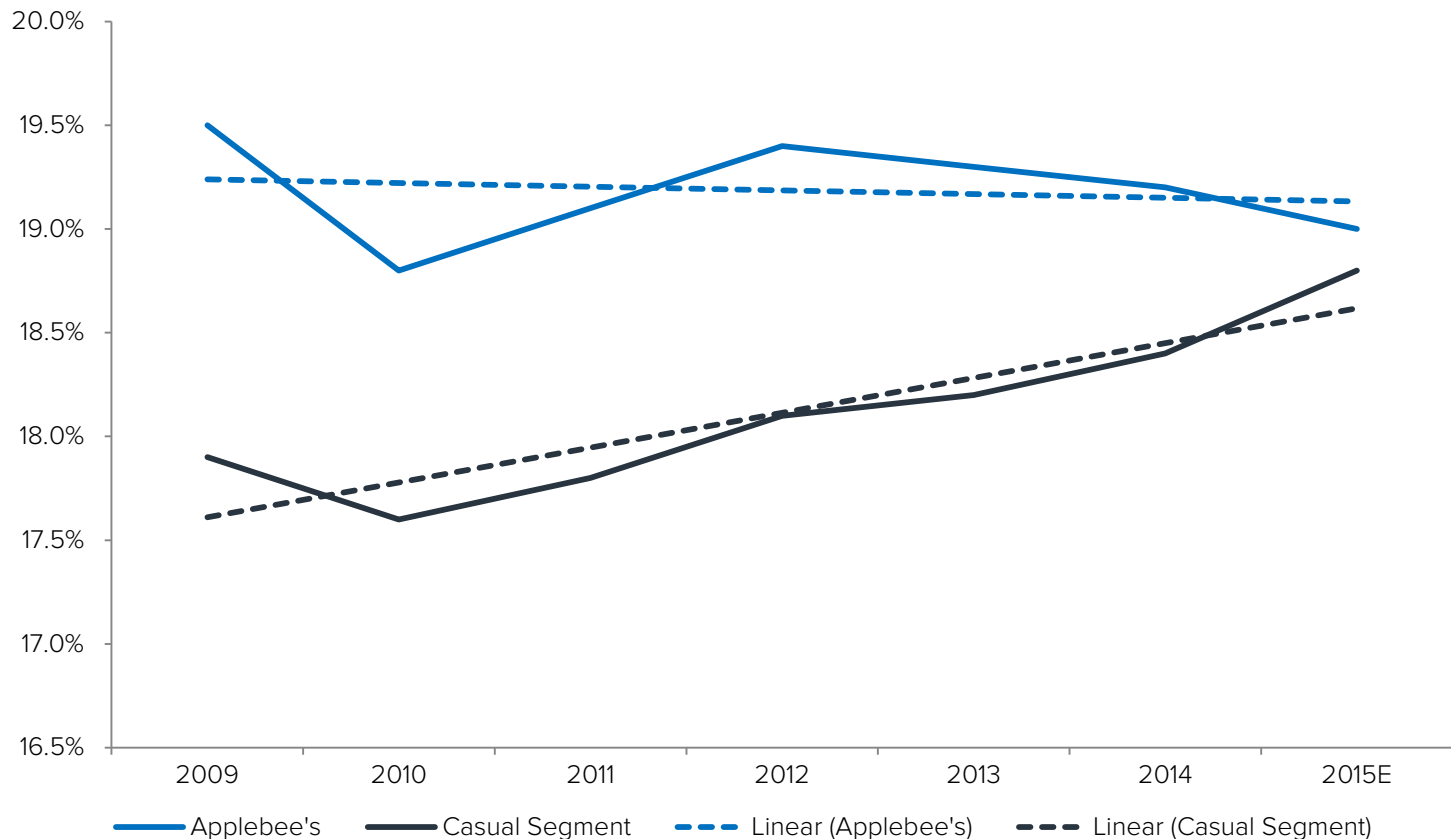


## APPLEBEE'S UNDERPERFORMING THE SEGMENT

Data provided by Knapp-Track continues to show weak trends in casual dining, and we have no reason to believe that these trends will abate in the near-term.

# FRANCHISEE PROFITABILITY IS DECLINING AS WELL

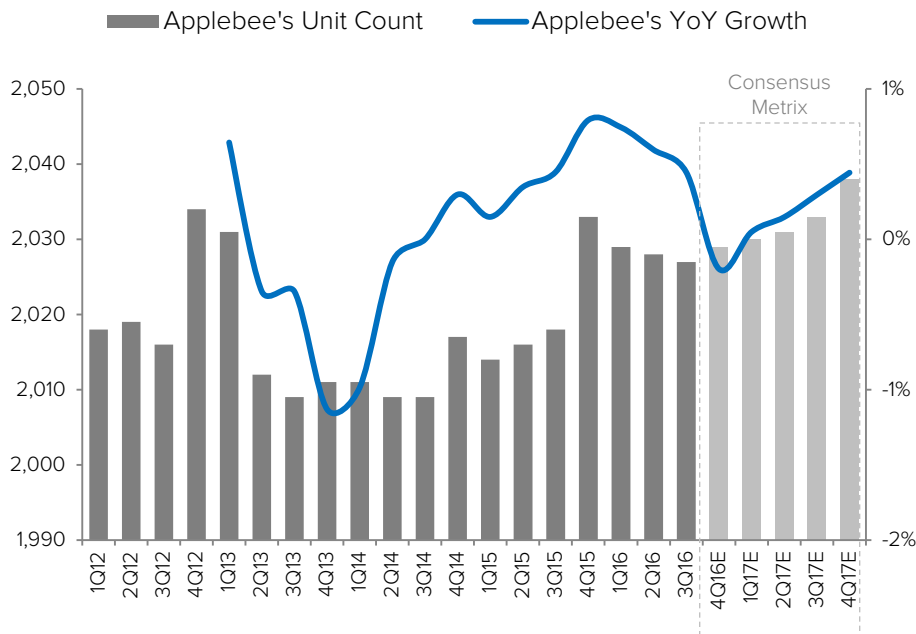
## EBITDAR (pre-G&A)



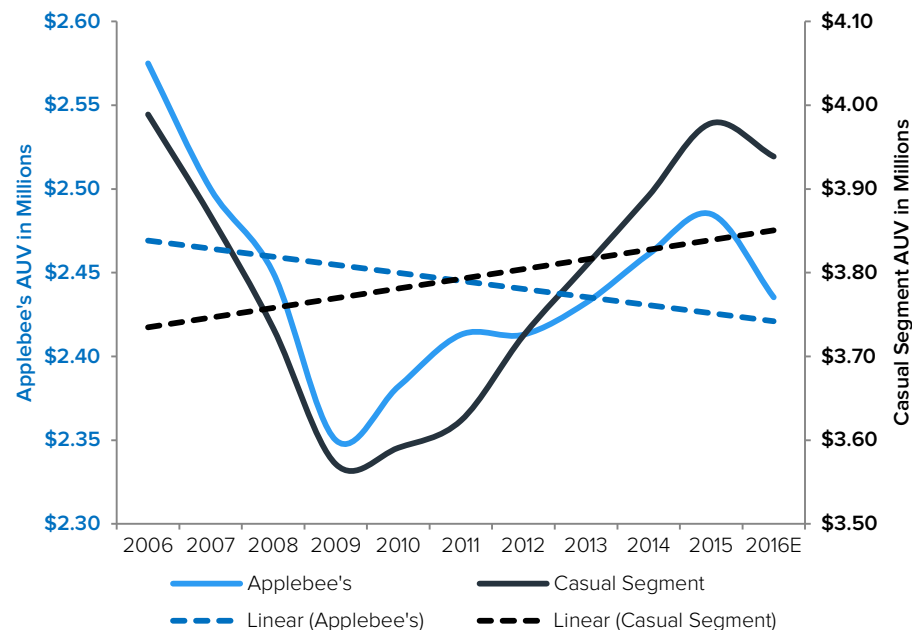
- Unit level profitability across the restaurant space has been positively impacted by deflationary food costs while negatively affected by inflationary labor pressures.
- Applebee's franchisees have historically outperformed the casual segment on profitability but the gap has closed considerably.
- DIN is on the hook for the lease payment for many franchise units if profitability should continue to erode to the point where franchisees go under.

# TOO MANY DOORS IN AN INDUSTRY THAT IS IN A SECULAR DECLINE

## Applebee's Unit Count



## Average Unit Volumes

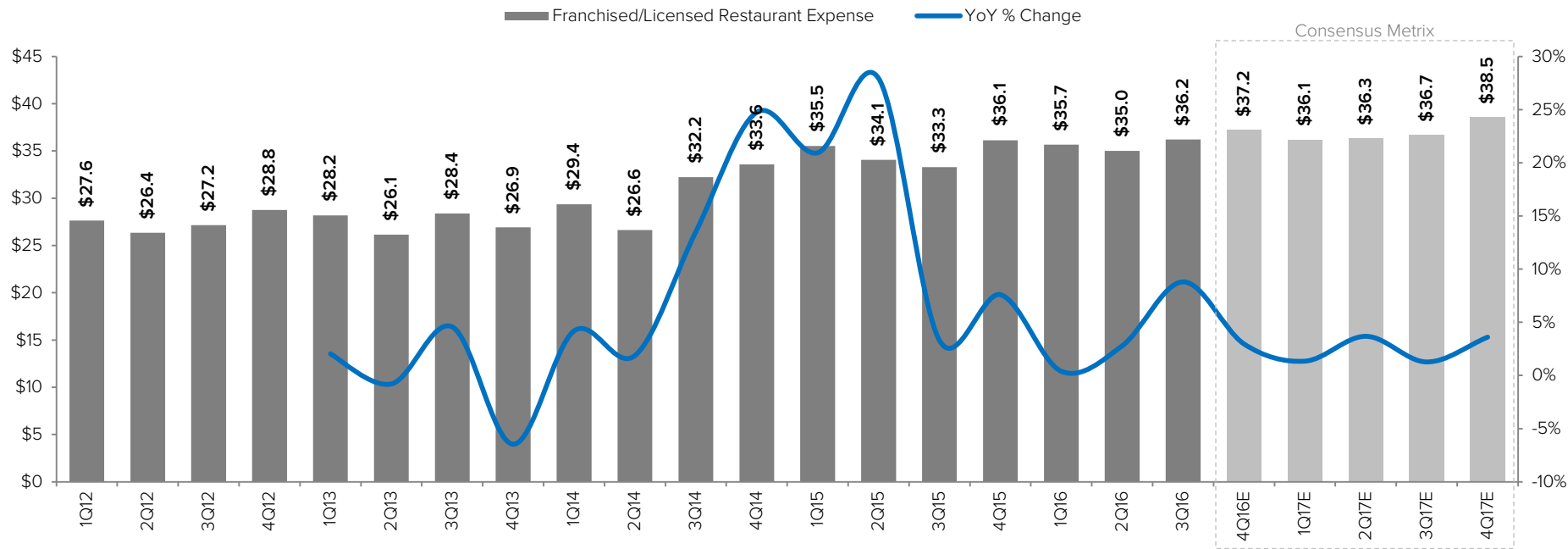


## AUV EXPANSION BUILT ON FALSE HOPES

The most troubling chart above has to be the re-acceleration of unit growth in the out years. We believe that the broader casual dining industry should be closing stores rather than opening new ones, and that sentiment is heightened for a troubled concept such as Applebee's. That, coupled with the declining unit performance is putting increased pressure on current and future franchisees' ability to improve profitability.

# FRANCHISEES ON LIFE SUPPORT?

## Franchised/Licensed Expense Growth



**THE INCREASE IN FRANCHISED EXPENSES WAS DUE TO A NATIONAL ADVERTISING FUND FOR MARKETING-RELATED INITIATIVES, AS WELL AS AN INCREASE IN BAD DEBT EXPENSE.**

# PROMOTIONS DILUTING THE INDUSTRY



Applebee's

ORDER | MENU | LOCATION | MY CHILD'S + PLENTY

**SANTA BROUGHT OPTIONS!**

CHICKEN TENDERS BASKET

THREE-CHEESE CHICKEN CAVATAPPI

Treat yourself to this delicious deal! Receive 1/2 off any full-size Steak or Baby Back Rib adult entrée as our gift to you, between 12/5 - 12/8. But hurry in, this gift won't last!



**BUY ONE GET ONE**

Choose one of our select entrées at \$12.49, GET THE SECOND ONE FREE.

For a limited time only at participating restaurants. No substitutions. Dine-in only. Not valid with other coupons or discounts.

SEE MENU

TGI Fridays @TGI Fridays · Oct 14

Double date night. #FridaysOnline. Order using promo code FRIDAYS20 for 20% off your next order: [goo.gl/JCdhDy](https://goo.gl/JCdhDy)




OUTBACK STEAKHOUSE® D | DINE REWARDS

HERE'S A DEAL YOU CAN REALLY SAVOR

**50% OFF**

EVERY 4<sup>TH</sup> VISIT



**Ruby Tuesday**

**3 GREAT COURSES 1 GREAT PRICE**

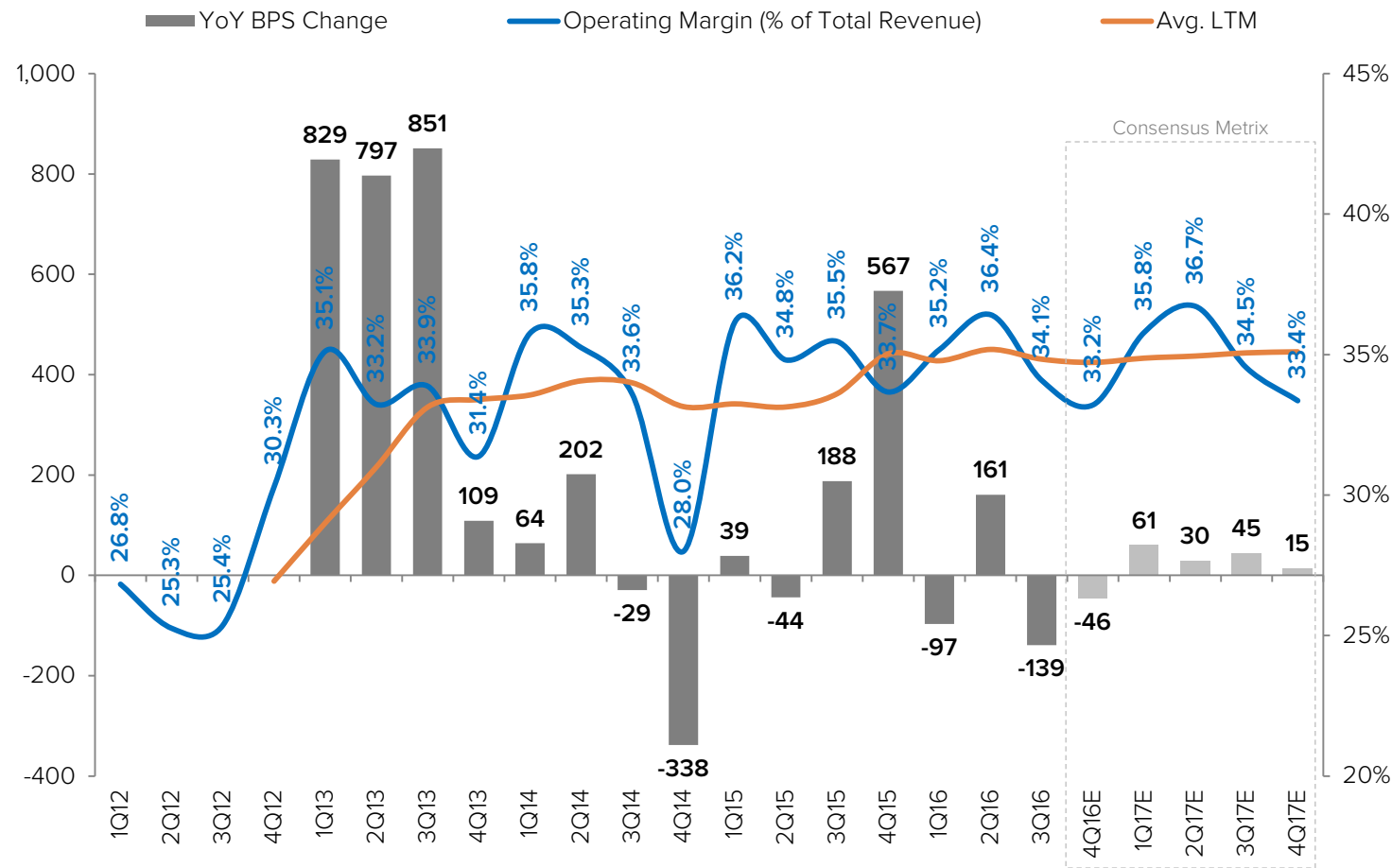
ENDLESS GARDEN BAR + ENTRÉE AND 2 SIDES + CHOICE OF DESSERT = **\$12.99**

Choose from 1 of 3 entrees (Chicken Piccata, Petite Sirloin, or Half Pork (if they don't like Pork)). Dessert choice of Fudge Berry Tart or Chocolate Glimmer Sundae. Limited time offer, available only November 2 - December 20, 2016. Available at participating locations. May not be combined with any other coupon, discount, or promotion.

## LACKLUSTER PROMOTIONS UNLIKELY TO IGNITE A RECOVERY

- The latest BOGO suggests that franchisees are making 50% less and represents Applebee's latest destruction of long-term value.
- Promotions are running rampant across the industry

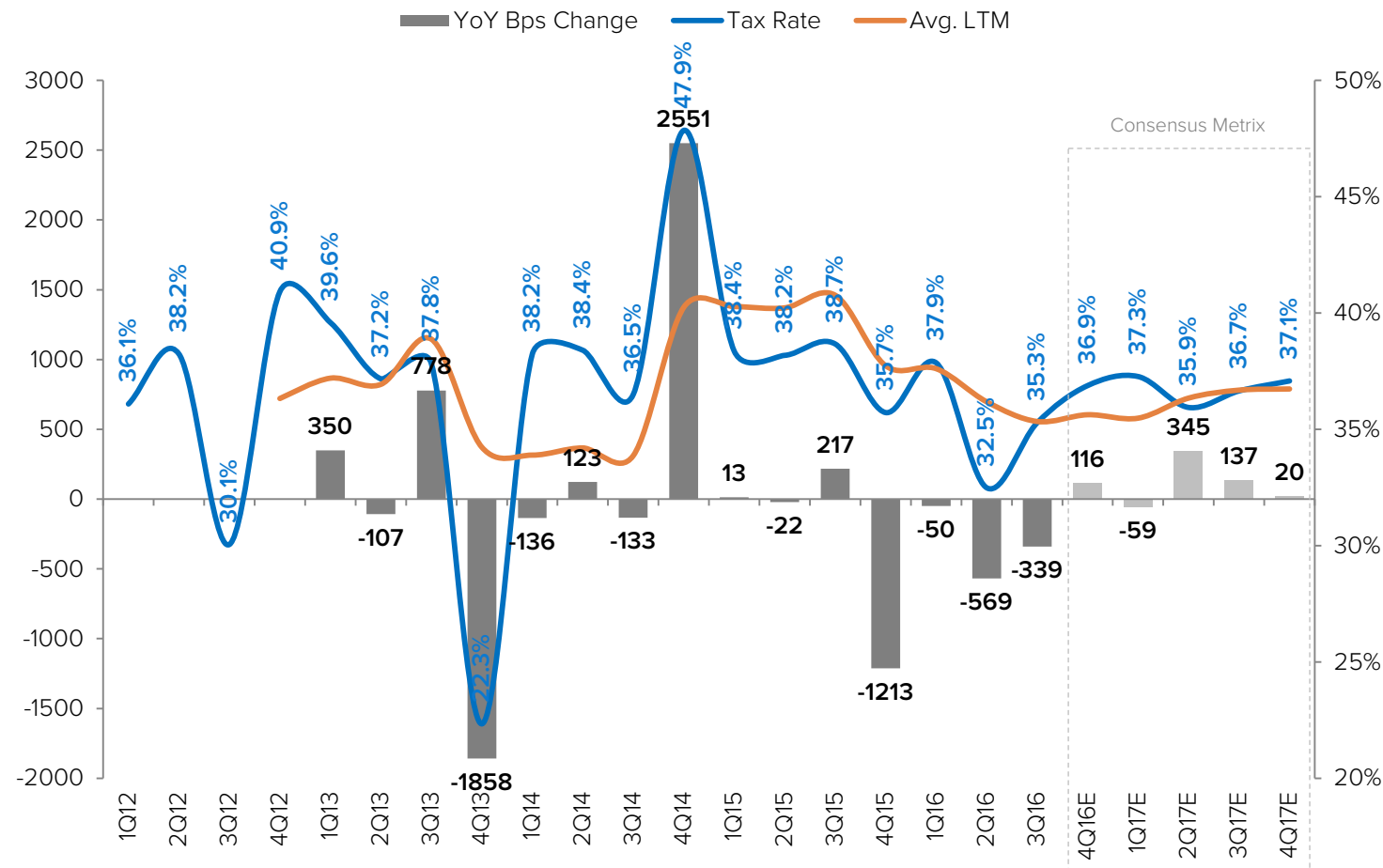
# CUT TOO CLOSE TO THE BONE



- With a dire need to actually invest in the business, margins for the corporation seem to be at peak levels.
- Especially when looking at consensus estimates which are inherently biased to the positive given the fact that there are no sell ratings on the company.
- We are looking for margins to come down as the need to reinvest in the business to better support franchisees is becoming apparent.

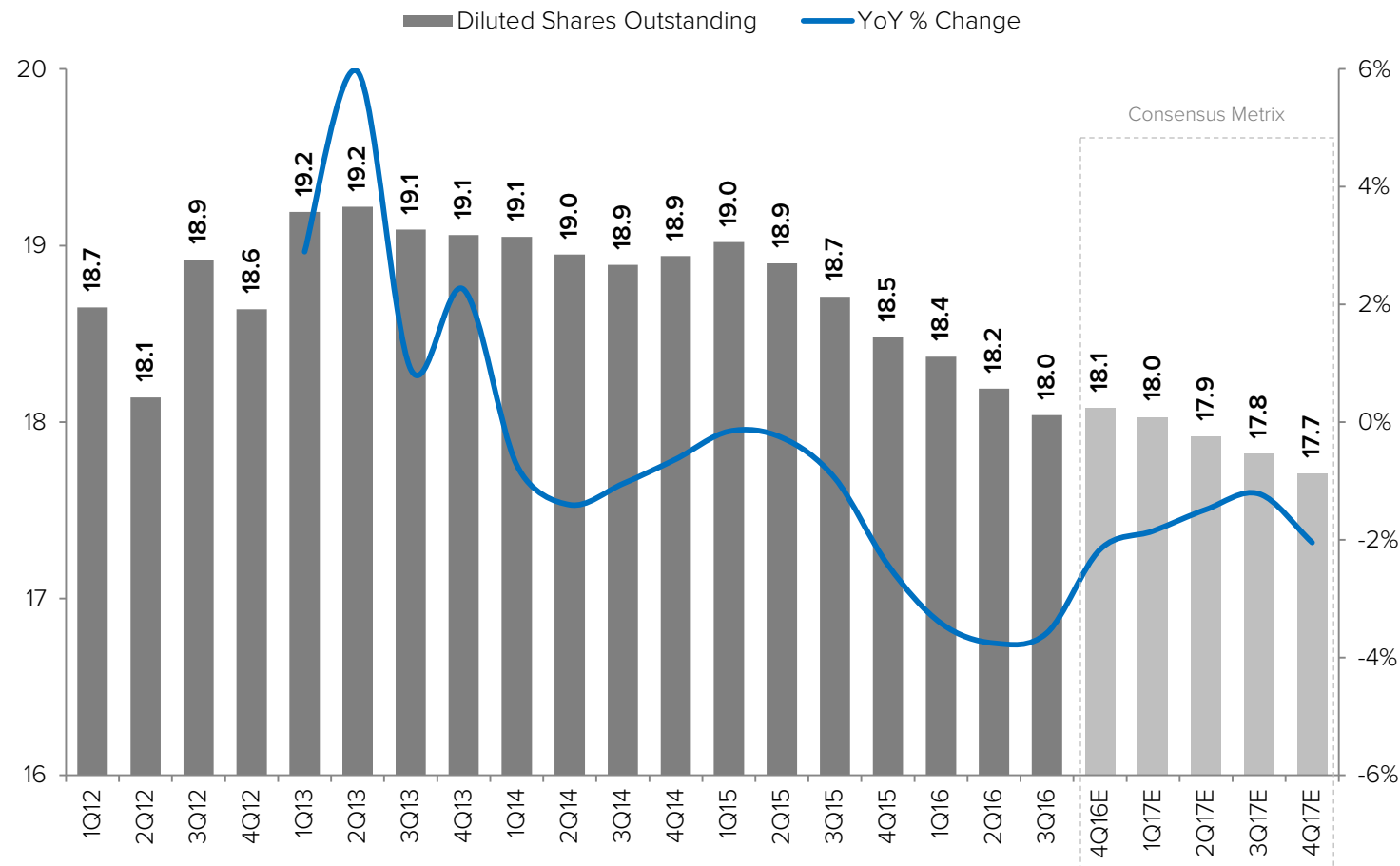


# TAX RATE



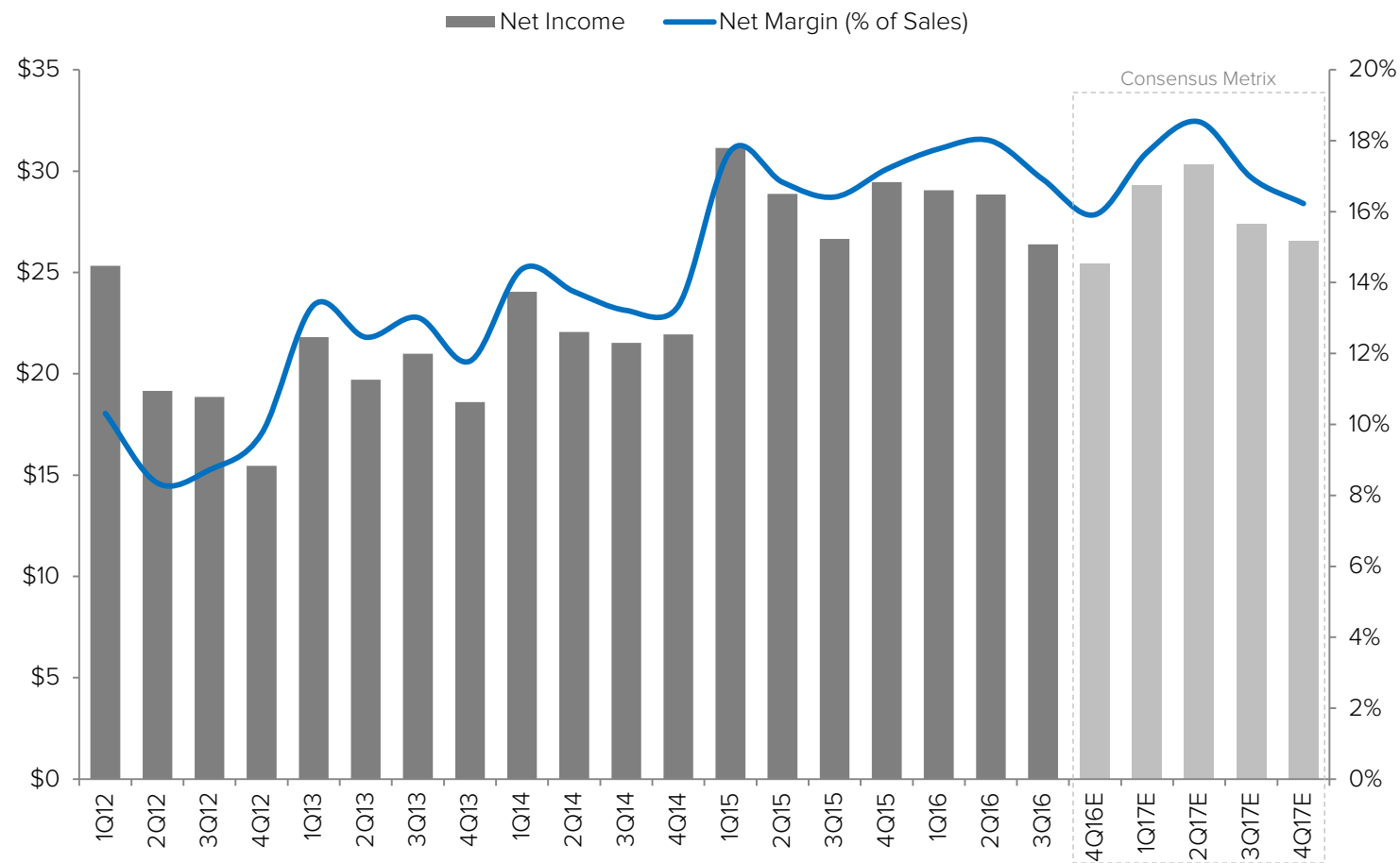
- Could a Trump administration save DIN on taxes?  
— Yes, but that won't come to fruition for a while; we have to deal with the here and now...

# SHARES OUTSTANDING



- Shares outstanding has seen a precipitous decline, with projections assuming it will continue for the foreseeable future.
- Notwithstanding their efforts to increase shareholder returns through share buybacks, there are better ways for DIN to use its capital at this time.

# NET INCOME

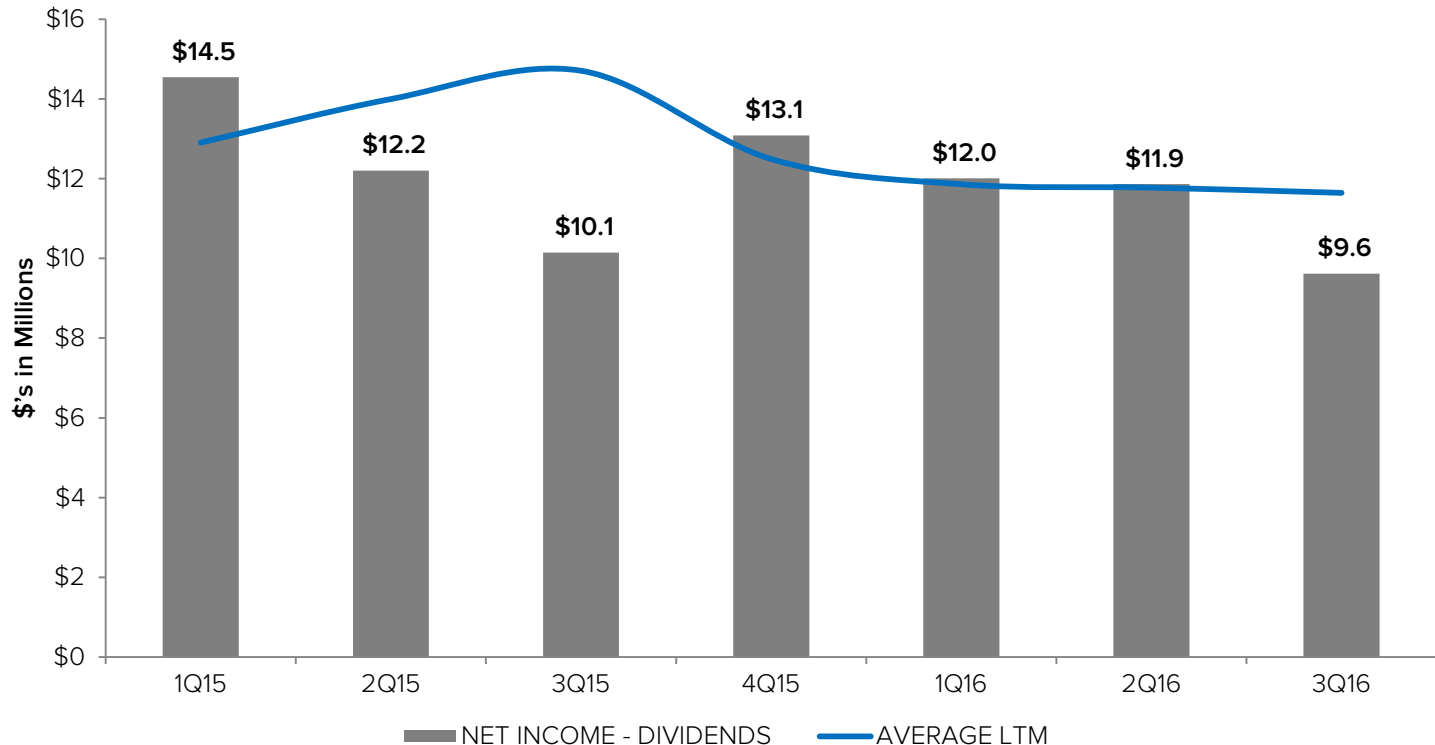


- Net income has peaked and is heading lower.
- With investment looming and costs rising, the prospects for a recovery are dim.

# DIVIDENDS ARE WHERE THE RUBBER MEETS THE ROAD

## DIVIDEND GROWTH STOPS OR DOWNRIGHT CUT A REAL POSSIBILITY

### Net Income - Dividends



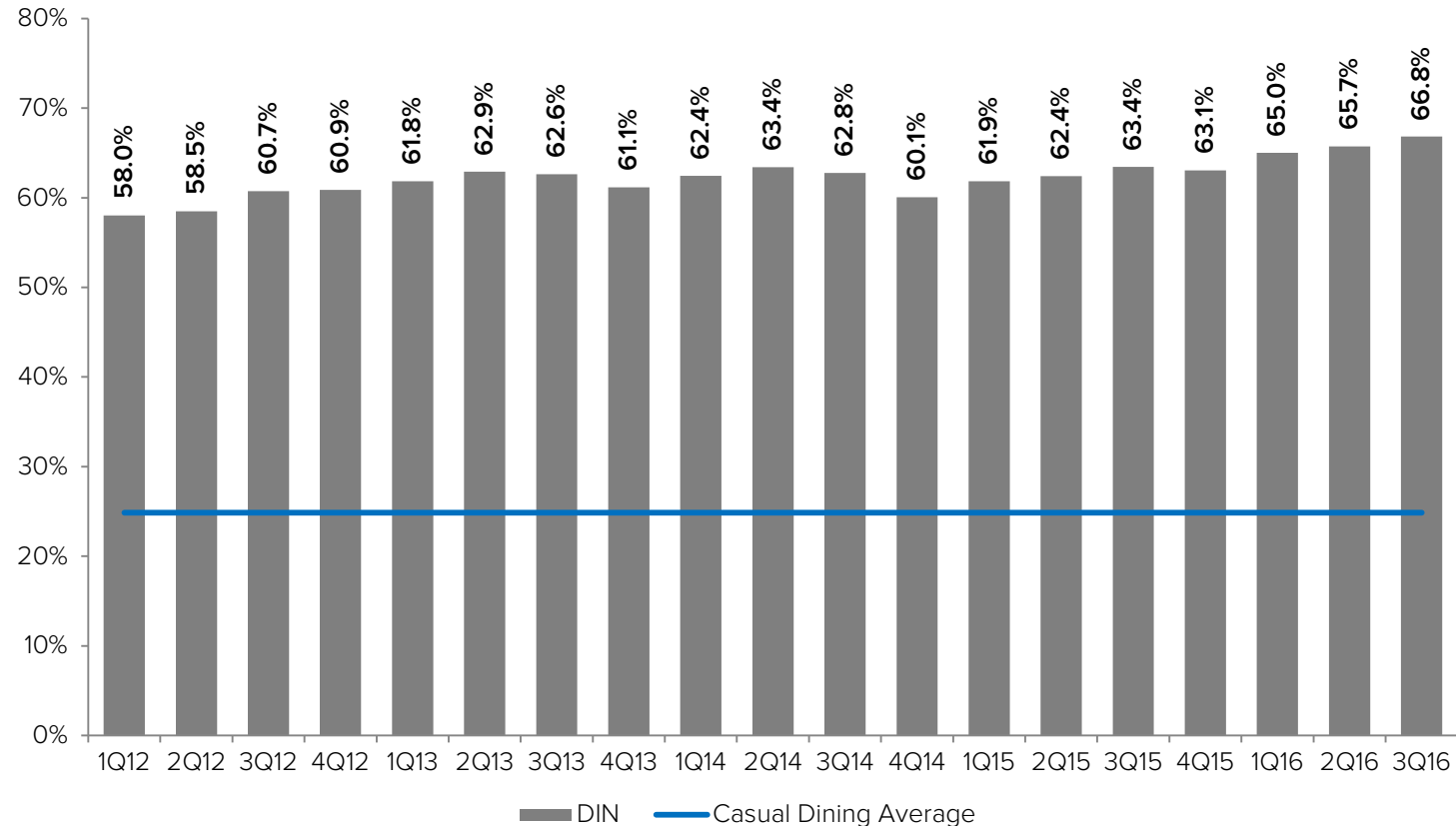
- DIN will not be able to increase its dividend in 2017 and there is a real chance it could be cut.
- In an environment where revenues are declining; expenses are rising; and an over leveraged balance sheet; DIN will need to conserve its cash.
- The \$70mm in annual dividend payments would not go a long way to improve a deteriorating business.
- To put this in perspective Franchisees just spent \$75mm on the wood grill platform that did not improve sales.
- As the spread narrows between net income and dividends the Street's concerns over the dividend will grow.



## CONSIDERABLE BALANCE SHEET AND CASH FLOW CONCERNS

# DIN DOESN'T OWN ANYTHING

## Intangibles / Total Assets

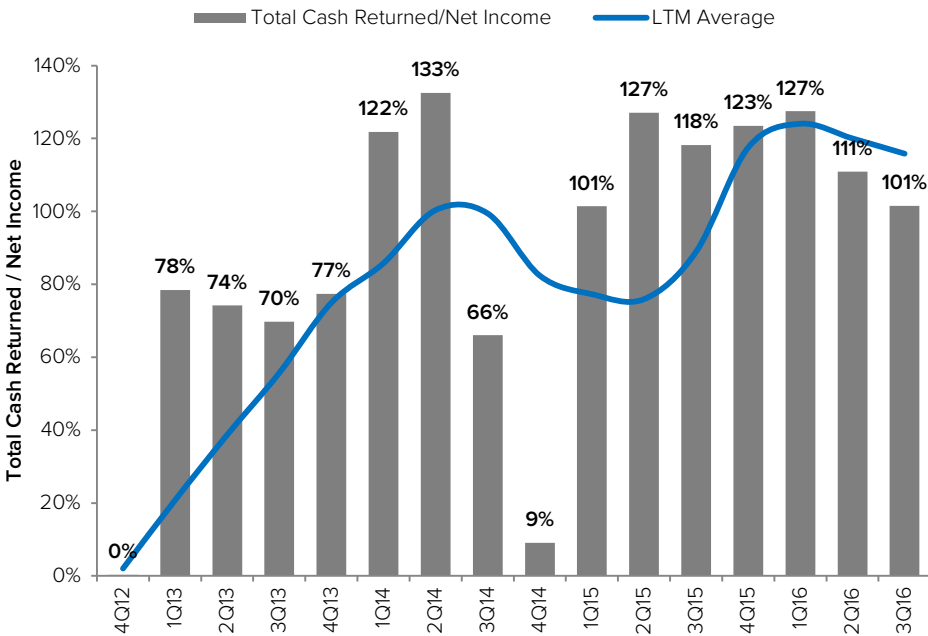


- DIN doesn't own anything, which we all know, and that is the point.
- DIN is trading on the back of franchisees that are currently feeling the pain, which has manifested due to managements misguided initiatives.
- There is no quick fix or way for DIN to get their hands dirty, which makes a turnaround more difficult.
- This process will not be linear and they face a big renewal hurdle in 4-6 years, and the question remains: how much pain can these franchisees endure?

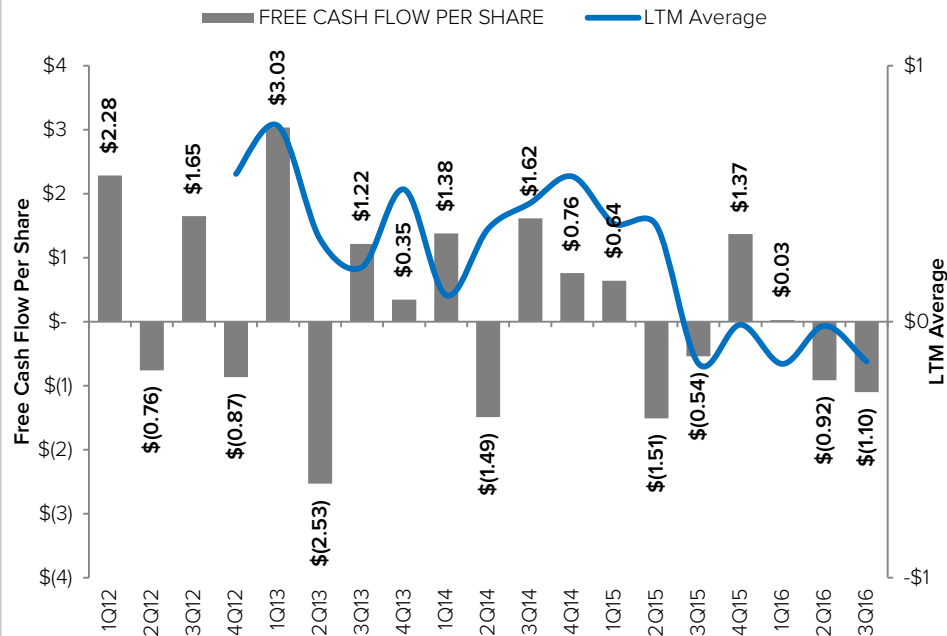


# PROPPING UP THE STOCK BY KNEELING TO SHAREHOLDERS

## Cash Returned to Shareholders



## FCF Per Share

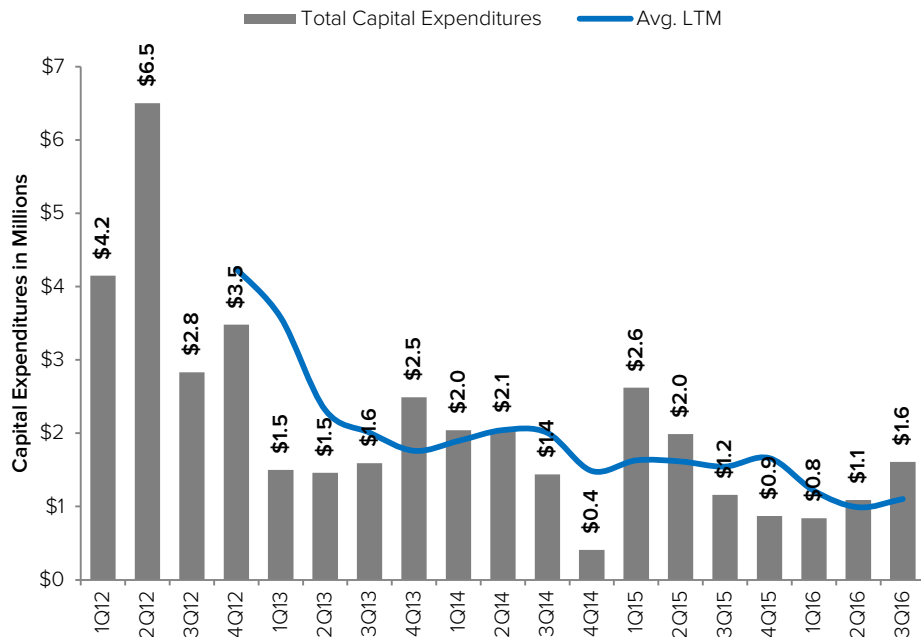


## SHAREHOLDERS WINNING WHILE FRANCHISEES GETTING SQUEEZED

While franchisees are on board with the everyday value mantra of Applebee's (their average check of ~\$14 is -19% below the segment average), SSS are not responding positively which is putting pressure on franchisee profitability. So while franchisees are getting crushed by corporate led initiatives, shareholders are getting paid an astronomical amount.

# LACK OF INVESTMENT IN THE BUSINESS

## Capital Expenditures



## Wood Fire Grill is a Disaster



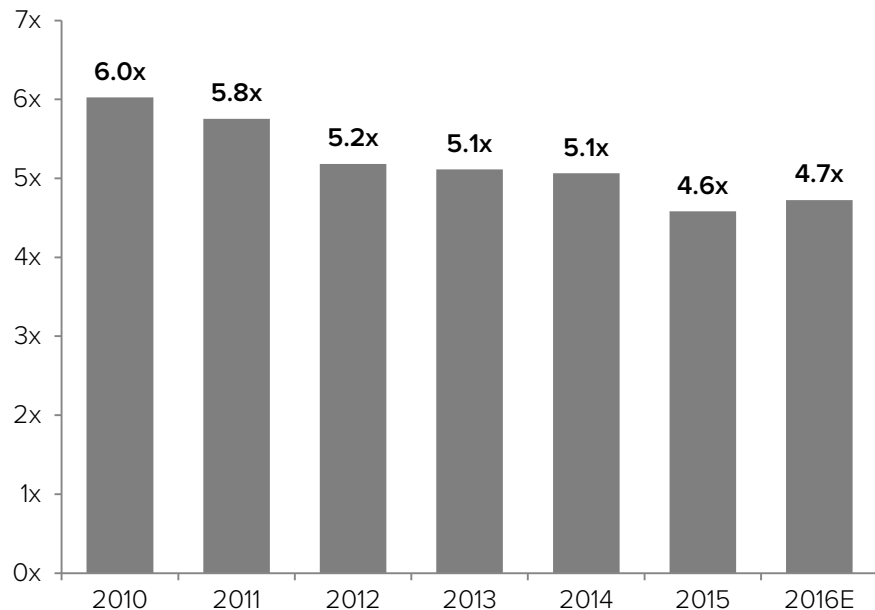
**More of a gimmick that adds complexity and costs to the kitchen than a driver of revenue!**

## FRANCHISEES USED AND ABUSED? WHERE IS THE LOVE?

The installation of the new grills along with associated training and the marketing campaign is estimated to have totaled ~\$75 million, much of which was funded by the franchisees. Betting the house on steaks at what are likely trough beef prices will make for an interesting situation once beef and other proteins start to turn against them.

# LEVERAGE DECLINING, BUT STILL LEADING THE INDUSTRY

## Net Debt / EBITDA



## Considerable Liabilities Not Factored In

Liabilities	\$ Million	% Of TEV
Fair Value Of Total Debt	\$ 1,281.0	43.3%
Capitalized Leases/Other	\$ 113.1	3.8%
Net Deferred Tax Liabilities	\$ 324.4	11.0%
Off Balance Sheet Liabilities	\$ 372.5	12.6%
<b>Total Liabilities</b>	<b>\$ 2,091.0</b>	<b>70.6%</b>
Equity Value	\$ 1,566.0	
Total Enterprise Value	\$ 2,960.10	

<b>TOTAL DEBT/EBITDA</b>	<b>4.9x</b>
<b>TOTAL LIABILITIES/EBITDA</b>	<b>7.9x</b>

## RAISE DEBT TO REWARD SHAREHOLDERS, WHILE THE BUSINESS IS SUFFERING

- We get it, debt is cheap and DIN took advantage of the free money, but those days are over.
- The DIN balance sheet can't survive a sustained downturn in sales and lower franchise profitability. Additionally, DIN has outstanding lease guarantees or is contingently liable for approximately \$372.5 million, with leases terms that range from 2016 through 2048.

# MISGUIDED INITIATIVES

## Applebee's Sailing Without a Captain

- The old adage that as a public company CEO you really only have 80% of your time available for the business because 20% is allocated to being a public company CEO
- And somehow in addition to being Chairman & CEO Julia is balancing the responsibilities of being the interim president of Applebee's, the company's largest segment

## Dividend Increases

- Dividend increases need to stop, for one, they are unsustainable given the current fundamentals of the business and two, franchisees are struggling to maintain profitability given the current initiatives that management has put in place
- If franchisees don't feel some love soon they are going to jump ship at the end of their terms
- The people that are winning from this company's poor performance right now are shareholders from the large 4.6% dividend yield and share buybacks

## Management Open to Acquisitions

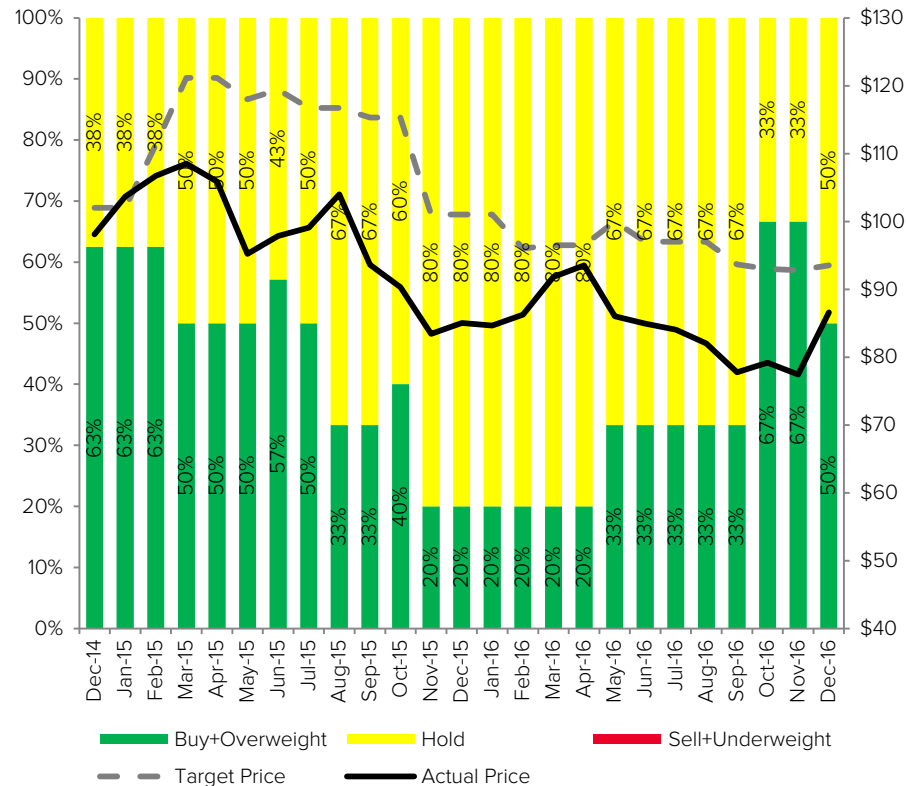
- Management has expressed their desire to acquire additional brands to further leverage their shared services platform, something they have continued to mention in their earnings calls and it has yet to come to fruition
- This tells us that management is distracted trying to acquire the next shiny object for them to hang their hats on, while the businesses they currently own continue to struggle
- Multi-concept restaurant companies, franchised or not, are inherently exposed to greater risk due to their lack of ability to treat all concepts the same, there will always be the forgotten concept that doesn't receive the TLC that it needs
- DIN is a short without them acquiring another business, if they actually buy one it will only accelerate the bear case

# dineEquity

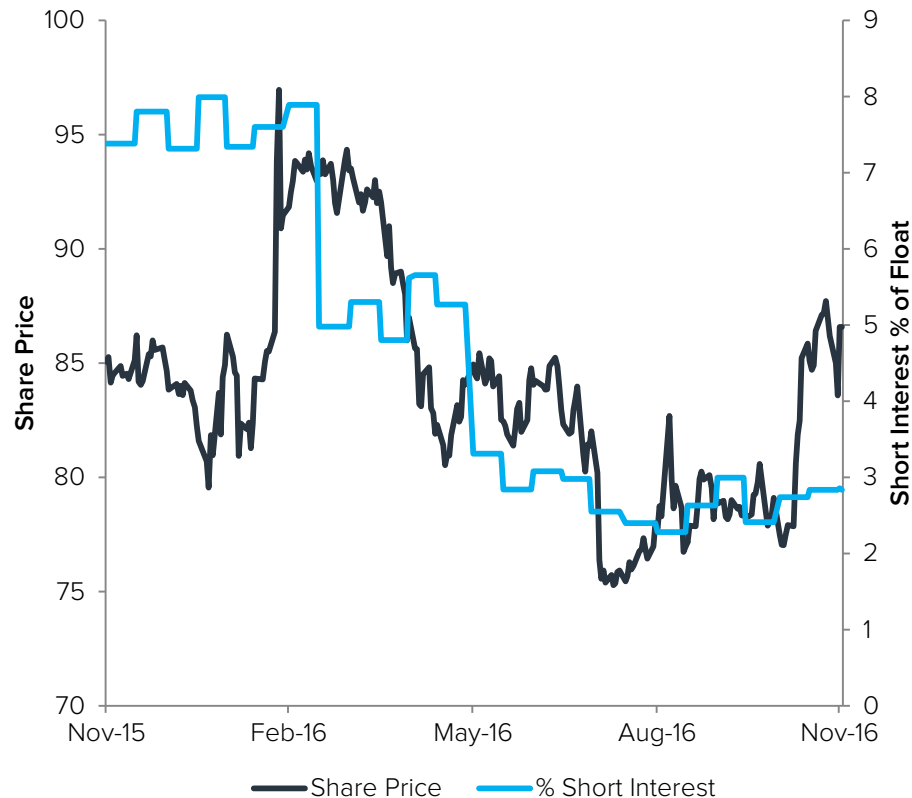
## VALUATION & SENTIMENT

# SELL-SIDE SENTIMENT & SHORT INTEREST

## Sell-Side Sentiment



## Short Interest





# PUBLIC COMPANY COMPARABLES - VALUATION

							Sentiment			Earnings				EBITDA						
Name	Ticker	Price	Shares Out	Equity Value	Net Debt	Enterprise Value	Short Interest	Dividend Yield	Analyst Rating	FY1	FY2	% Change YoY	NTM P/E	FY1	FY2	% Change YoY	EV/ EBITDA	NTM EBITDA	Net Debt/ EBITDA	
Quick Service Restaurants																				
Popeyes Louisiana Kitchen, Inc.	PLKI	\$ 60.08	21	\$ 1,245	\$ 116	\$ 1,362	6.5%	0.0	1.7	\$ 2.11	\$ 2.46	17.0%	24.5x	\$ 87	\$ 95	8.8%	14.4x	1.3x		
Yum! Brands, Inc.	YUM	\$ 62.69	367	\$ 23,008	\$ 6,094	\$ 29,165	1.6%	3.3	1.6	\$ 2.67	\$ 2.77	3.6%	22.7x	\$ 2,141	\$ 2,047	-4.4%	14.2x	2.8x		
Wendy's Company	WEN	\$ 12.56	257	\$ 3,228	\$ 2,075	\$ 5,304	15.0%	2.1	1.7	\$ 0.41	\$ 0.45	10.6%	28.2x	\$ 396	\$ 396	0.0%	13.4x	5.2x		
McDonald's Corporation	MCD	\$ 118.47	830	\$ 98,383	\$ 23,740	\$ 122,123	1.4%	3.2	1.6	\$ 5.66	\$ 6.19	9.4%	19.2x	\$ 9,466	\$ 9,806	3.6%	12.5x	2.5x		
Restaurant Brands International Inc	QSR	\$ 47.16	234	\$ 11,041	\$ 7,455	\$ 23,473	2.8%	1.4	1.6	\$ 1.55	\$ 1.75	12.7%	27.5x	\$ 1,851	\$ 2,005	8.4%	11.9x	4.0x		
Jack in the Box Inc.	JACK	\$ 105.50	32	\$ 3,411	\$ 978	\$ 4,389	6.7%	1.5	1.5	\$ 4.73	\$ 5.62	18.8%	21.9x	\$ 372	\$ 396	6.4%	11.8x	2.6x		
Sonic Corp.	SONC	\$ 26.74	46	\$ 1,224	\$ 512	\$ 1,736	12.5%	2.1	1.7	\$ 1.25	\$ 1.41	12.6%	20.2x	\$ 157	\$ 158	0.7%	10.9x	3.3x		
Bojangles, Inc.	BOJA	\$ 17.80	36	\$ 649	\$ 183	\$ 833	1.6%	0.0	1.5	\$ 0.94	\$ 1.01	7.3%	18.4x	\$ 81	\$ 87	7.2%	9.9x	2.3x		
Fiesta Restaurant Group, Inc.	FRGI	\$ 28.35	27	\$ 763	\$ 64	\$ 828	10.7%	0.0	1.5	\$ 1.29	\$ 1.39	8.2%	21.1x	\$ 94	\$ 104	10.7%	8.3x	0.7x		
Carrols Restaurant Group, Inc.	TAST	\$ 13.35	36	\$ 478	\$ 217	\$ 695	4.2%	0.0	1.0	\$ 0.54	\$ 0.52	-2.5%	25.6x	\$ 90	\$ 96	6.2%	7.3x	2.4x		
Arcos Dorados Holdings, Inc. Class A	ARCO	\$ 6.00	131	\$ 784	\$ 471	\$ 1,255	0.1%	0.0	1.7	\$ 0.38	\$ 0.28	-27.3%	20.8x	\$ 219	\$ 247	12.9%	7.0x	2.1x		
Average							5.7%	1.2	1.6	22.7x				11.0x					2.7x	
Casual Dining																				
Wingstop, Inc.	WING	\$ 31.48	29	\$ 904	\$ 151	\$ 1,056	13.6%	0.0	1.1	\$ 0.57	\$ 0.65	13.4%	48.0x	\$ 35	\$ 39	14.4%	26.5x	4.4x		
Texas Roadhouse, Inc.	TXRH	\$ 47.75	71	\$ 3,367	\$ (29)	\$ 3,346	7.4%	1.6	1.9	\$ 1.77	\$ 2.00	13.0%	24.0x	\$ 268	\$ 300	11.9%	11.2x	-0.1x		
Chuy's Holdings, Inc.	CHUY	\$ 32.60	17	\$ 548	\$ (14)	\$ 534	13.6%	0.0	1.7	\$ 1.07	\$ 1.20	11.9%	27.2x	\$ 43	\$ 48	14.0%	11.1x	-0.3x		
DineEquity, Inc.	DIN	\$ 86.58	18	\$ 1,567	\$ 1,267	\$ 2,833	2.7%	4.5	1.6	\$ 6.02	\$ 6.32	5.0%	13.6x	\$ 264	\$ 265	0.6%	10.6x	4.8x		
Cheesecake Factory Incorporated	CAKE	\$ 60.81	47	\$ 2,884	\$ 33	\$ 2,917	16.2%	1.6	1.9	\$ 2.84	\$ 3.07	8.1%	19.9x	\$ 289	\$ 290	0.1%	10.1x	0.1x		
Darden Restaurants, Inc.	DRI	\$ 75.79	123	\$ 9,328	\$ 326	\$ 9,654	9.6%	3.0	1.7	\$ 3.93	\$ 4.30	9.5%	18.3x	\$ 988	\$ 1,039	5.2%	9.5x	0.3x		
Buffalo Wild Wings, Inc.	BWLD	\$ 170.70	18	\$ 3,107	\$ 64	\$ 3,171	9.4%	0.0	1.6	\$ 5.57	\$ 6.63	19.0%	25.8x	\$ 303	\$ 341	12.4%	9.3x	0.2x		
Brinker International, Inc.	EAT	\$ 53.82	50	\$ 2,672	\$ 1,412	\$ 4,084	15.5%	2.5	1.8	\$ 3.42	\$ 3.79	10.8%	14.9x	\$ 450	\$ 462	2.7%	8.9x	3.1x		
Fogo de Chao, Inc.	FOGO	\$ 14.00	28	\$ 394	\$ 125	\$ 521	1.4%	0.0	1.6	\$ 0.86	\$ 0.92	6.2%	15.2x	\$ 55	\$ 60	9.4%	8.6x	2.3x		
Dave & Buster's Entertainment, Inc.	PLAY	\$ 47.50	42	\$ 1,998	\$ 267	\$ 2,265	12.2%	0.0	1.2	\$ 1.94	\$ 2.24	15.6%	21.7x	\$ 236	\$ 269	13.9%	8.6x	1.1x		
Del Frisco's Restaurant Group, Inc.	DFRG	\$ 17.30	24	\$ 407	\$ (1)	\$ 406	3.1%	0.0	1.7	\$ 0.80	\$ 0.88	10.4%	20.3x	\$ 46	\$ 50	8.8%	8.3x	0.0x		
Bloomin' Brands, Inc.	BLMN	\$ 18.85	105	\$ 1,987	\$ 1,133	\$ 3,134	6.7%	1.5	1.4	\$ 1.31	\$ 1.45	10.6%	12.9x	\$ 441	\$ 437	-1.0%	7.2x	2.6x		
BJ's Restaurants, Inc.	BJRI	\$ 37.65	23	\$ 876	\$ 83	\$ 959	6.5%	0.0	1.9	\$ 1.74	\$ 1.94	11.0%	19.6x	\$ 126	\$ 135	6.8%	7.1x	0.7x		
Red Robin Gourmet Burgers, Inc.	RRGB	\$ 52.15	13	\$ 671	\$ 300	\$ 971	10.4%	0.0	1.8	\$ 2.89	\$ 3.11	7.7%	16.7x	\$ 143	\$ 149	3.9%	6.5x	2.1x		
Bravo Brio Restaurant Group, Inc.	BBRG	\$ 3.90	15	\$ 57	\$ 51	\$ 108	3.4%	0.0	2.0	\$ 0.14	\$ 0.18	34.1%	21.7x	\$ 23	\$ 28	20.2%	4.0x	2.2x		
Ruby Tuesday, Inc.	RT	\$ 3.06	60	\$ 184	\$ 155	\$ 339	7.0%	0.0	0.0	\$ -	\$ -	0.0%	0.0x	\$ -	\$ -	0.0%	0.0x	0.0x		
Average							8.7%	0.9	1.6	20.0x				9.2x					1.5x	

# PUBLIC COMPANY COMPARABLES – PRICE PERFORMANCE

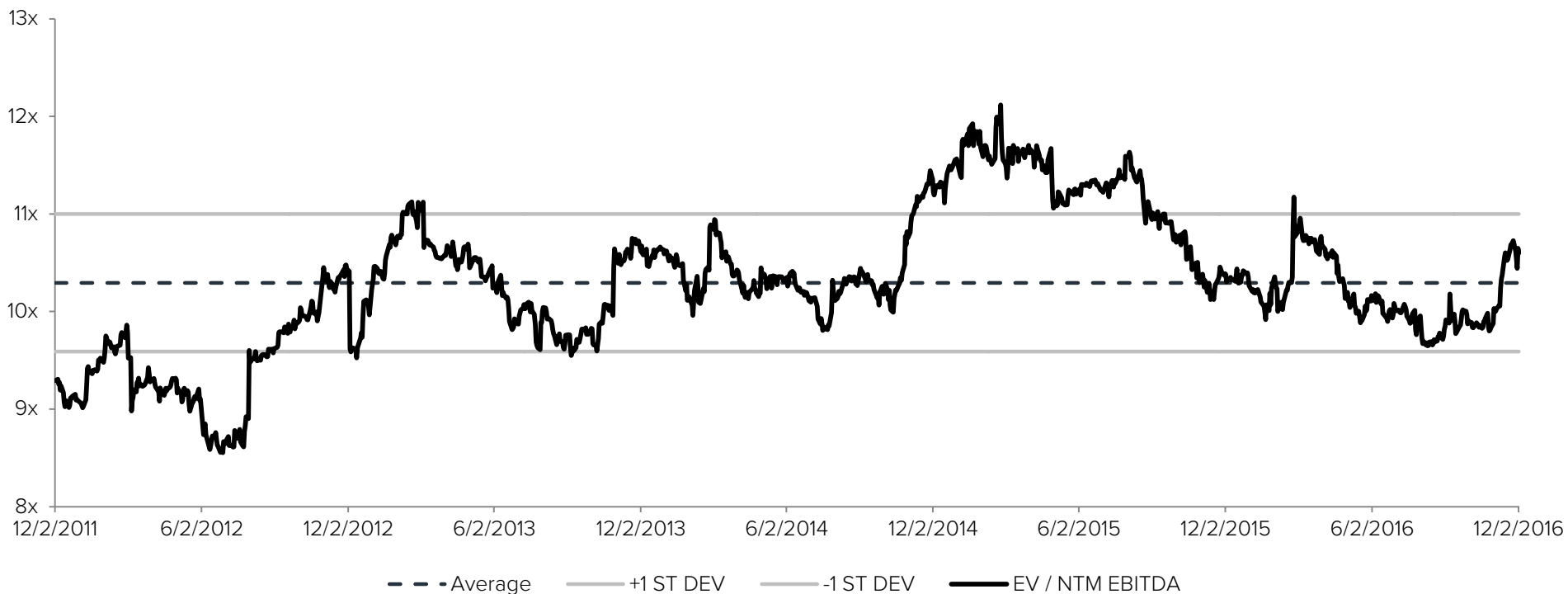
## Quick Service Restaurant

Company	Ticker	Price	Mkt Cap	1D	5D	1M	3M	6M	YTD
				% Chg	% Chg	% Chg	% Chg	% Chg	% Chg
S&P 500	SPX	2,191		-0.35	-0.62	3.76	0.93	4.37	7.20
CONSUMER DISCRETIONARY SEL SECT SPI	XLY	81.89		0.05	-1.08	5.60	1.45	3.41	4.77
Arcos Dorados Holdings, Inc. Class A	ARCO	6.00	784	1.69	6.19	0.00	23.20	38.57	92.93
Jack in the Box Inc.	JACK	105.50	3,411	1.42	-1.98	12.31	5.82	23.38	9.96
Wendy's Company	WEN	12.56	3,228	-0.08	-1.57	17.38	24.85	23.26	16.62
Restaurant Brands International Inc	QSR	47.16	11,036	-0.78	-1.26	7.06	-2.82	14.11	26.23
Fiesta Restaurant Group, Inc.	FRGI	28.35	763	-1.05	-3.41	10.53	12.01	13.13	-15.62
Carrols Restaurant Group, Inc.	TAST	13.35	478	-1.84	-2.20	8.10	-0.30	8.36	13.71
Yum! Brands, Inc.	YUM	62.69	23,008	-1.10	-0.73	3.30	-3.94	5.77	19.35
Popeyes Louisiana Kitchen, Inc.	PLKI	60.08	1,245	0.33	-2.83	13.98	10.64	3.94	2.70
Bojangles, Inc.	BOJA	17.80	649	-0.56	-9.41	18.67	11.88	1.19	12.16
McDonald's Corporation	MCD	118.47	98,383	-0.67	-1.39	5.54	2.66	-2.87	0.28
Sonic Corp.	SONC	26.74	1,224	2.45	-3.78	17.64	-5.14	-10.12	-6.80
Mean				-0.02	-2.03	10.41	7.17	10.79	15.59
Median				-0.56	-1.98	10.53	5.82	8.36	12.16

## Casual Dining

Company	Ticker	Price	Mkt Cap	1D	5D	1M	3M	6M	YTD
				% Chg	% Chg	% Chg	% Chg	% Chg	% Chg
Cheesecake Factory Incorporated	CAKE	60.81	2,884	2.77	1.65	15.45	19.10	21.04	31.88
Brinker International, Inc.	EAT	53.82	2,672	1.34	-2.48	10.33	0.79	19.79	18.21
Dave & Buster's Entertainment, Inc.	PLAY	47.50	1,998	1.39	0.13	18.31	2.72	18.72	30.96
Buffalo Wild Wings, Inc.	BWLD	170.70	3,107	1.25	1.04	16.76	6.04	17.39	6.92
Darden Restaurants, Inc.	DRI	75.79	9,328	3.40	1.75	17.80	22.46	12.40	11.74
Wingstop, Inc.	WING	31.48	904	2.57	-0.32	20.52	4.52	11.28	38.01
Del Frisco's Restaurant Group, Inc.	DFRG	17.30	407	0.58	4.22	22.26	15.33	9.56	7.99
Texas Roadhouse, Inc.	TXRH	47.75	3,367	1.83	0.42	18.02	7.86	5.20	33.49
Fogo de Chao, Inc.	FOGO	14.00	394	1.08	0.00	23.89	14.19	3.24	-7.65
DineEquity, Inc.	DIN	86.58	1,567	3.59	-0.68	11.77	11.36	1.93	2.26
Red Robin Gourmet Burgers, Inc.	RRGB	52.15	671	1.36	-3.16	15.38	4.01	-1.19	-15.53
Bloomin' Brands, Inc.	BLMN	18.85	1,987	1.34	-4.56	9.78	-3.73	-2.08	11.60
Chuy's Holdings, Inc.	CHUY	32.60	548	3.99	3.66	17.90	8.63	-2.31	4.02
BJ's Restaurants, Inc.	BJRI	37.65	876	1.48	-3.83	4.01	-4.00	-17.16	-13.39
Ruby Tuesday, Inc.	RT	3.06	184	1.32	-2.86	6.25	-1.29	-22.73	-21.13
Bravo Brio Restaurant Group, Inc.	BBRG	3.90	57	-6.02	-8.24	-13.33	-13.91	-48.14	-56.67
Mean				1.45	-0.83	13.44	5.88	1.68	5.17
Median				1.37	-0.16	16.11	5.28	4.22	7.46

# DIN EV / NTM EBITDA



**THE PEAK OF 2015 IS LONG GONE**

# VALUATION MATRIX

## NTM EV/EBITDA Multiple

EBITDA

	7.5x	7.8x	8.1x	8.4x	8.7x	9.0x	9.3x	9.6x	9.9x	10.2x	10.5x
\$245	\$31.58	\$35.65	\$39.71	\$43.77	\$47.84	\$51.90	\$55.96	\$60.03	\$64.09	\$68.16	\$72.22
\$248	\$32.60	\$36.70	\$40.81	\$44.91	\$49.02	\$53.12	\$57.22	\$61.33	\$65.43	\$69.54	\$73.64
\$250	\$33.62	\$37.77	\$41.92	\$46.06	\$50.21	\$54.35	\$58.50	\$62.64	\$66.79	\$70.93	\$75.08
\$252	\$34.66	\$38.85	\$43.03	\$47.22	\$51.41	\$55.60	\$59.78	\$63.97	\$68.16	\$72.34	\$76.53
\$255	\$35.71	\$39.94	\$44.16	\$48.39	\$52.62	\$56.85	\$61.08	\$65.31	\$69.54	\$73.77	\$78.00
\$258	\$36.76	\$41.04	\$45.31	\$49.58	\$53.85	\$58.12	\$62.39	\$66.66	\$70.93	\$75.20	\$79.48
\$260	\$37.83	\$42.15	\$46.46	\$50.77	\$55.09	\$59.40	\$63.72	\$68.03	\$72.34	\$76.66	\$80.97
\$263	\$38.91	\$43.27	\$47.62	\$51.98	\$56.34	\$60.70	\$65.05	\$69.41	\$73.77	\$78.12	\$82.48
\$265	\$40.00	\$44.40	\$48.80	\$53.20	\$57.60	\$62.00	\$66.40	\$70.80	\$75.20	\$79.60	\$84.01

**BEAR**

**-64%**

**BASE**

**-34%**

**BULL**

**-3%**

## DIN IS TRADING OUTSIDE ITS COMFORT ZONE

We see considerable downside in DIN as the problems at Applebee's start to boil over. Our prediction of a considerable decline in profitability leading to declines in buybacks and a no growth dividend or dividend cut will drastically reduce the multiple at which DIN trades.

# SUMMARY OF OUR THOUGHTS

## Key Points

- 1 Business fundamentals are deteriorating
- 2 Franchisees are struggling
- 3 Financials are Strained/Significant off Balance sheet issues
- 4 Dividend cut is a real possibility

## Risks to the Short

- 1 Secular decline in trends drastically reverses
- 2 Trump trade continues

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