UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): October 21, 2004

IHOP CORP.
(Exact name of registrant as specified in its charter)

Delaware	**001-15283**	**95-3038279**
(State or other jurisdiction of incorporation or organization)	(Commision File Number)	(I.R.S. Employer Identification No.)

450 North Brand, Glendale, California	**91203**
(Address of principal executive offices)	(Zip Code)

(818) 240-6055
Registrant's telephone number, including area code

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On October 21, 2004 IHOP Corp. issued a press release announcing its third quarter 2004 financial results. A copy of the press release is attached as Exhibit 99.1, and incorporated herein by reference.

Also on October 21, 2004, IHOP Corp. held a conference call to discuss its third quarter 2004 financial results. A copy of the prepared remarks of management is attached as Exhibit 99.2, and incorporated herein by reference.

The prepared remarks of management accompanying management's discussion during the conference call include references to the non-GAAP financial measure "free cash flow." The Company defines "free cash flow" for a given period as cash provided by operating activities for such period, less capital expenditures for such period. Management utilizes free cash flow as a measure of operating efficiency to determine the amount of cash remaining for general corporate and strategic purposes after funding operating activities and capital expenditures. Management believes this information is helpful to investors to determine the Company's cash available for these purposes. Free cash flow for any given period may be affected by a variety of factors, including but not limited to, changes in assets and liabilities and the timing of purchases and payments. Free cash flow is a supplemental non-GAAP measure and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

The following table reconciles the Company's free cash flow for the nine months ended September 30, 2004, to the Company's cash provided by operating activities for the nine months ended September 30, 2004:

	Nine Months Ended September 30, 2004 (dollars in thousnads)		Nine Months Ended September 30, 2003 (dollars in thousnads)	
Cash flows from operating activities:	$	51,839	$	55,012
Capital expenditures		(11,601)		(64,993)
Free cash flow	$	40,238	$	(9,981)

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(c) Exhibits

Exhibit Number	Description
99.1	Press release of Registrant, dated October 21, 2004 (Third Quarter 2004 Financial Results).
99.2	Prepared remarks of management of Registrant for conference call held on October 21, 2004.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	IHOP CORP.
Date: October 21, 2004	By: /s/ Thomas Conforti
	Thomas Conforti
	Chief Financial Officer (Principal Financial Officer)

EXHIBIT INDEX TO CURRENT REPORT ON FORM 8-K

Exhibit Number	Description
99.1	Press release of Registrant, dated October 21, 2004 (Third Quarter 2004 Financial Results).
99.2	Prepared remarks of management of Registrant for conference call held on October 21, 2004.

Exhibit 99.1

FOR IMMEDIATE RELEASE

Stacy Roughan
Director, Investor Relations
IHOP Corp.
818-637-3632

IHOP CORP. REPORTS THIRD QUARTER 2004 RESULTS

Company Updates Performance Guidance Due to the Continued Strength of its Core Business

Business Model Transition on Track for Year-End 2004 Completion

GLENDALE, Calif. – October 21, 2004 — IHOP Corp. (NYSE: IHP) today announced results for its third quarter and nine months ended September 30, 2004.

IHOP reported a 30.5% decrease in net income to $7.7 million, or a decrease of 25.5% in diluted earnings per share to $0.38 in the third quarter 2004. During the quarter, IHOP's net income and diluted net earnings per share performance was impacted by pre-tax impairment and closure charges of $3.1 million related to the Company's strategic repositioning of Company-operated restaurants previously announced on July 22, 2004. Excluding these charges, net income for the third quarter 2004 would have decreased 13.1% to $9.6 million, or a decrease of 7.8% in diluted net income per share to $0.47. This decrease is attributable to the reduction in the number of IHOP-developed restaurants franchised in the third quarter 2004 versus the third quarter 2003 as the Company completes the transition to its new business model.

For the nine months ended September 30, 2004, the Company reported a decrease of 18.0% in net income to $22.9 million, or a decrease of 15.5% in diluted net income per share to $1.09. For the nine months ended September 30, 2004, IHOP's net income and diluted net earnings per share performance was impacted by pre-tax impairment and closure charges of $13.1 million related primarily to its repositioning of Company-operated restaurants.

System-wide same-store sales increased by 5.3% in the third quarter, reflecting, among other things, the positive impact of IHOP's Paradise Pancakes and Never Ending Popcorn Shrimp product promotions featured during the quarter. For the nine months ended September 30, 2004, same-store sales increased by 5.6%.

"We are pleased with our performance for the quarter and year-to-date as we continue to produce terrific same-store sales results through proven marketing and operations initiatives IHOP has established over the past seven quarters," said Julia A. Stewart, IHOP's President and Chief Executive Officer. "During this time of growth for our core business, we are also pleased to report that we have remained on track to successfully complete our two-year business model transition by the end of 2004, and we are well positioned to capture all of the benefits we originally envisioned for IHOP and for our shareholders with this shift.

"Reaching our "steady state" operating model early next year includes unit growth driven almost exclusively by franchisee-funded development of approximately 60 new IHOP restaurants per year. Same-store sales growth is expected to continue as we encourage our guests to visit

IHOP more often, providing improved operations, enticing new menu offerings and appealing promotions. All of this will lead to continued generation of significant free cash flow," Stewart said.

Cash flow from operations decreased slightly through the nine months ended September 30, 2004 to $51.8 million compared to $55.0 million in the same period last year. Capital expenditures were reduced significantly from $65.0 million during the first nine months of 2003 to $11.6 million for the same period in 2004, reflecting the shift to franchisee funded development of new IHOP restaurants.

System-wide sales increased 8.3% in the third quarter and 9.7% for the nine months ended September 30, 2004 over the same periods in 2003. The sales increase is primarily the result of an increase in average sales per effective restaurant and growth in the number of effective restaurants. Average sales per effective restaurant increased 6.1% in the third quarter and 5.8% for the nine months ended September 30, 2004 over the same periods in 2003. Effective restaurants grew by 2.0% in the third quarter and 3.6% for the first nine months of 2004 over the same periods last year.

Third Quarter 2004 Highlights

The following are key business highlights for the third quarter 2004:

- The Company made excellent progress in executing its plan to strategically reposition Company-operated restaurants, reducing the number of Company-operated restaurants to 21 as of the end of the third quarter 2004 versus 32 restaurants at the end of the second quarter 2004. IHOP expects to refranchise all but three of its existing Company-operated restaurants by the end of the first quarter 2005.

- IHOP hired Carolyn O'Keefe as its new Chief Marketing Officer during the quarter. Under Carolyn's leadership, the Company expects to build upon its successful advertising campaign and bring an added level of sophistication and execution to its marketing efforts. IHOP's goal is to develop a fully integrated brand positioning and deliver an authentic, warmhearted and welcoming experience every time a guest interacts with IHOP.

- The Company has eliminated most of the lowest rated franchise operators from its system, and continues to make progress in moving average franchise operators to superior or excellent status.

- IHOP has made significant progress in transitioning to its new business model in which franchisees finance the development of new IHOP restaurants. As of September 30, 2004, the Company has secured commitments for its franchisees to build 241 new IHOP restaurants over the next 11 years.

- In September 2004, IHOP hosted close to 1,000 franchisees, operators, vendor partners and employees for its most important gathering of the year, the National Franchise Conference. Focused on the theme of "Delivering the Promise," the three-day event included presentations, interactive breakouts and social functions that celebrated the success of 2004, laid the foundation for an exciting 2005, and provided a clear understanding of the Company's strategy, direction and vision of the IHOP brand to its key stakeholders.

- More recently, the Editorial Board of *Nation's Restaurant News*, one of the leading restaurant publications, selected IHOP and its Chief Executive Officer, Julia Stewart as Golden Chain Award Winner for 2004. The Golden Chain Award honors outstanding multi-unit foodservice executives, celebrating the recipients' recent accomplishments and career achievements. The award was presented to IHOP at the 45th Annual Multi-Unit Foodservice Operators (MUFSO) conference.

2004 Guidance Update

The Company is updating its 2004 performance guidance due to the continuing strength of its core business and momentum in the marketplace. IHOP now expects fiscal 2004 net income to range between $1.45 and $1.55 per diluted share, including the effect of the previously announced Company-operated restaurant repositioning write-off of $13 million to $14 million in 2004. Excluding the effect of the write-off, the Company expects fiscal 2004 net income to range between $1.85 and $1.95 per diluted share. Previously, IHOP's guidance had been that net income for fiscal 2004 would range between $1.40 to $1.50 per diluted share including the effect of the write-off, and between $1.80 and $1.90 per diluted share excluding the effect of the write-off.

IHOP also is raising its expectations for cash flow from operations to range between $60 million to $65 million for 2004, from the Company's previous guidance of $50 million to $55 million, due to the continuing strength of its core business as well as improvements in receivables collection.

Additionally, IHOP is updating its expectations for capital expenditures for 2004 to range between $13 million and $16 million due primarily to higher than anticipated capital expenses associated with the development and testing of IHOP's new remodel package and expenditures associated with IHOP-developed restaurants opened prior to 2004. Previously, the Company's guidance had been that capital expenditures for fiscal 2004 would be on the higher end of its $10 million to $15 million range.

Investor Conference Call Today

IHOP will release full financial results for the third quarter 2004 on Thursday, October 21, 2004 before the market opens. The Company will host an investor conference call to discuss its third quarter 2004 results on Thursday, October 21, 2004 at 11:00 a.m. ET (8:00 a.m. PT). To participate on the call, please dial 866-800-8652 and reference pass code 78198313. A live webcast of the call may be accessed on the Investor Information section of IHOP's Web site at www.ihop.com. Participants should allow approximately ten minutes prior to the call's start time to visit the site and download any streaming media software needed to listen to the webcast. A telephonic replay of the call may be accessed through Thursday, October 28, 2004 by dialing 888-286-8010 and referencing pass code 55693978. An online archive of the webcast will also be available on the Investor Information section of IHOP's Web site.

About IHOP Corp.

The IHOP family restaurant chain has been serving a wide variety of breakfast, lunch and dinner selections for more than 45 years. Offering more than 16 types of pancakes, as well as omelettes, breakfast specialties, burgers, sandwiches, chicken and steaks, IHOP's diverse menu appeals to people of all ages. IHOP restaurants are operated and franchised by Glendale, California based IHOP Corp. As of September 30, 2004, the end of IHOP's third quarter, there were 1,168 IHOP restaurants in 48 states and Canada. IHOP is publicly traded on the NYSE under the symbol "IHP." For more information, call the Company's headquarters at (818) 240-6055 or visit the Company's Website located at www.ihop.com.

Forward-Looking Statements

There are forward-looking statements contained in this news release. They use such words as “may,” “will,” “expect,” “believe,” “anticipate,” “plan,” or other similar terminology. These statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results to be materially different than those expressed or implied in such statements. These factors include, but are not limited to: risks associated with the implementation of the Company’s strategic growth plan, the availability of suitable locations and terms of the sites designated for development; the ability of franchise developers to fulfill their commitments to build new IHOP restaurants in the numbers and time frames covered by their development agreements; the ability of the Company to franchise its remaining Company-operated restaurants; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; conditions beyond IHOP’s control such as weather, natural disasters or acts of war or terrorism; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the International House of Pancakes brand and concepts by guests and franchisees; IHOP’s overall marketing, operational and financial performance; economic and political conditions; adoption of new, or changes in, accounting policies and practices; and other factors discussed from time to time in IHOP’s filings with the Securities and Exchange Commission. Forward-looking information is provided by IHOP pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, IHOP disclaims any intent or obligation to update these forward-looking statements.

[Financial Tables to Follow]

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
PERIOD ENDED SEPTEMBER 30, 2004
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Revenues				
Franchise revenues	$ 39,094	$ 35,761	$ 115,432	$ 104,269
Rental income	32,447	29,581	97,244	86,888
Company restaurant sales	7,509	19,818	26,378	60,827
Financing revenues	7,493	19,602	25,517	50,053
Total revenues	86,543	104,762	264,571	302,037
Costs and Expenses				
Franchise expenses	18,262	16,267	54,857	47,629
Rental expenses	24,057	21,718	71,182	63,857
Company restaurant expenses	8,031	21,485	28,929	64,886
Financing expenses	3,926	11,335	12,840	28,036
General and administrative expenses	15,734	12,744	43,414	38,573
Other (income) expense, net	1,177	971	3,495	3,280
Impairment and closure charges	3,071	1,469	13,130	2,386
Reorganization charges	—	1,104	—	8,624
Total costs and expenses	74,258	87,093	227,847	257,271
Income before income taxes	12,285	17,669	36,724	44,766
Provision for income taxes	4,612	6,625	13,775	16,787
Net income	$ 7,673	$ 11,044	$ 22,949	$ 27,979
Net Income Per Share				
Basic	$ 0.38	$ 0.51	$ 1.10	$ 1.30
Diluted	$ 0.38	$ 0.51	$ 1.09	$ 1.29
Weighted Average Shares Outstanding				
Basic	20,153	21,497	20,839	21,443
Diluted	20,318	21,721	21,021	21,623
Dividends Declared Per Share	$ 0.25	$ 0.25	$ 0.75	$ 0.50
Dividends Paid Per Share	$ 0.25	$ 0.25	$ 0.75	$ 0.50

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DATA
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Restaurant Data				
Effective restaurants (a)				
Franchise (b)	992	926	986	908
Company	27	76	33	77
Area license (b)	146	140	145	139
Total	1,165	1,142	1,164	1,124
System-wide				
Sales (c)	$ 466,118	$ 430,273	$ 1,392,507	$ 1,269,631
Percent change	8.3%	15.0%	9.7%	14.7%
Average sales per effective restaurant	$ 400	$ 377	$ 1,196	$ 1,130
Percent change	6.1%	5.9%	5.8%	5.6%
Same-store sales percentage change (d)	5.3%	4.7%	5.6%	4.4%
Franchise (b)				
Sales	$ 416,481	$ 373,058	$ 1,237,460	$ 1,095,721
Percent change	11.6%	15.9%	12.9%	15.4%
Average sales per effective restaurant	$ 420	$ 403	$ 1,255	$ 1,207
Percent change	4.2%	4.9%	4.0%	4.9%
Same-store sales percentage change (d)	5.2%	4.6%	5.5%	4.2%
Company				
Sales	$ 7,509	$ 19,818	$ 26,378	$ 60,827
Percent change	(62.1)%	0.9%	(56.6)%	9.8%
Average sales per effective restaurant	$ 278	$ 261	$ 799	$ 790
Percent change	6.5%	3.6%	1.1%	6.9%
Area License (b)				
Sales	$ 42,128	$ 37,397	$ 128,669	$ 113,083
Percent change	12.7%	13.8%	13.8%	10.7%
Average sales per effective restaurant	$ 289	$ 267	$ 887	$ 814
Percent change	8.2%	10.3%	9.0%	6.8%

(a) "Effective restaurants" are the number of restaurants in a given fiscal period adjusted to account for restaurants open for only a portion of the period. It is calculated by dividing total restaurant operating days by 91 days for a quarterly calculation. Information is presented for all effective restaurants in the IHOP system, which includes IHOP restaurants owned by the Company as well as those owned by franchisees and area licensees.

(b) IHOP historically reported restaurants in Canada as franchise restaurants although the restaurants were operated under an area license agreement. Beginning with 2004, Canadian restaurants will be reported as "Area License". Prior year information has been restated to conform to the current year presentation.

(c) "System-wide sales" are retail sales of franchisees, area licensees and Company-operated restaurants, as reported to IHOP. Sales of restaurants that are owned by franchisees and area licensees are not attributable to the Company. However, we believe that presentation of this information is useful in analyzing our revenues because franchisees and area licensees pay us royalties that are generally based on a percentage of their sales, as well as rental payments under leases that generally include a component that is based on a percentage of their sales.

(d) "Same-store sales percentage change" reflects the percentage change in sales for restaurants that have been operated for the entire fiscal period in which they are being compared and have been open for at least 18 months. Because of new unit openings and store closures, the restaurants opened for an entire fiscal period being compared will be different from period to period. Same-store average sales do not include data on restaurants located in Florida.

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DEVELOPMENT AND FRANCHISING ACTIVITY
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
RESTAURANT DEVELOPMENT ACTIVITY				
IHOP-beginning of period	1,167	1,136	1,165	1,103
New openings				
IHOP-developed	—	12	3	45
Franchisee-developed (a)	11	1	18	7
Area license	1	4	4	4
Total new openings	12	17	25	56
Closings				
Company and franchise	(11)	(4)	(22)	(10)
Area License	—	—	—	—
IHOP-end of period	1,168	1,149	1,168	1,149
Summary-end of period				
Franchise (a)	1,001	940	1,001	940
Company	21	68	21	68
Area license (a)	146	141	146	141
Total IHOP	1,168	1,149	1,168	1,149
RESTAURANT FRANCHISING ACTIVITY				
IHOP-developed	2	21	6	51
Franchisee-developed (a)	11	1	18	7
Rehabilitated and refranchised	5	4	16	6
Total restaurants franchised	18	26	40	64
Reacquired by IHOP	(3)	(4)	(6)	(10)
Closed	(4)	(2)	(12)	(4)
Net addition	11	20	22	50

(a) IHOP historically reported restaurants in Canada as franchise restaurants although the restaurants were operated under an area license agreement. Beginning with 2004, Canadian restaurants will be reported as "Area License". Prior year information has been restated to conform to the current year presentation.

IHOP CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	September 30, 2004 (Unaudited)	December 31, 2003
Current assets	$ 102,517	$ 127,081
Property and equipment, net	304,899	314,221
Long-term receivables:		
Notes receivable	40,745	49,470
Equipment contracts receivable	173,098	174,737
Direct financing leases receivable	127,771	129,829
Other assets	51,533	47,666
Total assets	$ 800,563	$ 843,004
Current liabilities	$ 47,414	$ 45,373
Long-term debt	138,157	139,615
Other long-term liabilities	277,535	275,656
Stockholders' equity	337,457	382,360
Total liabilities and stockholders' equity	$ 800,563	$ 843,004

IHOP CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2004	2003
Cash flows from operating activities		
Net income	$ 22,949	$ 27,979
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	13,867	13,827
Impairment and closure charges	13,130	2,386
Reorganization charges	—	5,534
Changes in current assets and liabilities	4,778	4,873
Other	(2,885)	413
Cash flows provided by operating activities	51,839	55,012
Cash flows from investing activities		
Additions to property and equipment	(11,601)	(64,993)
Redemption and purchase of marketable securities, net	16,955	(43,713)
Principal receipts from long-term receivables	15,870	11,737
Other	388	(11,161)
Cash flows provided by (used in) investing activities	21,612	(108,130)
Cash flows from financing activities		
Proceeds from sale and leaseback arrangements	—	12,618
Dividends paid	(15,748)	(10,771)
Purchase of treasury stock	(57,677)	(16,852)
Other	(250)	5,054
Cash flows used in financing activities	(73,675)	(9,951)
Net decrease in cash and cash equivalents	(224)	(63,069)
Cash and cash equivalents at beginning of period	27,996	98,739
Cash and cash equivalents at end of period	$ 27,772	$ 35,670

Exhibit 99.2

IHOP Corp.
Third Quarter 2004 Conference Call Script

Operator Introduction

Good day ladies and gentlemen, and welcome to IHOP's third quarter 2004 conference call. As a reminder, today's conference is being recorded. We do ask that you stay on the line for the duration of today's call, as we will be conducting a question-and-answer session. Directions on how to participate will be given at the end of management's introductory remarks.

And now for opening remarks and introductions, I would like to turn the call over to Stacy Roughan, please go ahead.

Stacy Roughan – Welcome and Safe Harbor

Good morning and thank you for participating on IHOP's third quarter 2004 conference call. Today, with us from management are Julia Stewart, President and CEO, and Tom Conforti, CFO.

Before I turn the call over to Julia and Tom, I would like to inform you that today's conference call contains forward-looking statements. These forward-looking statements include such words as "may," "will," "expect," "believe," "anticipate," "plan," or other similar terminology. These statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results to be materially different than those expressed or implied in such statements. These factors include, but are not limited to: risks associated with the implementation of the Company's strategic growth plan, the availability of suitable locations and terms of the sites designated for development; the ability of franchise developers to fulfill their commitments to build new IHOP restaurants in the numbers and time frames covered by their development agreements; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; conditions beyond IHOP's control such as weather, natural disasters or acts of war or terrorism; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the IHOP brand and concepts by guests and franchisees; IHOP's overall marketing, operational and financial performance; economic and political conditions; adoption of new, or changes in, accounting policies and practices; and other factors discussed from time to time in IHOP's filings with the Securities and Exchange Commission, news releases and future conference calls. Forward-looking information is provided by IHOP pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, IHOP disclaims any intent or obligation to update these forward-looking statements.

Now, I'd like to turn the call over to Julia Stewart.

Julia Stewart – Third Quarter Performance Overview

Thanks, Stacy, and welcome to everyone participating on the call. Today, we have a lot of information to share, so let's begin with our performance highlights for third quarter.

We reported net income of $7.7 million [dollars], or $0.38 [cents] diluted earnings per share for the third quarter 2004. Our net income and diluted earnings per share performance was impacted by pre-tax impairment and closure charges of $3.1 million related to our previously announced plan to strategically reposition Company-operated restaurants. Excluding these charges, we had a strong bottom line performance, reporting net income of $9.6 million [dollars], or diluted net income per share of $0.47 [cents]. Our performance reflects the momentum we are experiencing in the marketplace as our energizing strategies continue to strengthen our core business.

System-wide same-store sales increased by 5.3% in the third quarter, reflecting the positive impact of the Paradise Pancakes and Never Ending Popcorn Shrimp limited time promotions featured during the quarter. Year-to-date, same-store sales increased by 5.6%. Our same-store sales performance continues at an exceptional pace, and remains a key factor in not only our strong financial performance for the quarter, but also our improved outlook for the year.

In the third quarter, it appears that our same-store sales growth was primarily driven by increases in average check, and to a much lesser extent, by increases in traffic. We believe there are several factors driving these increases, including increased menu prices in response to commodity price pressures, menu price increases taken with the new menu design roll out during the quarter, and the impact of our higher priced Never Ending Popcorn Shrimp promotion. Obviously, our preference is that same-store sales come from increased traffic in our restaurants, and not predominantly from check average increases, so we are watching this dynamic closely.

Paradise Pancakes – a second year promotion – performed well as we continue to build upon our strength at breakfast and protect our breakfast franchise. Our guests are motivated by featured breakfast promotions and are eager to come into IHOP to try a new breakfast item, which they know and trust we execute well.

As you know, one of our key, longer-term goals is for guests to be just as eager to enjoy IHOP at lunch and dinner as they are at breakfast. We have a three-pronged strategy to grow beyond the breakfast day part, including promotions that feature lunch and dinner items, core menu enhancements and our restaurant remodel package, which will improve the overall guest experience throughout the day. Developing our lunch and dinner business is a longer-term strategic priority, and we remain committed to building these day parts.

Overall, we are pleased with our year-to-date same-store sales trends, as they perform ahead of our results last year and reflect our commitment to brand energizing strategies and operational excellence.

Our new Chief Marketing Officer, Carolyn O'Keefe, will be responsible for continuing to drive our same-store sales performance. Under her leadership, we expect to build upon our successful marketing campaign and bring an added level of sophistication and execution to our efforts. Our goal is to develop a fully integrated brand positioning across all day parts and deliver a genuine, warmhearted and welcoming experience every time a guest interacts with IHOP. Carolyn's experience at companies such as Baskin Robins, Disney and PepsiCo is ideally suited to help us achieve this goal, and we look forward to her contribution.

Our brand energizing efforts also involved the implementation of our restaurant remodel program, which has been well received by the franchise community. We expect to complete approximately 50 remodels this year and approximately 240 to 260 remodels in 2005. Our entire system will be remodeled over the next five years as we work to evolve guests' perceptions of IHOP and the IHOP dining experience.

The roll out of our new core menu design is also proceeding well with 635 restaurants, or more than half our system, as franchisees have ordered or signed up for our new menu format. Our new menu design has a more contemporary look and feel that reinforces our evolving brand image. We also expect the menu to convey a real sense of new food news at IHOP with the addition of successful product promotions to the core menu — items that include Stuffed French Toast and Super Stacker Sandwiches.

We continue to promote operational excellence by working with our franchisees to improve their overall operational ratings. We are providing the tools, training and support needed to lift average franchise operators to superior or excellent status. Our efforts also included eliminating most of the lowest rated franchise operators from our system. We continue to invest in our Mystery Shop program to get the feedback we need from our guests to ensure we are exceeding their expectations. We have seen statistically significant improvements since the inception of our program across key areas, including our guests' overall experience, service satisfaction and hospitality.

While our focus on operational excellence may appear to be a simple approach, never underestimate the power of IHOP and our franchisees' focus on operations to move our system forward. There is a tremendous amount of upside for IHOP to capture as we work to further instill operational excellence at the restaurant level.

Our dedication to operational excellence was best demonstrated last month as we hosted franchisees, operators, vendor partners and employees at our National Franchise Conference. We topped last year's record attendance with nearly 1,000 people coming together for our most important gathering of the year. Through presentations, interactive breakouts and social functions, we celebrated the success of 2004, and began to prepare for an exciting 2005. The theme of our National Franchise Conference was "Delivering the Promise." Our franchisees, operators, vendor partners and employees walked away with a clear understanding of the vision for the IHOP brand, and the strategy and tactics required for continuing IHOP's momentum in the marketplace. With all our stakeholders focused on Delivering the Promise, IHOP is moving that much closer to becoming number one in family dining.

In 2004, we expect to open two to three IHOP restaurants in our new, dedicated Company market in Cincinnati. In Cincinnati, we will introduce and test our new building prototype, in addition to many new marketing, operations, training and menu initiatives. With our first restaurant set to open in late November, we are very excited to see Cincinnati become a true source of great ideas and best practices for our system.

During the quarter, our commitment to maximize franchise development began to materialize as franchisees opened a greater number of restaurants under our new business model. 11 franchisee-developed restaurants and one area licensee-developed restaurant opened during the quarter. Also, I wanted to note that the timing of our franchisees' development schedule is consistent with our historical development patterns, which have been somewhat "back loaded" to the second half of the year, and predominantly in the fourth quarter. We are pleased that our franchisees are fulfilling their development commitments in accordance with their agreements, and in a timely manner. We are confident of meeting our expectations of 35 to 45 new IHOP restaurants opened by our franchisees and area licensee in 2004.

Our development pipeline also continues to grow. We have development agreements covering 241 new restaurants as of the end of the third quarter, and we are currently pursuing additional MSDA and SSDA commitments for 31 more IHOP restaurants. At the time of our business model change in early 2003, we stated that it was our projection that there were about 400 to 800 new IHOP restaurants possible in the domestic U.S. Reconciling this with the number of the restaurants we opened in 2003 and our projections for full-year 2004, our remaining potential stands at approximately 300 to 700 additional IHOP restaurants. Our current development pipeline already gets us near the lower end of our original unit growth expectations, and we will continue our franchise recruiting efforts full force to capture every possible unit growth opportunity.

As I mentioned, the theme of our National Franchise Conference was Delivering the Promise. Before I turn the call over to Tom, I'd like to take a moment to talk about how IHOP has delivered the promise for our shareholders.

We embarked on an agenda of dramatic change in January 2003, beginning with our business model transition. We successfully changed our Company's formula for growth from a Company-led development approach to a franchisee-led development effort, which allowed IHOP to focus on re-energizing unit level growth. We reduced capital expenditures from $140 million [dollars] in 2002, which was our last full year of development, to our current expectations of spending between $13 million [dollars] and $16 million [dollars] in Capex this year. This will have a terrific effect on our free cash flow performance. We now expect to end 2004 with between $44 million [dollars] to $55 million [dollars] in positive free cash flow. This more than a $100 million [dollar] difference, compared to IHOP's negative free cash flow performance of $64 million [dollars] in fiscal 2002.

This turnaround has provided us with the cash to complete our current 2.6 million share repurchase authorization by the end of 2004. In addition, we are set to pay our seventh dividend payment, which is the highest payment in the restaurant industry at $0.25 [cents] per share per quarter.

As a management team, we made many promises to our shareholders back in January 2003. Since then, all the changes we have implemented over the past seven quarters have had a single, guiding principle at the heart of every decision we have made – improving shareholder value. As we are set to complete our business model transition by the end of 2004, we are pleased to move to our steady state operating model next year having delivered on every promise we made to the investment community. We took full advantage of the two-year transition period, and we now have a new business model that is ready to perform the way we envisioned it.

In many ways, we exceeded even our own expectations.

Now, I'd like to turn the call over to our Chief Financial Officer, Tom Conforti

Tom Conforti – Third Quarter Performance Detail

Thanks, Julia and good morning everyone. Today, I'll walk you through our performance for the quarter. First, let's begin with our bottom line performance.

We reported a 30.5% decrease in net income to $7.7 million, or a decrease of 25.5% in diluted earnings per share to $0.38 in the third quarter 2004. Our net income and diluted net earnings per share performance was impacted by pre-tax impairment and closure charges of $3.1 million related to the Company's strategic repositioning of Company-operated restaurants. Excluding these charges, net income for the third quarter 2004 would have decreased 13.1% to $9.6 million, or 7.8% in diluted net income per share of $0.47. This decrease is attributable to the reduction in the number of IHOP-developed restaurants franchised in the third quarter as we complete the transition to our new business model.

For the nine months ended September 30, 2004, we reported a decrease of 18.0% in net income to $22.9 million, or a decrease of 15.5% in diluted net income per share to $1.09. Our performance year-to-date was impacted by pre-tax impairment and closure charges of $13.1 million.

As we've previously indicated, because of the transition to our new business model and planned reduction in Company-operated restaurants, we expected to see a reduction in revenues. Total revenues for the quarter, in fact, decreased 17.4% to $86.5 million. However, system-wide sales increased by 8.3% due to an increase in the number of effective restaurants, as well as our improved same-store sales performance.

Now, let me briefly cover our quarterly profit performance highlights by our four key reporting segments.

Franchise Operations revenues grew by 9.3%, while profit for the segment increased 6.9% for the quarter primarily due to increases in franchise retail sales. Franchise retail sales increases were due to growth in effective units as well as our same-store sales performance. Franchise operations expenses increased by 12.3%. Franchise Operations profit was negatively impacted by a decrease in core franchise fees associated with the franchising of 19 fewer IHOP-developed restaurants in the quarter than in 2003.

Rental revenues and profit increased by 9.7% and 6.7% for the quarter due to an increase in the number of operating leases associated with new and refranchised restaurants.

Financing Operations revenues decreased by 61.8%, and profit decreased by 56.9% for the quarter because 19 fewer IHOP-developed restaurants were franchised and opened.

In our final segment, Company Restaurant Operations, we reported a 62.1% decrease in revenues due to 49 fewer effective Company-operated restaurants than in Q3 2003. Expenses in this segment decreased by a like percentage as we significantly reduced the number of Company-operated restaurants. As a result, the loss decreased 68.7%.

Last quarter, we shared our plan to aggressively refranchise the remaining restaurants in our Company-operated base. I am pleased to report that our progress in reducing the number of Company restaurants is proceeding very well. During the third quarter, we refranchised seven Company-operated restaurants, and closed seven Company-operated restaurants, in line with our repositioning plan. These actions reduced our Company-operated base to 21 units. 18 of these remaining restaurants are in the pipeline to be refranchised by the end of the first quarter 2005. We will continue to operate the three remaining restaurants with the intention of closing each restaurant upon the expiration of their leases – expected to be no later than 2007. Of course, we expect to take back restaurants from time to time, which were originally developed under our old business model.

Moving on to General and Administrative expenses, G&A increased for the quarter by 23.5% to $15.7 million. The increase was primarily due to the timing of our National Franchise Conference in September 2004. The expenses related to last year's NFC were incurred in the second quarter of 2003.

Moving to our cash flow statement, total cash flow from operations decreased slightly through the nine months to $51.8 million compared to $55.0 million in the same period last year due to the performance of our P&L, which was offset somewhat by a lower contribution from working capital. In addition, we substantially reduced capital expenditures from $65.0 million during the first nine months of 2003 to $11.6 million for the same period in 2004. This is in line with our expectations as our system shifts to franchisee-funded development of new restaurants. Free cash flow – which we define as Cash from Operations less Capex – was a positive $40.2 million this year versus a negative $10 million in the first nine months of 2003. That's more than a $50 million turnaround. As Julia highlighted, improving free cash flow is one of the key financial benefits of our business model transition, which we only expect to improve over time.

We continue to make progress on our share buy back activities. During the third quarter, we bought back 315,000 shares at an average price of $36.01. Since inception, we have bought back a total of 2.2 million shares, and we remain on track to fulfill our current 2.6 million share authorization by the end of 2004.

Our share buyback activities had a significant effect on our balance sheet as our balance of cash, cash equivalents and marketable securities at the end of the third quarter decreased by 23.4% to $56.4 million from $73.5 million at the end of 2003. Our longer-term asset categories showed a continuing gradual decline, as expected, due to our business model change. Long-term receivables decreased to $341.6 million from $354.0 million at the end of 2003. The balance of property and equipment decreased 3.0% to $304.9 million from the end of last year.

Our Board of Directors declared a quarterly cash dividend of $0.25 per common share payable November 19, 2004 to shareholders of record as of November 1, 2004.

Now, I'd like to turn the call back to Julia.

Julia Stewart – 2005 Steady State Expectations

Thanks, Tom. Before I open the call up for your questions, I'd like to take a moment to update our guidance for 2004.

We expect our EPS performance to be better than expected due to the continuing strength of our same-store sales performance and unit growth. We now expect fiscal 2004 net income to range between $1.45 and $1.55 per diluted share, including the effect of the write-off related to our repositioning of Company-operated restaurants. Excluding the write-off, we expect fiscal 2004 net income to range between $1.85 and $1.95 per diluted share. Previously, our guidance had been that net income for fiscal 2004 would range between $1.40 to $1.50 per diluted share including the effect of the write-off, and between $1.80 and $1.90 per diluted share, excluding the effect of the write-off.

We are increasing our cash flow from operations expectations for 2004 to range between $60 million [dollars] and $65 million [dollars], which is better than our previous guidance of $50 million [dollars] to $55 million [dollars]. This increase is due to the continuing strength of our core business as well as improvements in receivables collection.

We are slightly increasing capital expenditures for 2004 to range between $13 million [dollars] and $16 million [dollars]. This is due primarily to higher than anticipated capital expenses associated with the development and testing of IHOP's new remodel package. In addition, expenditures associated with IHOP-developed restaurants opened prior to 2004 were incurred this year. Previously, our guidance had been that capital expenditures for fiscal 2004 would be on the higher end of our $10 million [dollar] to $15 million [dollar] range, which we provided at the beginning of the year.

We are ending 2004 in an extremely strong position, with our new business model ready to fulfill our steady state performance expectations. We are so proud of what our Company has accomplished. IHOP is truly on its way to becoming number one in family dining.

Being number one is a vision you have heard me talk about often, so let me tell you what it means for me, our management team, our franchisees and for our employees. It means continuing to lead the family dining category with strong same-store sales. Being number one also means that IHOP will have more restaurants than any other competitor in family dining. As IHOP begins to open 60 restaurants per year, reaching this goal is only a matter of time. Operations excellence is another measure of becoming number one in family dining, and we are making significant progress on this front – raising the bar month-in and month-out. Finally, we want our guests to think of IHOP first when choosing which family dining restaurant to eat at. For us, that means we have to improve IHOP's total unaided awareness. Candidly, this is a very challenging goal as our guests most strongly associate IHOP as a place for breakfast. However, we're doing all the right things with our focus on improving our execution and appeal at lunch and dinner to expand our guests' perceptions about IHOP throughout the day.

Now, Tom and I would be pleased to answer any questions you have. Operator?