# 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): July 22, 2004**

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

| | | |
|---|---|---|
| **Delaware** | **0-8360** | **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)

**Item 5. OTHER EVENTS AND REGULATION FD DISCLOSURE.**

On July 22, 2004 IHOP Corp. issued a press release announcing its strategic repositioning of Company-operated restaurants. A copy of the press release is attached as Exhibit 99.1, and incorporated herein by reference.

**Item 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.**

| Exhibit Number | Description |
|---|---|
| 99.1 | Press release of Registrant, dated July 22, 2004 (Strategic Repositioning of Company Restaurants). |
| 99.2 | Press release of Registrant, dated July 22, 2004 (Second Quarter 2004 Financial Results). |
| 99.3 | Prepared remarks of management of Registrant for conference call held on July 22, 2004. |

**Item 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.**

On July 22, 2004 IHOP Corp. issued a press release announcing its second quarter 2004 financial results. A copy of the press release is attached as Exhibit 99.2, and incorporated herein by reference.

Also on July 22, 2004, IHOP Corp. held a conference call to discuss its second quarter 2004 financial results. A copy of the prepared remarks of management is attached as Exhibit 99.3, 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 six months ended June 30, 2004, to the Company's cash provided by operating activities for the six months ended June 30, 2004:

| | Six Months Ended June 30, 2004 (dollars in thousnads) | | Six Months Ended June 30, 2003 (dollars in thousnads) | |
|---|---|---|---|---|
| Cash flows from operating activities: | $ | 32,608 | $ | 32,182 |
| Capital expenditures | | (8,978) | | (49,634) |
| Free cash flow | $ | 23,630 | $ | (17,452) |

**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: July 23, 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 July 22, 2004 (Strategic Repositioning of Company Restaurants). |
| 99.2 | Press release of Registrant, dated July 22, 2004 (Second Quarter 2004 Financial Results). |
| 99.3 | Prepared remarks of management of Registrant for conference call held on July 22, 2004. |

**Exhibit 99.1**

**FOR IMMEDIATE RELEASE**

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

**IHOP CORP. ANNOUNCES STRATEGIC REPOSITIONING OF COMPANY-OPERATED RESTAURANTS**

**GLENDALE, Calif., July 22, 2004 —** IHOP Corp. (NYSE: IHP) today announced plans to significantly reduce its base of 32 Company-operated IHOP restaurants. The Company will close five of these restaurants immediately and expects to refranchise as many as 24 additional restaurants by the end of 2004. IHOP will continue, for a limited time, to operate three other restaurants with leases that are too short to allow them to be franchised. IHOP also plans to reacquire four franchised restaurants during the third quarter 2004 with the intention of closing three restaurants and refranchising one restaurant. These steps will improve the Company's cash flow performance immediately and its profit performance over time, and will allow IHOP to focus on operating world-class restaurants in its designated Company market of Cincinnati, Ohio.

The current base of Company-operated restaurants includes restaurants that were reacquired under IHOP's old business model. In order to facilitate the franchising of some of these restaurants, IHOP expects to make rent and royalty concessions at both current Company and franchise-operated restaurants that require it to write-down the value of the related assets. The closure of eight restaurants will result in other write-offs. As a result of these decisions, the Company will incur total pre-tax impairment and closure charges in 2004 ranging between $13 million and $14 million, of which $8.9 million, or $0.26 per diluted share, was incurred in the second quarter 2004. IHOP expects to recognize additional impairment and closure charges ranging between $4 million and $5 million during the third and fourth quarters of 2004. In addition, the Company will recognize ongoing franchise rent losses with an estimated present value of approximately $4.5 million over the term of the franchise agreements for the 24 restaurants IHOP plans to refranchise. The Company anticipates that the financial benefits of this plan include an annualized first year improvement in cash flow of $3.4 million, including annual savings of $2.9 million in Selling, General and Administrative expenses (SG&A).

Julia A. Stewart, IHOP's President and Chief Executive Officer, said, "Today's announcement is the final step of a year-long process to strategically reposition IHOP's role as an operator of restaurants. We will open the first of our Company-operated restaurants in Cincinnati this fall. We expect this market to be a significant source of "best practices" and great marketing, operations, training and product ideas for all of our franchisees. Our new Cincinnati market will enable us to provide leadership for our franchise system and enhance long-term momentum. In addition, the steps we announced today will strengthen the cash performance of our business and enable us to reduce SG&A that has been required to support a larger Company operations base."

Come hungry. IHOP RESTAURANTS Leave happy.™

450 N. Brand Boulevard • 7th Floor • Glendale, CA 91203-2306 • Phone: (818) 240-6055 • Fax: (818) 637-3120

IHOP also updated its 2004 earnings guidance based on this announcement and other factors, which is detailed in the Company's second quarter 2004 results issued in a separate news release today.

IHOP will host an investor conference call to discuss today's announcement as well as second quarter 2004 results on Thursday, July 22, 2004 at 11:00 a.m. ET (8:00 a.m. PT). To participate on the call, please dial 800-901-5241 and reference pass code 56255723 . A live webcast of the call may be accessed on the Investor Relations 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, July 29, 2004 by dialing 888-286-8010 and referencing pass code 22634335. An online archive of the webcast will also be available on the Investor Relations 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 June 30, 2004, the end of IHOP's second quarter, there were 1,167 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; 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.

**FOR IMMEDIATE RELEASE**

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

# IHOP CORP. REPORTS SECOND QUARTER 2004 RESULTS

***Re-energizing Strategies Drive Positive Momentum in Core Business and Generate 4.2% Same-Store Sales Increases for the Quarter***

***Company Updates 2004 Earnings Guidance***

**GLENDALE, Calif. – July 22, 2004 —** IHOP Corp. (NYSE: IHP) today announced results for its second quarter and six months ended June 30, 2004.

IHOP reported a 60.2% decrease in net income to $4.4 million, or a decrease of 58.8% in diluted earnings per share to $0.21 in the second quarter 2004. For the six months ended June 30, 2004, the Company reported a decrease of 9.8% in net income to $15.3 million, or a decrease of 9.0% in diluted net income per share to $0.71. IHOP's net income and diluted net earnings per share performance was impacted by pre-tax impairment and closure charges of $8.9 million, or $0.26 per diluted share, related to the Company's strategic repositioning of Company-operated restaurants announced today in a separate news release. Excluding these charges, net income for the second quarter 2004 would have decreased 9.6% to $9.9 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 second quarter 2004 versus the second quarter 2003 as the Company completes the transition to its new business model. For the six months ended June 30, 2004, net income would have been $21.6 million, or diluted net income per share of $1.01.

System-wide same-store sales increased 4.2% in the second quarter and reflected the positive impact of IHOP's Stuffed French Toast and Sirloin Round-Up product promotions featured during the quarter. For the six months ended June 30, 2004, same-store sales increased 5.6%.

"We are steadily moving closer to our goal to become number one in family dining," said Julia A. Stewart, IHOP's President and Chief Executive Officer. "During the second quarter, IHOP continued to demonstrate the strength of its core business and the effectiveness of current strategic marketing and operational initiatives, as positive same-store sales trends continued. We have also taken decisive steps to address the future of our Company-operated restaurants segment. These changes should immediately result in improvements in cash flow and significant on-going cost savings. We have begun to re-energize our brand with the implementation of our new restaurant remodel package and the rollout of a new, contemporary menu design."

System-wide sales increased 8.4% in the second quarter and 10.4% for the six-months ended June 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 4.5% in the second quarter and 5.4% for the six months ended June 30, 2004 over the same periods in 2003. Effective restaurants grew by 3.7% in the second quarter and 4.7% for the first six months of 2004 over the same periods last year.

Cash flow from operations improved slightly through the six months ended June 30, 2004 to $32.6 million compared to $32.2 million in the same period last year. Capital expenditures were reduced significantly from $49.6 million during the first six months of 2003 to $9.0 million for the same period in 2004, reflecting the shift to franchisee funded development of new IHOP restaurants.

**Second Quarter 2004 Highlights**

The following are business highlights for the second quarter 2004:

- IHOP completed a comprehensive evaluation of its remaining 32 Company-operated restaurants to determine the best course of action for each restaurant. The Company will close five of these restaurants immediately and expects to refranchise as many as 24 additional restaurants by the end of 2004. IHOP will continue, for a limited time, to operate three other restaurants with leases that are too short to allow them to be franchised. IHOP also plans to reacquire four franchised restaurants during the third quarter 2004 with the intention of closing three restaurants and refranchising one restaurant. As a result of these decisions, the Company will incur total pre-tax impairment and closure charges in 2004 ranging between $13 million and $14 million. IHOP anticipates that the financial benefits of this plan include an annualized improvement in cash flow of $3.4 million, including annual reductions of $2.9 million in Selling, General and Administrative expenses.

- IHOP introduced Sirloin Round-Up, its first multi-day part product promotion for 2004 with encouraging same-store sales results as the Company looks to drive business during lunch and dinner.

- In June 2004, IHOP introduced a new restaurant remodel package to its system. The new restaurant remodel package delivers a warm and inviting look and feel and evokes memories of IHOP's heritage in a comfortable, contemporary environment. Designed to make guests feel welcome at breakfast, lunch and dinner, the package represents the next step in re-energizing the IHOP brand.

- IHOP introduced and is rolling out a newly designed menu system-wide. This new menu design reflects a more contemporary look and reinforces the Company's evolving brand image. Plans call for the new menu to be in circulation throughout the system by August 2004.

**Updating 2004 Guidance**

The Company is also updating its 2004 performance guidance based on 1) the continuing strength of its core business and positive same-store sales trends, 2) its share repurchase progress during the second quarter 2004 and anticipated fulfillment of its current 2.6 million share repurchase authorization by the end of 2004, and 3) the impact of today's announcement regarding Company-operated restaurants. During the second quarter 2004, IHOP purchased 1.2 million shares for a total of 1.9 million shares under its current repurchase authorization.

Earnings guidance is being increased by approximately $0.05 to $0.10 per diluted share due to the strength of the Company's underlying business, and by approximately $0.10 per diluted share due to repurchase activity. Therefore, IHOP expects fiscal 2004 net income to range between $1.80 and $1.90 per diluted share, excluding the write-off of approximately $13 million to $14 million. Including the effect of the write-off, the Company expects fiscal 2004 net income to range between $1.40 and $1.50 per diluted share. Previously, IHOP's guidance had been that net income for fiscal 2004 would range between $1.65 and $1.75 per diluted share.

**Investor Conference Call Today**

IHOP will host an investor conference call to discuss second quarter 2004 results on Thursday, July 22, 2004 at 11:00 a.m. ET (8:00 a.m. PT). To participate on the call, please dial 800-901-5241 and reference pass code 56255723 . A live webcast of the call may be accessed on the Investor Relations 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, July 29, 2004 by dialing 888-286-8010 and referencing pass code 22634335 . An online archive of the webcast will also be available on the Investor Relations 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 June 30, 2004, the end of IHOP's second quarter, there were 1,167 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; 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 JUNE 30, 2004**
**(In thousands, except per share amounts)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| **Revenues** | | | | |
| Franchise revenues | $ 37,209 | $ 34,722 | $ 76,338 | $ 68,508 |
| Rental income | 32,405 | 28,993 | 64,797 | 57,307 |
| Company restaurant sales | 8,314 | 21,335 | 18,869 | 41,009 |
| Financing revenues | 8,216 | 18,234 | 18,024 | 30,451 |
| Total revenues | 86,144 | 103,284 | 178,028 | 197,275 |
| **Costs and Expenses** | | | | |
| Franchise expenses | 18,297 | 15,961 | 36,595 | 31,362 |
| Rental expenses | 23,705 | 21,320 | 47,125 | 42,139 |
| Company restaurant expenses | 8,942 | 22,493 | 20,898 | 43,401 |
| Financing expenses | 3,701 | 9,868 | 8,914 | 16,701 |
| General and administrative expenses | 14,045 | 13,562 | 27,680 | 25,829 |
| Other (income) expense, net | 1,583 | 1,146 | 2,318 | 2,309 |
| Impairment and closure charges | 8,888 | 567 | 10,059 | 917 |
| Reorganization charges | | 811 | | 7,520 |
| Total costs and expenses | 79,161 | 85,728 | 153,589 | 170,178 |
| Income before income taxes | 6,983 | 17,556 | 24,439 | 27,097 |
| Provision for income taxes | 2,617 | 6,584 | 9,163 | 10,162 |
| Net income | $ 4,366 | $ 10,972 | $ 15,276 | $ 16,935 |
| | | | | |
| **Net Income Per Share** | | | | |
| Basic | $ 0.21 | $ 0.51 | $ 0.72 | $ 0.79 |
| Diluted | $ 0.21 | $ 0.51 | $ 0.71 | $ 0.78 |
| | | | | |
| **Weighted Average Shares Outstanding** | | | | |
| Basic | 20,958 | 21,520 | 21,182 | 21,417 |
| Diluted | 21,134 | 21,705 | 21,373 | 21,574 |
| | | | | |
| **Dividends Declared Per Share** | $ 0.25 | $ — | $ 0.50 | $ 0.25 |
| | | | | |
| **Dividends Paid Per Share** | $ 0.25 | $ 0.25 | $ 0.50 | $ 0.25 |

**IHOP CORP. AND SUBSIDIARIES**
**RESULTS OF OPERATIONS**
**(Dollars in thousands)**
**(Unaudited)**

| | Three Months Ended June 30, 2004 | Three Months Ended June 30, 2003 | Six Months Ended June 30, 2004 | Six Months Ended June 30, 2003 |
|---|---|---|---|---|
| **Restaurant Data** | | | | |
| Effective restaurants (a) | | | | |
| Franchise (b) | 987 | 907 | 983 | 899 |
| Company | 32 | 79 | 37 | 77 |
| Area license (b) | 145 | 137 | 145 | 137 |
| Total | 1,164 | 1,123 | 1,165 | 1,113 |
| **System-wide** | | | | |
| Sales (c) | $ 461,074 | $ 425,533 | $ 926,389 | $ 839,358 |
| Percent change | 8.4% | 16.1% | 10.4% | 14.6% |
| Average sales per effective restaurant | $ 396 | $ 379 | $ 795 | $ 754 |
| Percent change | 4.5% | 6.8% | 5.4% | 5.5% |
| Same-store sales percentage change (d) | 4.2% | 5.1% | 5.6% | 4.1% |
| **Franchise (b)** | | | | |
| Sales | $ 409,421 | $ 366,940 | $ 820,979 | $ 722,663 |
| Percent change | 11.6% | 16.6% | 13.6% | 15.2% |
| Average sales per effective restaurant | $ 415 | $ 405 | $ 835 | $ 804 |
| Percent change | 2.5% | 6.0% | 3.9% | 5.0% |
| Same-store sales percentage change (d) | 4.0% | 4.9% | 5.5% | 4.0% |
| **Company** | | | | |
| Sales | $ 8,314 | $ 21,335 | $ 18,869 | $ 41,009 |
| Percent change | (61.0)% | 18.6% | (54.0)% | 14.6% |
| Average sales per effective restaurant | $ 260 | $ 270 | $ 510 | $ 533 |
| Percent change | (3.7)% | 12.5% | (4.3)% | 10.4% |
| **Area License (b)** | | | | |
| Sales | $ 43,339 | $ 37,258 | $ 86,541 | $ 75,686 |
| Percent change | 16.3% | 10.0% | 14.3% | 9.3% |
| Average sales per effective restaurant | $ 299 | $ 272 | $ 597 | $ 552 |
| Percent change | 9.9% | 7.5% | 8.2% | 5.1% |

(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.

(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.

(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 June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** |
| **RESTAURANT DEVELOPMENT ACTIVITY** | | | | |
| IHOP-beginning of period | 1,164 | 1,118 | 1,165 | 1,103 |
| New openings | | | | |
| IHOP-developed | 2 | 16 | 3 | 33 |
| Franchisee-developed (a) | 5 | 3 | 7 | 6 |
| Area license | — | — | 3 | — |
| Total new openings | 7 | 19 | 13 | 39 |
| Closings | | | | |
| Company and franchise | (4) | (1) | (11) | (6) |
| Area License | — | — | — | — |
| IHOP-end of period | 1,167 | 1,136 | 1,167 | 1,136 |
| Summary-end of period | | | | |
| Franchise (a) | 990 | 920 | 990 | 920 |
| Company | 32 | 79 | 32 | 79 |
| Area license (a) | 145 | 137 | 145 | 137 |
| Total IHOP | 1,167 | 1,136 | 1,167 | 1,136 |
| **RESTAURANT FRANCHISING ACTIVITY** | | | | |
| IHOP-developed | 2 | 19 | 4 | 30 |
| Franchisee-developed (a) | 5 | 3 | 7 | 6 |
| Rehabilitated and refranchised | 2 | 1 | 11 | 2 |
| Total restaurants franchised | 9 | 23 | 22 | 38 |
| Reacquired by IHOP | (3) | (4) | (3) | (6) |
| Closed | (4) | — | (8) | (2) |
| Net addition | 2 | 19 | 11 | 30 |

(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)**

| | June 30, 2004 | December 31, 2003 |
|---|---|---|
| | (Unaudited) | |
| Current assets | $ 97,931 | $ 127,081 |
| Property and equipment, net | 302,930 | 314,221 |
| Long-term receivables: | | |
| Notes receivable | 43,959 | 49,470 |
| Equipment contracts receivable | 173,873 | 174,737 |
| Direct financing leases receivable | 128,236 | 129,829 |
| Other assets | 51,397 | 47,666 |
| Total assets | $ 798,326 | $ 843,004 |
| | | |
| Current liabilities | $ 40,061 | $ 45,373 |
| Long-term debt | 138,653 | 139,615 |
| Other long-term liabilities | 275,073 | 275,656 |
| Stockholders’ equity | 344,539 | 382,360 |
| Total liabilities and stockholders’ equity | $ 798,326 | $ 843,004 |

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

| | Six Months Ended June 30, | |
|---|---|---|
| | 2004 | 2003 |
| Cash flows provided by operating activities | $ 32,608 | $ 32,182 |
| Cash flows (used in) provided by investing activities | | |
| Additions to property and equipment | (8,978) | (49,634) |
| | 23,630 | (17,452) |
| Redemptions (investments) in short-term marketable securities | 9,630 | (33,367) |
| Additions to other assets, net | 9,373 | (332) |
| Cash flows (used in) provided by financing activities | (55,700) | 6,097 |
| Net change in cash and cash equivalents | (13,067) | (45,054) |
| Cash and cash equivalents at beginning of period | 27,996 | 98,739 |
| Cash and cash equivalents at end of period | $ 14,929 | $ 53,685 |

**Exhibit 99.3**

**IHOP Corp.**
**Second Quarter 2004 Conference Call Script**

**Operator Introduction**

Good day ladies and gentlemen, and welcome to IHOP's second 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 second 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 remind 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 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.

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

**Julia Stewart – Second Quarter Performance Overview**

Thanks, Stacy, and good morning to all of you participating on the call. Today we issued our second quarter results as well as news regarding Company-operated restaurants. In addition to these two announcements, we have a lot of news to cover, so let's start with highlights of our second quarter performance.

We had a strong second quarter performance of $0.47 [cents] per diluted share, excluding one-time charges. We completed a plan to address our remaining Company-operated restaurants, which will see us substantially refranchise all of these restaurants by the end of the year. We've identified steps that improve our cash flow immediately, including ongoing SG&A savings, and improve our profit performance over time. And, the strength of our core business, positive same-store sales trends and share repurchase progress make us confident in raising our EPS guidance for 2004, excluding one-time charges.

System-wide sales grew 8.4% for the quarter to $461.1 million [dollars]. For the quarter, same-store sales were up 4.2%, and up an impressive 5.6% for the first half of the year. Our results speak to the strong appeal of our second quarter product promotions – Stuffed French Toast and Sirloin Round-Up.

Continuing as a second-year limited time offer, Stuffed French Toast is one of the most successful product promotions in IHOP's history. Because this promotion was offered during the first and second quarters, we benefited from the residual effect of national and local T.V. advertising, which drove strong sales results as Stuffed French Toast continued into the first weeks of March.

While we started 2004 with two highly successful breakfast promotions, in the second quarter we took the opportunity to leverage this sales momentum and expand the appeal of our brand across all day parts with a compelling, quality steak promotion, Sirloin Round-Up. Sirloin Round-Up made a bold, exciting statement to our guests: IHOP is serious about providing a great guest experience at lunch and dinner.

Last year, our same-store sales were up 5.1% for the quarter, and up 4.1% in the first six months of 2003. Producing strong same-store sales this year – on top of our exceptional performance in 2003 – point to our ability to sustain positive momentum in our core business into the second year of our re-energizing efforts.

During the quarter, we focused on the importance of delivering on the promise of the IHOP brand each time a guest visits our restaurants. That promise is to ensure our guests leave happy. The success of our marketing and advertising certainly drive initial visits, but it's our ability to provide an exceptional guest experience that creates regular customers. To that end, our increased focus on operational excellence and hospitality training dominated our approach, with a special emphasis on guest service during the quarter. Mystery shop scores continue to trend up, especially in those areas which most closely touch on the guest's dining experience. Training efforts focused on hospitality team building and removing hospitality barriers, especially at lunch and dinner. Hospitality improvement will continue to be a key focus in 2004.

Now, I'd like to discuss our decisions regarding Company-operated restaurants. As many of you know, IHOP's Company-operated restaurant base consists largely of restaurants we've taken back from struggling franchise operators. With our business model change and the establishment of a dedicated Company Operations division, we have made tremendous progress over the past year to rehabilitate and refranchise more than half of our Company-operated restaurants. At the end of the first quarter 2003, we operated 80 restaurants. Through our efforts, we were able to improve sales and refranchise many of these restaurants, reducing that number of Company-operated restaurants to 32 as of the end of the second quarter 2004. Now, we have a plan in place to address these remaining Company-operated restaurants and four additional restaurants we will take back in the coming weeks.

We plan to close eight restaurants immediately. We expect to refranchise the remaining 25 restaurants over the next six months, or so. In order to facilitate the franchising of some of these restaurants, we will offer franchisees favorable rent and royalty terms that will require us to write-down the value of the related assets. We will place the restaurants into the hands of strong franchise operators who, we believe, can improve the profit and cash flow dynamics of each unit. We will incur less overhead and management effort than if we were to continue to operate the restaurants ourselves. IHOP will continue, for a limited time, to operate three other restaurants whose leases are too short to allow them to be franchised. We expect to then close these restaurants by 2007.

Today's announcement is the final step in a year-long process to strategically reposition IHOP's role as an operator of restaurants. We can now focus on operating world-class IHOP restaurants in our designated Company market of Cincinnati, Ohio. We want our Company-operated restaurants to be the source of "best practices" and great product and marketing ideas for all of our franchisees. By dedicating our Company Operations to this endeavor, we will be in a better position to provide leadership for our franchise system and continue to build long-term system momentum. We expect to open the first three IHOPs in Cincinnati by the end of this year, and that the market will grow to between 15 and 20 restaurants over the next four to five years.

During the quarter, we've made additional strides in providing leadership to our system by focusing on the evolution of our brand image.

In response to guest feedback, we have redesigned our menu. This new design reflects a more contemporary look, feel and content that reinforce our evolving brand image. Guests will see the addition of some of our successful product promotions to the core menu, including Stuffed French

Toast and Super Stacker Sandwiches.  We also highlight our move to USDA Select Grade Top Sirloin for our steak products, and include the new side options we successfully introduced with Sirloin Round-Up.  We want our guests to experience a real sense of new food news at IHOP and this menu will reinforce that message.

Looking ahead, we expect to update our menus twice a year, and will begin to add a variety of new menu choices as soon as 2005.  In the meantime, R&D is working diligently to introduce improvements to existing menu items by the end of the year – improvements that are designed to enhance the flavor profile of many of our core menu items and other guest favorites.

Additionally, we are testing a new lifestyles menu that will highlight options responsive to guests' dietary needs.  The good news is that IHOP has always had these items on our menu.  Now, we plan to present them in a supplementary pamphlet to our core menu, which will feature low calorie, low fat and low carb options for our guests.  It will be made available at the point of purchase to provide guests with nutritional and other information about some of their favorite foods at IHOP.  We currently expect the lifestyle menu test results by the end of the summer, and plans call for the nation-wide roll out of the pamphlet in the fall.

We have also finalized a new restaurant remodel package, dubbed the ICON remodel.  Emphasizing IHOP's position as a 46-year old American icon, the remodel package is a substantial step forward on our journey to become number one in family dining.  The package delivers a warm and inviting look and feel, evoking memories of IHOP's heritage in a comfortable, contemporary environment. Guests will immediately notice the changes we have made inside and out. In the past, our remodel efforts were primarily functional in nature. Today's remodel, while also functional, creates an environment genuine, warm and true to our brand image. Some guests told us that they felt our current environment was a little too sterile, almost institutional. We used this feedback to create and test a remodel prototype. The results indicate that we have been successful in creating a warmer, friendlier environment that reminds guests of IHOP's heritage. IHOP's greatest sales opportunity is to grow additional traffic at lunch and dinner and we have created an atmosphere that is designed to make guests feel welcome throughout the day. To view pictures of some of our newly remodeled restaurants, please visit www.IHOPICON.com.

IHOP franchisees are required to conduct remodels every five years. In 2004, we expect to complete approximately 50 remodels, and approximately 260 next year. Every component of the remodel program plays an important role in unifying our brand image. This remodel is a bold and appropriate change for IHOP.

As of the end of the second quarter, franchisees have signed commitments to develop a total of 231 restaurants, the majority of which we expect franchisees to open within the next four to five years. Our Franchise & Development Department currently has a number of agreements pending, which could add 56 more restaurants to our development pipeline. In the next week, we expect to announce the details of a large Multi-Store

Development Agreement.  This franchisee is new to the IHOP system and has the potential to develop as many as 40 new IHOP restaurants in certain Ohio markets and throughout the state of Kentucky.  This reflects a total development pipeline of 327 restaurants.

Before I turn the call over to Tom, I'd like to share the progress we have made in fostering collaboration within our franchise community and increasing franchisee satisfaction with IHOP's leadership.  In 2002, and again in 2004, we conducted franchisee satisfaction surveys and created The Franchise Global Index of Satisfaction.  This serves as a cumulative measure of overall franchisee satisfaction, with possible scores ranging between 10 and 50.  In 2002, our Franchise Global Index of Satisfaction scored 37 out of a possible 50.  In 2004, we saw significant improvements in satisfaction on every measure and we achieved an overall score of 41.  We are very proud of this accomplishment.  Our re-energizing strategies are not only driving the improved financial and operational performance of our system, but are increasing franchisee satisfaction with the direction our Company is moving.  We couldn't be more pleased with these results, but firmly believe that there are still opportunities for continued improvement.

Now, I'd like to turn the call over to our CFO, Tom Conforti.

**Tom Conforti – Second Quarter Performance Detail**

Thanks, Julia and good morning everyone. Today, we will cover a number of financial issues. We are going to spend some time reviewing the quarter's performance and discussing the impact of Company Operations repositioning, among other important issues.

We reported a 60.2% decrease in net income to $4.4 million, or a decrease of 58.8% in diluted earnings per share to $0.21 in the second quarter 2004. Our net income and diluted net earnings per share performance was impacted by impairment and closure charges of $8.9 million, or $0.26 per diluted share, related to the Company's strategic repositioning of Company-operated restaurants. Excluding these charges, net income for the second quarter 2004 would have decreased 9.6% to $9.9 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 second quarter as we complete the transition to our new business model.

For the six months ended June 30, 2004, we reported a decrease of 9.8% in net income to $15.3 million, or a decrease of 9.0% in diluted net income per share to $0.71. Excluding charges associated with impairment and closure decisions, net income would have been $21.6 million, or $1.01 per diluted share, for the six months ended June 30, 2004.

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 16.6% to $86.1 million.

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

Franchise Operations revenues grew by 7.2%, while profit for the segment increased 0.8% 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 14.6% due to the Company's subsidy of Micros, our system's preferred POS standard, and some increases in bad debt. Franchise Operations profit was also negatively impacted by a decrease in core franchise fees associated with the franchising of 17 fewer restaurants in the quarter.

Rental revenues and profit increased by 11.8% and 13.4% for the quarter due to an increase in the number of operating leases associated with new and refranchised restaurants.

Financing Operations revenues decreased by 54.9%, and profit decreased by 46.0% for the quarter because 17 fewer Company-developed restaurants were franchised and opened.

In our final segment, Company Restaurant Operations, we reported a 61.0% decrease in revenues due to 47 fewer effective Company-operated restaurants. Expenses in this segment decreased 60.2% as we significantly reduced the number of Company-operated restaurants. As a result, the loss decreased 45.8%.

Moving on to Selling, General and Administrative expenses, SG&A increased for the quarter by 3.6% to $14.0 million. The increase was primarily due to normal increases in salaries and wages.

Now, let me take a moment to detail today's plan to strategically reposition Company Operations. Historically, Company Operations has generated significant losses for IHOP, and the trend worsened as we took back an increasing number of restaurants in recent years. As our Company base expanded, we also built up growing amounts of SG&A to support Company Operations. This left IHOP with a business that was losing more and more on a segment basis, creating a situation that was made worse by the increasing amount of SG&A required to support Company-operated restaurants.

Historically, the Company might take as much as five years to rehabilitate some of these restaurants. Today's announcement reflects our belief that there was a better way to address Company restaurants. If we made the deals attractive enough, we could place the restaurants in the hands of strong franchise operators who could rehabilitate the restaurants just as well as IHOP could, and we could significantly reduce direct and indirect overhead related to Company Operations.

While we were able to rehabilitate and refranchise a record number of Company-operated restaurants in the past year, the remaining restaurants in our Company base required additional attention to determine the best course of action for each. Over the last few months, we conducted a detailed analysis of the remaining Company-operated restaurants. With the help of our dedicated Company Operations group, our ability to project each restaurant's performance improved dramatically. We determined that, while most restaurants could ultimately be franchised, a handful could not.

Therefore, we have laid out a plan which addresses each restaurant by the end of 2004. Our plan aims to 1) improve IHOP's cash flow immediately, 2) improve our profit performance over time, and 3) to dedicate our Company Operations division on our goal to operating world-class IHOP restaurants in our designated Company market in Cincinnati, Ohio.

Based on our analysis, we decided to close a total of eight restaurants – which include five restaurants that are currently Company-operated plus three other franchised restaurants that we will take back and immediately close. Of the eight restaurants to be closed, we plan to sublet six leased locations and to sell two properties owned by IHOP.

We have determined that as many as 25 restaurants – which includes one restaurant we plan to take back within the next few weeks— can be sold to franchisees, but only if we make financial concessions to improve the franchisee's unit-level economics at these stores. These concessions would include reduced rent and/or royalty fees that require us to write-down the value of the related assets. In addition, IHOP will recognize ongoing franchise rent losses with a present value of approximately $4.5 million over the term of the lease agreements. We estimate that's $6.0 million better on a net present value basis than if we were to continue to operate the restaurants ourselves.

As Julia mentioned, we will continue to operate three restaurants with the intention of closing each restaurant upon the expiration of their leases.

For 2004, the Company will incur total pre-tax impairment and closure charges ranging between $13 million and $14 million, of which $8.9 million, or $0.26 per diluted share, was incurred in the second quarter of 2004. We expect to recognize additional charges ranging between $4 million and $5 million during the third and fourth quarters of 2004 as we work to fully execute this plan by the end of the year.

While these actions will result in a one-time write offs, the long-term benefits to the Company and shareholders are very positive, and should make us financially stronger going forward. We anticipate that the financial benefits of this plan include an annualized first year improvement in cash flow of $3.4 million. This includes annual SG&A savings of $2.9 million.

It is important to point out that IHOP expects to take back restaurants from time to time, which were originally developed under our old business model. We believe, however, these decisions will dramatically reduce the likely universe of takeback candidates. In addition, our Company Operations team will work toward refranchising these units quickly so that the total Company restaurant inventory – outside of the Cincinnati market – is always kept to a minimum.

A third key disclosure today is the progress we have made in our share buy back activities. During the second quarter, we bought back 1.2 million shares at an average price of $36.25. Since inception, we have bought back a total of 1.9 million shares, and expect to buy back the remaining shares under 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 quarter decreased by 30.9% to $50.8 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 $346.1 million from $354.0 million at the end of 2003. The balance of property and equipment decreased 3.6% to $302.9 million.

Total cash flow from operations improved slightly through the six months ended June 30, 2004 to $32.6 million compared to $32.2 million in the same period last year. We substantially reduced capital expenditures from $49.6 million during the first six months of 2003 to $9.0 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 $23.6 million this year versus a negative $17.5 million in the first six months of 2003. That's a $41.0 million turnaround. With this substantial improvement in free cash flow, the key benefit of our business model transition is becoming very apparent.

Finally, I want to update you on our dividend policy.  In June, we conducted a review of our current dividend policy with our Board of Directors.  As we already provide a generous dividend and dividend yield which is one of the highest in the restaurant industry — we determined that it would provide a greater benefit to continue to return cash to shareholders through ongoing share repurchase, rather than increasing our dividend payment.

Now, I'd like to turn the call back to Julia for an overview of our updated earnings guidance before we open up the call to your questions.

**Julia Stewart – Updated 2004 Earning Guidance**

Thanks, Tom. Now, I'd like to take a moment to discuss how today's news affects our guidance for 2004. We are updating our 2004 earnings guidance based on three main factors. The first reflects the continuing strength of our core business and positive same-store sales trends. Our re-energizing strategies are working and improving the performance of our system as a whole. These considerations taken together bolster our EPS outlook for the year by approximately $0.05 [cents] per diluted share.

The second factor relates to the effect of share repurchase during the year. As Tom mentioned, we expect to complete the buyback of 2.6 million shares provided for under our current share repurchase authorization by the end of 2004. This will additionally increase earnings by approximately $0.10 [cents] per diluted share.

The third factor impacting our earnings guidance is the anticipated $13 to $14 million [dollars] in write-offs related to today's announcement regarding Company Operations.

Therefore, we expect fiscal 2004 net income to range between $1.80 and $1.90 per diluted share, excluding the write-off related to Company Operations. Including the effect of the write-off, we expect fiscal 2004 net income to range between $1.40 and $1.50 per diluted share. Previously, we had guided that net income for fiscal 2004 would range between $1.65 and $1.75 per diluted share.

As we move toward steady state in 2005, we are taking the appropriate steps in the second half of 2004 to ensure we successfully complete the transition to our new model. By the end of this year, we expect to refranchise substantially all Company-operated restaurants. Our great advertising campaign will continue, supported by a terrific line-up of appealing product promotions. We remain committed to operational excellence and training programs that improve hospitality in our restaurants. Guests will begin to experience the evolution of the IHOP brand through the implementation of our new remodel package and new menu design. And, we will be more responsive to guest needs by helping them identify menu options that fit with their diets and lifestyles.

We are providing solid leadership to take IHOP to the number one position in family dining, and we hope you share our excitement.

With that, I'd now like to open up the call for your questions. Operator?