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): February 26, 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 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On February 26, 2004 IHOP Corp. issued a press release announcing its fourth quarter 2003 financial results. A copy of the press release is attached as Exhibit 99.1, and incorporated herein by reference.

Also on February 26, 2004, IHOP Corp. held a conference call to discuss its fourth quarter 2003 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 guidance with respect to free cash flow for the year ending December 31, 2003, to the Company's projected cash provided by operating activities for the year ending December 31, 2003:

	Year Ending December 31, 2003 (dollars in thousands)		Year Ending December 31, 2002 (dollars in thousands)	
Cash flows from operating activities:	$	71,310	$	78,112
Capital expenditures		(80,545)		(141,740)
Free cash flow	$	(9,235)	$	(63,628)

Exhibits

Exhibit Number	Description
99.1	Press release of Registrant, dated February 26, 2004.
99.2	Prepared remarks of management of Registrant for conference call held on February 26, 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: February 27, 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 February 26, 2004.
99.2	Prepared remarks of management of Registrant for conference call held on February 26, 2004.

Exhibit 99.1

FOR IMMEDIATE RELEASE

Contacts
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Chief Financial Officer
IHOP Corp.
818-240-6055

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Director, Investor Relations
IHOP Corp.
818-543-4138

IHOP CORP. REPORTS FOURTH QUARTER AND FISCAL 2003 RESULTS

Earnings Per Share of $1.70 Meets Company's 2003 Performance Expectations as IHOP Successfully Transitions to New Business Model

GLENDALE, Calif. – February 26, 2004 — IHOP Corp. (NYSE: IHP) today announced results for its fourth quarter and fiscal year ended December 31, 2003.

Fourth Quarter and Fiscal 2003 Performance

The Company reported a 26.4% decrease in net income to $8.8 million, or a decrease of 26.8% in diluted earnings per share to $0.41 in the fourth quarter 2003, compared with net income of $12.0 million, or diluted earnings per share of $0.56 in the fourth quarter 2002. This decrease is attributable to the reduction in the number of IHOP developed restaurants franchised in the fourth quarter as the Company transitioned to its new business model. For the twelve months ended December 31, the Company reported a decrease of 10.0% in net income to $36.8 million, and a decrease of 11.5% in diluted net income per share to $1.70 in 2003, compared with net income of $40.8 million, or diluted net income per share of $1.92 in 2002. IHOP's net income and diluted net earnings per share performance was impacted during the year by charges of $9.1 million, or $0.26 per diluted share, associated with the Company's reorganization. Excluding these charges, net income for 2003 would have increased 3.9% to $42.5 million, or 2.1% in diluted net income per share of $1.96.

Julia A. Stewart, IHOP Corp. President and Chief Executive Officer, said, "In a single year's time, we have truly demonstrated the power and potential of the IHOP brand by successfully executing the Marketing, Operations, Training and Development strategies we introduced at the beginning of 2003. In our journey to become number one in family dining, we achieved strong annual system-wide and same-storesales growth by marketing our brand in new and creative ways; we produced record breaking promotional sales by offering unique products that created reasons for guests to visit more often; our improved operational focus and enhanced training efforts provided for a great experience every time a guest came to IHOP; and we have signed agreements and pending commitments for our franchisees to finance and develop nearly 230 new IHOP restaurants over the next several years. These are terrific accomplishments in the first year of re-energizing our system, and we look to continue the momentum we have created throughout 2004."

IHOP's net income per diluted share performance of $1.70 for the full year met the Company's previous guidance range of $1.65 to $1.75 for fiscal 2003, inclusive of reorganization charges.

System-wide sales increased 14.6% in the fourth quarter and fiscal year ended December 31, 2003 over the same periods in 2002. The sales increase is primarily the result of growth in the number of effective restaurants and an increase in average sales per effective restaurant. Effective restaurants grew by 7.7% in the fourth quarter and 8.5% for the twelve months ended December 31, 2003 over the same periods in 2002. Average sales per effective restaurant increased 6.3% in the fourth quarter and 5.6% for 2003 over the same periods in 2002.

System-wide comparable store sales increased 6.0% for the fourth quarter and reflected the positive impact of IHOP's Stuffed Crepes product promotion during the quarter. For the twelve months ended December 31, 2003, comparable store sales increased 4.8%. These comparable store sales results reflect IHOP's largest sales gains in the last 43 quarters and last 10 years, respectively. Comparable store sales figures are calculated on an 18-month basis.

Fourth Quarter and Fiscal 2003 Highlights

The following are business highlights for the fourth quarter and fiscal 2003:

- The strength of IHOP's "Come hungry. Leave happy." Marketing campaign achieved international recognition winning a bronze Medallion at the 2004 AME Awards for Advertising and Marketing Effectiveness. The award recognizes the effectiveness, as well as the creativity, of advertising and marketing on a global scale.

- The Company's mystery shop initiative continued with more than 15,000 restaurant evaluations as of the end of the fourth quarter. Since the program's introduction in June 2003, IHOP has experienced statistically significant improvements in its mystery shop scores. These results point to the success of IHOP's renewed focus on both operational excellence and enhanced training programs at the restaurant level.

- IHOP's focus on improving the performance of marginal operators continued with notable improvements in the number of highly-ranked operators at year end, as well as the removal of marginal operators from the IHOP system.

- The reduction in net income performance for the fourth quarter 2003 was primarily due to the Company franchising 30 fewer newly-developed IHOP restaurants in the fourth quarter 2003 versus the fourth quarter 2002.

- While IHOP developed 30 fewer restaurants in the full year 2003, the actual number of restaurants franchised increased by four due to the success of its re-franchising efforts. IHOP ended the year with 44 Company-operated restaurants compared to 76 at the end of 2002, and plans to continue its re-franchising strategy in 2004.

- The Company significantly improved its free cash flow position (cash flow generated from operating activities less capital expenditures) to negative $9.2 million at year end as compared to negative $63.6 million in 2002. This compared favorably to IHOP's previous expectations of generating free cash flow in the range of negative $25 million to negative $15 million during 2003. IHOP's improving free cash flow position demonstrates the beneficial effect of its new business model and reduced capital expenditures related to Company-financed restaurant development.

Stewart said, “While we clearly achieved great results during the past year, we have only just begun to realize the power of our brand. In 2004, we will deliver the promise of a great guest experience by continuing to optimize and enhance the strategies responsible for re-energizing our system to date. We will continue with appealing promotions, great advertising and superior operational execution, especially focusing on the areas of service. There remains tremendous upside in the execution of our strategies, and we are dedicated to capturing these opportunities in 2004.”

2004 Guidance

Reiterating its previous guidance, IHOP expects net income per diluted share for 2004 to range between $1.65 to $1.75.

Investor Conference Call

IHOP will host an investor conference call to discuss its fourth quarter and fiscal 2003 results today, Thursday, February 26, 2004 at 11:00 a.m. ET (8:00 a.m. PT). To participate on the call, please dial 800-901-5213 and reference pass code 29272157. A live webcast of the call can 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 can be accessed through Thursday, March 4, 2004 by dialing 888-286-8010 and referencing pass code 85938194. An online archive of the webcast will 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 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 December 31, 2003, the end of IHOP’s 2003 fiscal year, there were 1,165 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,” “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 new strategic growth plan, the availability of suitable locations and terms of the sites designated for development; 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 DECEMBER 31, 2003
(In thousands, except per share amounts)

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
	(Unaudited)			
Revenues				
Franchise revenues	$ 35,862	$ 32,117	$ 140,131	$ 123,050
Rental income	30,370	26,047	117,258	99,595
Company restaurant sales	14,053	19,023	74,880	74,433
Financing revenues	22,483	30,205	72,536	68,796
Total revenues	102,768	107,392	404,805	365,874
Costs and Expenses				
Franchise expenses	16,636	14,117	64,265	55,139
Rental expenses	22,763	19,583	86,620	73,812
Company restaurant expenses	16,851	20,799	81,737	78,422
Financing expenses	15,583	19,241	43,619	38,185
General and administrative expenses	16,002	12,850	54,575	49,526
Other (income) expense, net	388	1,676	6,054	5,433
Reorganization charges	461	—	9,085	—
Total costs and expenses	88,684	88,266	345,955	300,517
Income before income taxes	14,084	19,126	58,850	65,357
Provision for income taxes	5,281	7,172	22,068	24,509
Net income	$ 8,803	$ 11,954	$ 36,782	$ 40,848
Net Income Per Share				
Basic	$ 0.41	$ 0.57	$ 1.72	$ 1.95
Diluted	$ 0.41	$ 0.56	$ 1.70	$ 1.92
Weighted Average Shares Outstanding				
Basic	21,357	21,152	21,424	20,946
Diluted	21,579	21,334	21,614	21,269
Dividends Declared Per Share	$ 0.25	$ —	$ 0.75	$ —
Dividends Paid Per Share	$ 0.25	$ —	$ 0.75	$ —

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2003	2002	2003	2002
	(Unaudited)			
Restaurant Data				
Effective restaurants(a)				
Franchise	966	866	931	843
Company	56	79	72	76
Area license	130	125	128	123
Total	1,152	1,070	1,131	1,042
System-wide				
Sales(b)	$ 426,127	$ 371,852	$ 1,695,026	$ 1,478,567
Percent change	14.6%	8.9%	14.6%	9.9%
Average sales per effective restaurant	$ 370	$ 348	$ 1,499	$ 1,419
Percent change	6.3%	0.9%	5.6%	2.3%
Comparable sales percentage change (c)	6.0%	(0.3)%	4.8%	0.9%
Franchise				
Sales	$ 376,752	$ 322,100	$ 1,481,251	$ 1,278,103
Percent change	17.0%	9.0%	15.9%	11.5%
Average sales per effective restaurant	$ 390	$ 372	$ 1,591	$ 1,516
Percent change	4.8%	0.3%	4.9%	1.5%
Comparable sales percentage change(c)	6.0%	(0.3)%	4.8%	0.9%
Company				
Sales	$ 14,053	$ 19,023	$ 74,880	$ 74,433
Percent change	(26.1)%	13.1%	0.6%	8.2%
Average sales per effective restaurant	$ 251	$ 241	$ 1,040	$ 979
Percent change	4.1%	3.0%	6.2%	2.4%
Area License				
Sales	$ 35,322	$ 30,729	$ 138,895	$ 126,031
Percent change	14.9%	4.9%	10.2%	(3.7)%
Average sales per effective restaurant	$ 272	$ 246	$ 1,085	$ 1,025
Percent change	10.6%	2.5%	5.9%	2.6%

(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) "System-wide sales" are retail sales of franchisees, area licensees and Company-operated restaurants, as reported to IHOP.

(c) "Comparable 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. Comparable average sales do not include data on restaurants located in Florida.

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DEVELOPMENT AND FRANCHISING ACTIVITY

	Three Months Ended December 31, 2003	Three Months Ended December 31, 2002	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
	(Unaudited)			
RESTAURANT DEVELOPMENT ACTIVITY				
IHOP-beginning of period	1,149	1,063	1,103	1,017
New openings				
IHOP-developed	11	41	56	86
Franchisee-developed	6	3	13	10
Area license	1	1	5	5
Total new openings	18	45	74	101
Closings				
Company and franchise	(2)	(4)	(12)	(13)
Area License	—	(1)	—	(2)
IHOP-end of period	1,165	1,103	1,165	1,103
Summary-end of period				
Franchise	991	902	991	902
Company	44	76	44	76
Area license	130	125	130	125
Total IHOP	1,165	1,103	1,165	1,103
RESTAURANT FRANCHISING ACTIVITY				
IHOP-developed	21	41	72	80
Franchisee-developed	6	3	13	10
Rehabilitated and refranchised	13	5	19	10
Total restaurants franchised	40	49	104	100
Reacquired by IHOP	(1)	(4)	(11)	(10)
Closed	—	(4)	(4)	(11)
Net addition	39	41	89	79

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

	December 31, 2003	December 31, 2002
Current assets, net	$ 127,081	$ 159,101
Property and equipment, net	314,221	286,226
Long-term receivables:		
Notes receivable	49,470	46,929
Equipment contracts receivable	174,737	153,261
Direct financing leases receivable	129,829	132,602
Other assets	47,666	41,681
Total assets	$ 843,004	$ 819,800
Current liabilities	$ 45,373	$ 53,564
Long-term debt	139,615	145,768
Other long-term liabilities	275,656	256,079
Stockholders' equity	382,360	364,389
Total liabilities and stockholders' equity	$ 843,004	$ 819,800

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

	Twelve Months Ended December 31, 2003	2002
Cash provided by operating activities	$ 71,310	$ 78,112
Cash used in investing activities		
Additions to property and equipment	(80,545)	(141,740)
	(9,235)	(63,628)
Investments in short-term marketable securities	(45,537)	—
Additions to other assets, net	655	170
Cash provided (used) by financing activities	(16,626)	155,945
Net change in cash and cash equivalents	(70,743)	92,487
Cash and cash equivalents at beginning of period	98,739	6,252
Cash and cash equivalents at end of period	$ 27,996	$ 98,739

Exhibit 99.2

IHOP Corp.
Fourth Quarter and Fiscal 2003 Conference Call

Operator Introduction

Good day ladies and gentlemen, and welcome to IHOP's fourth quarter and fiscal 2003 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.

Introductions – Stacy Roughan

Good morning and thank you for participating on IHOP's fourth quarter and fiscal 2003 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," "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 new strategic growth plan, the availability of suitable locations and terms of the sites designated for development; 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 – Performance Overview

Thanks, Stacy. What a great year 2003 was for us. It was a year filled with impressive accomplishments which included strong sales growth and record breaking promotional sales. System-wide retail sales grew to a record $1.7 billion in 2003 as we increased retail sales at our franchise and company restaurants and added new restaurants to the IHOP system. We experienced same store sales increases of 4.8% for the year, which were our best annual gains in over 10 years. Our success in driving same stores sales results was due primarily to the innovative product promotions we introduced throughout the year and a focus on improving operations. We ended the year on a very strong note, with the introduction of our fifth product promotion — Stuffed Crepes — which contributed to the excellent 6.0% same store sales gains we experienced in the fourth quarter. These are great results that continue to lead our competitors and show that our broader vision of becoming number one in family dining is at work.

For fiscal 2003, we reported EPS of $1.70 per diluted share, which was right in the middle of our guidance range of $1.65 to $1.75. This performance was inclusive of charges associated with our business model change and reorganization totaling $9.1 million, or $0.26 per diluted share. For the fourth quarter, we reported EPS of $0.41 per diluted share. This decrease primarily reflects our transition to the new business model since we developed and financed 30 fewer IHOP restaurants during the quarter versus last year.

In 2003, we moved away from funding the development of new IHOP restaurants and our franchisees resoundingly supported this new direction. We have signed agreements to open 137 new IHOP's and have obtained commitments from prospective franchise developers to build and operate as many as 79 additional new restaurants. This totals nearly 230 new restaurants slated for development over the next several years, which moves us toward our target of developing 60 restaurants a year in steady state. This is significant progress as we look to develop the 400 to 800 IHOP locations we believe possible in the U.S.

In addition to the changes in the way IHOP restaurants are developed, the transition to our new model has also transformed our ability to grow our business through improved Marketing, Operations, Training and Product R&D.

Our re-energized Marketing included the launch of our "Come hungry. Leave happy" advertising campaign at the beginning of the year. This campaign was supported by improved media buying strategies and two national network flights — which was a first for IHOP. Our campaign featured unique limited-time offers that raised the level of IHOP awareness and enthusiasm nationwide. We effectively communicated our promise of an excellent guest experience to motivate guests to visit more often. As a result, we drove traffic increases system-wide. And, the strength of our Marketing campaign recently achieved international recognition winning a bronze Medallion for Advertising and Marketing Effectiveness. The AME award recognizes the effectiveness, as well as the creativity, of advertising and marketing on a global scale. In the first year of our campaign, this is a strong validation of our Marketing strategies to re-energize the IHOP brand.

To ensure we continue providing a great guest experience, we successfully implemented a large scale Mystery Shop program. This has resulted in more than 15,000 shops during 2003 — with the majority of our restaurants being shopped 14 times last year. The invaluable feedback from Mystery Shops has been incredibly useful; both in terms of letting us know what we are doing well, but more importantly, where our opportunities for improvements lie. Our franchisees have truly embraced the program and now use the results to set goals for operational and service improvements.

We also recognized the need to address a handful of poor restaurant operators who have a negative effect on the IHOP brand. We systematically attacked the problem, and have reduced the number of these operators from our system in just the past few months.

Training retooled its entire promotion training process and utilized a "Train the Trainer" process that reached more than 50,000 team members five times in 2003 with each product promotion introduction. Additionally, Training rolled out an improved restaurant opening program that resulted in reduced turnover and higher sales at new restaurants. Our restaurant team members responded with enthusiasm to these changes and there is a new excitement and passion for great service at our restaurants. With an added emphasis on hospitality training this year, we expect to benefit from continued Training progress as our restaurant team members fully implement our guest service initiatives.

We also spent a great deal of time and resources rehabilitating and refranchising Company-operated restaurants. This enabled us to refranchise a record number of these restaurants in 2003. We are pleased with the progress with have made in separating Company and franchise operations. As you may recall, during our reorganization, we established the separate management of Company-operated and franchised restaurants. This move allowed us to more effectively improve the performance of Company-operated restaurants and refranchise them in an accelerated manner. We expect this to continue in 2004 as our dedicated Company Operations group works to drive substantial improvements with the aim of refranchising Company restaurants more quickly.

Product R&D created and developed product concepts for in-restaurant testing throughout the year and our promotional calendar is filled with promising products for 2004. We conducted menu research in more than 160 restaurants throughout our system and are set to bring a new and improved breakfast, lunch and dinner experience to our guests in the coming years.

Finally, we want to recognize our franchisees. Our accomplishments and results for the year wouldn't have been possible without their collaboration and support. Together, we are setting higher standards and raising performance expectations for each IHOP restaurant.

In 2003, our invitation to our guests was to "come hungry" and to "leave happy." We delivered that promise in 2003. We did this by putting in place and beginning to execute all of the strategies I mentioned earlier and more. We created a real sense of "contagious momentum" by simply demonstrating the strength of the IHOP brand. Our franchisees and employees are committed to our vision of becoming number one. We've seen the positive results this alignment can affect in just one year.

Now, I'd like to turn the call over to our Chief Financial Officer, Tom Conforti, to review our financial performance for the quarter and year.

Tom Conforti – Financial Overview

Thanks, Julia and good morning everyone. Today, I would like to walk you through a top-line presentation of our financial performance for the fourth quarter and fiscal 2003. I am sure the majority of you have had the opportunity to review the numbers, so I shall keep my comments to key points.

For the quarter, we reported a 26.4% decrease in net income to $8.8 million, or a decrease of 26.8% in diluted earnings per share to $0.41. This decrease primarily reflects the impact of our new business model transition as we developed and financed 30 fewer IHOP restaurants during the quarter than 2002's fourth quarter.

For fiscal 2003, we reported a decrease of 10.0% in net income to $36.8 million from $40.8 million in 2002, and a decrease of 11.5% in diluted net income per share to $1.70 in 2003 from $1.92 in 2002. The $1.70 reflects the mid-point of our earnings guidance range, which we shared with you last year. IHOP's net income and diluted net earnings per share performance was impacted during the year by charges of $9.1 million, or $0.26 per diluted share, associated with our business model change announced in January and our subsequent reorganization in July of last year. Excluding these charges, net income for 2003 would have increased 3.9% to $42.5 million, or 2.1% in diluted net income per share of $1.96. While our full year 2003 was similarly impacted by our developing and financing 30 fewer restaurants during the year, this decrease was offset by an increase in the actual number of restaurants franchised and exceptional same-store sales performance.

As we've previously indicated, because of the transition to our new operating model, we expected to see a reduction in revenues. Total revenues for the quarter decreased 4.3% to $102.8 million, and increased 10.6% to $404.8 million for the full year. This decrease for the quarter was primarily attributable to a reduction in the number of IHOP developed restaurants franchised versus 2002. For the year, total revenues increased as we benefited from both a 10.4% increase in the number of effective franchise restaurants to 931, and a 4.8% increase in same-store sales during 2003.

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

Franchise Operations revenues grew by 11.7% for the quarter and 13.9% for 2003 as franchise retail sales increased. Franchise operations expenses increased by 17.8% for the quarter and 16.6% for 2003 with a higher level of advertising support during the year as well as financial assistance relief granted to the operators of franchise restaurants. This short-term subsidy is aimed at helping return franchisees to profitability and to help us to avoid costlier take back scenarios. Profit from Franchise Operations increased for the quarter by 6.8% and by 11.7% for the full year as retail sales in franchise restaurants increased.

Rental revenues increased by 16.6% for the quarter and 17.7% for the full year due to an increase in the number of operating leases associated with new and refranchised restaurants. Rental expenses increased by 16.2% for the quarter and 17.4% for 2003 because of this increase in the number of operating leases. As a result, Rental Operations profit increased for the quarter by 17.7% and by 18.8% for the full year by having more franchise restaurants in total.

Financing Operations revenues decreased by 25.6% for the quarter because 30 fewer restaurants were developed in the fourth quarter versus fourth quarter 2002. For the year, Financing operations revenues increased by 5.4% due to an increase in franchise and equipment note interest income associated with the restaurants we franchised. Expenses in this segment decreased 19.0% for the quarter as fewer restaurants were developed, and increased 14.2% for the full year as we incurred additional interest expense associated with our November 2002 private placement. Financing operations profit decreased 37.1% for the quarter as a result of this lower development level. And, for the year, Financing operations profit decreased 5.5% for 2003 primarily due to the expense related to the private placement and lower overall development activity.

Our final segment, Company Operations, ended the year with a loss of $2.8 million for the quarter and $6.9 million for 2003. I want to address this in more detail as it underperformed our expectations.

To start, sales performance, on average, outperformed the system as a whole with an overall increase of 6.2%. That's good news. In addition, we were quite successful refranchising Company-operated units as we ended 2003 with only 44 Company units compared to 76 at the end of 2002. That's also good news as we benefit both strategically and financially when strong franchisees operate these units instead of IHOP. Of course, we expect the Company market we are developing in Cincinnati to be the exception as we look to use it to demonstrate world class operations.

However, our loss in this segment increased for a number of reasons. First and most significantly, labor costs were higher. The higher costs were driven by a number of factors. Higher workers' compensation expense played a role. Higher incentive costs resulting from exceptional sales performance and the refranchising of restaurants were also factors. Finally, we believe there is a significant opportunity for better labor management going forward than we achieved in 2003. And, we believe we can accomplish this without sacrificing the quality of our guest experience. All of these contributing factors are being addressed by our new dedicated Company operations team and we expect significant improvement in all these areas in 2004. The other cause of profit weakness was brought on by our success in refranchising restaurants. As we refranchised our stronger restaurants, we missed the profit contribution we had experienced from these restaurants in 2002. Also, there were higher than normal exit costs associated with each refranchised restaurant, such as food costs, severance pay out, and transitional operating support provided to the new franchisee.

Moving on to general and administrative expenses, G&A increased for the quarter by 24.5% to $16.0 million and by 10.2% for the full year to $54.6 million. The increases for both the quarter and year were primarily due to higher employee incentive charges than 2002. In 2002, effectively no bonuses were paid to corporate employees. This expense increase accounts for approximately one half of the total SG&A increase for the year.

Turning to our key balance sheet items, the balance of cash and cash equivalents at December 31, 2003 decreased by 71.6% to $28.0 million from $98.7 million at the end of last year. This was principally due to the more productive deployment of cash into highly liquid investment grade corporate bonds. Long-term receivables increased to $354.0 million from $332.8 million at the end of last year due to IHOP's financing activities associated with the sale of franchises and equipment. The balance of property and equipment increased 9.8% to $314.2 million versus 2002 due to new restaurant development. For 2003, total Capex related to restaurant development was $80.5 million, compared to $141.7 million in 2002, reflecting the benefit of our transition from the old to the new business model.

Now, let's take a look at a couple of cash flow measures and how they performed in 2003. First, cash from operations ended at $71.3 million. Free cash flow — cash from operations less capital expenditures – was negative $9.2 million, better than our previous guidance range of negative $15 million to $25 million. That's a significant improvement from negative $63.6 million in 2002, reflecting the pay off of our new business model.

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

Julia Stewart – 2004 Executional Agenda

Thanks, Tom. Clearly, we accomplished a great deal during the past year, but much of the work we did was to prepare us for 2004 and beyond. Now, the job gets even tougher. We'll need to stay on top while the competition starts to fight back. We've gone back to the basics to deepen our understanding of who we are and what we mean to our guests. Our strategy in 2004 is all about delivering the promise conveyed in our slogan, "Come hungry. Leave happy."

We are on the forefront of change in an organization that is dedicated to supporting our franchisees and restaurant team members so they will take better care of our guests. We will continue to execute the proven business strategies responsible for re-energizing our system to date. We believe there is a great deal of upside left to capture. And, significant and ongoing improvements are possible in every area of our business.

Our future financial success revolves around three initiatives — driving sales, supporting franchisee development and strategically investing in the business.

Driving sales is a goal for every person at IHOP. Marketing, Product R&D, Operations and Training will continue to support strategies that produced our strong same-store sales performance in 2003. We will also look for ways to introduce complimentary initiatives to optimize our approach. We will introduce a third flight of national network advertising and continue to work to optimize our local market media spending. We will introduce six limited time product promotions throughout the year to create reason for guests to visit more often.

Product R&D is focused on continuous menu improvements throughout the year. In 2004, these improvements will include seamless enhancements to existing menu items, revitalizing our most popular offerings and adding successful product promotions to our core menu. Our guests are asking for new choices and consumers tell us that they will visit more frequently if we offer greater variety and better tasting food. For a brand whose heritage is built on breakfast, we can categorically say that IHOP owns breakfast in America. We are going to protect this stronghold. But for the first time in many years, we are letting our guests know that we are just as serious about lunch and dinner as we are about breakfast. Our greatest sales opportunity lies in successfully driving traffic throughout the day. For these reasons, we believe the best is yet to come.

We will continue our Mystery shopper program with four shops per restaurant per quarter. This gives us an impartial and important third party measure of how successfully we are meeting the promise of a great guest experience. Our push to remove substandard franchisees should largely be completed in 2004, and we will move forward by sharing and learning from only the best franchisees in our system. We have also changed the focus of our field consultants as they work toward becoming greater business partners with our franchisees. And, we created new positions to perform the standards enforcement function which field consultants were previously responsible for. Now, a dedicated group will perform operational audits while our field consultants will focus on driving franchisee performance. We expect to see the benefit of this value-added focus during 2004.

As we train in each new product promotion, we will use these training meetings to also refocus our employees on hospitality. Hospitality has been identified as an important area where we could meaningfully improve our guests' perceptions of IHOP. It's about delivering the promise of a great guest experience, and we are dedicated to this endeavor.

We will develop a new Company market in Cincinnati as a part of our renewed focus on operational excellence. We intend to create a market in which we can develop "best in class" operational initiatives and training programs as well as test new products and marketing programs for use in our franchised restaurants throughout the country. We expect the first restaurants in Cincinnati to open in the second half of this year.

Finally, we will strategically invest in Information Technology. We have a tremendous opportunity to leverage technology in our restaurants that will have a real, quantifiable business impact. At the Restaurant Support Center, technology solutions will be aimed at improving franchisee relations and support, and automating and streamlining the process of restaurant development. Most importantly, we will dramatically increase our ability to access and analyze data throughout our system to equip us with improved information to help us to make better strategic decisions every day.

In 2003, we achieved great success, but we have only just begun to realize the power of our brand. 2004 will be about optimizing those strategies already at work to deliver the promise to our franchisees, our employees and our shareholders of an even better year than 2003. We will do this by focusing on our three strategic priorities: driving sales, supporting franchise development and strategically investing in our business.

Now, we'd be pleased to answer any questions you might have.