QuickLinks -- Click here to rapidly navigate through this document

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2004

OR

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

For the transition period from to

Commission File Number 0-8360

IHOP CORP.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**95-3038279** (I.R.S. Employer Identification No.)
450 North Brand Boulevard, Glendale, California (Address of principal executive offices)	**91203-1903** (Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☒ No ☐

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of July 30, 2004
Common Stock, $.01 par value	20,209,269

IHOP CORP. AND SUBSIDIARIES
INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	June 30, 2004	December 31, 2003
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 14,929	$ 27,996
Marketable securities	35,907	45,537
Receivables, net	44,059	47,116
Reacquired franchises and equipment held for sale, net	1,165	1,597
Inventories	397	556
Prepaid expenses	1,474	4,279
Total current assets	97,931	127,081
Long-term receivables	346,068	354,036
Property and equipment, net	302,930	314,221
Reacquired franchises and equipment held for sale, net	6,602	9,153
Excess of costs over net assets acquired	10,767	10,767
Other assets	34,028	27,746
Total assets	$ 798,326	$ 843,004
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$ 9,179	$ 13,840
Accrued employee compensation and benefits	8,872	11,962
Other accrued expenses	10,761	8,924
Deferred income taxes	2,020	1,760
Current maturities of long-term debt	5,775	5,731
Current maturities of capital lease obligations	3,454	3,156
Total current liabilities	40,061	45,373
Long-term debt, less current maturities	138,653	139,615
Capital lease obligations, less current maturities	175,841	177,664
Deferred income taxes	68,866	72,225
Other liabilities	30,366	25,767
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $1 par value, 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.01 par value, 40,000,000 shares authorized; June 30, 2004: 22,105,037 shares issued and 20,284,442 shares outstanding; December 31, 2003: 21,994,068 shares issued and 21,389,939 shares outstanding	221	220
Additional paid-in capital	108,649	104,661
Retained earnings	300,028	295,448
Deferred compensation	(103)	(191)
Accumulated other comprehensive loss	(348)	(545)
Treasury stock, at cost (1,820,595 and 604,129 shares at June 30, 2004 and December 31, 2003, respectively)	(64,458)	(19,443)
Contribution to ESOP	550	2,210
Total stockholders' equity	344,539	382,360
Total liabilities and stockholders' equity	$ 798,326	$ 843,004

See the accompanying Notes to Consolidated Financial Statements.

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(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 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 provision for 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

See the accompanying Notes to Consolidated Financial Statements.

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2004	**2003**
Cash flows from operating activities		
Net income	$ 15,276	$ 16,935
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation and amortization	9,332	9,011
Impairment and closure charges	10,059	917
Reorganization charges	—	5,534
Deferred income taxes	(3,099)	(50)
Contribution to ESOP	565	1,113
Tax benefit from stock options exercised	784	1,544
Changes in current assets and liabilities		
Receivables	1,889	3,922
Inventories	159	(1)
Prepaid expenses	2,805	5,226
Accounts payable	(4,661)	(13,490)
Accrued employee compensation and benefits	(3,090)	2,291
Other accrued expenses	1,837	(682)
Other	752	(88)
Cash flows provided by operating activities	32,608	32,182
Cash flows from investing activities		
Additions to property and equipment	(8,978)	(49,634)
Additions to long-term receivables	(354)	(6,483)
Redemption and purchase of marketable securities, net	9,630	(33,367)
Proceeds from sale of land and building	1,472	—
Principal receipts from long-term receivables	10,424	7,436
Additions to reacquired franchises held for sale	(697)	(1,285)
Cash flows provided by (used in) investing activities	11,497	(83,333)
Cash flows from financing activities		
Proceeds from sale and leaseback arrangements	—	12,618
Repayment of long-term debt, including revolving line of credit	(917)	(1,019)
Principal payments on capital lease obligations	(1,524)	(1,237)
Dividends paid	(10,696)	(5,383)
Purchase of treasury stock	(46,333)	(5,041)
Proceeds from stock options exercised	2,298	6,159
Cash flows (used in) provided by financing activities	(57,172)	6,097
Net decrease 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
Supplemental disclosures		
Interest paid, net of amounts capitalized	$ 13,849	$ 13,370
Income taxes paid	3,582	4,958
Capital lease obligations incurred	—	10,277

See the accompanying Notes to Consolidated Financial Statements.

IHOP CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General: The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six month periods ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

The consolidated balance sheet at December 31, 2003 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in IHOP's annual report on Form 10-K for the year ended December 31, 2003.

2. Reclassifications: Certain reclassifications have been made to prior period information to conform to the current period presentation.

3. Presentation: IHOP's fiscal quarter ends on the Sunday closest to the last day of each quarter. For convenience, we report all fiscal quarter endings on March 31, June 30, September 30 and December 31.

4. Segments: In January 2003, we announced significant changes in the way the Company conducts business. These include a transition from Company-financed restaurant development to a more traditional franchise development model, in which franchisees finance and develop their new restaurants. As a result of the change in IHOP's business model, the Company has also changed the presentation of its segment information. IHOP identifies its operating segments based on the organizational units used by management to monitor performance and make operating decisions. The Franchise Operations segment includes restaurants operated by franchisees and area licensees in the United States and Canada. The Franchise Operations segment consists primarily of royalty revenues, sales of proprietary products, advertising fees and franchise fees. The Rental Operations segment consists of rental income and expense and direct financing lease interest income and capital lease interest expense on restaurants operated by franchisees. The Company Restaurant Operations segment includes Company-operated restaurants in the United States. The Financing Operations segment consists of sales of franchises and equipment as well as interest income from the financing of franchise fee and equipment contract notes.

	Franchise Operations	Rental Operations	Company Restaurant Operations	Financing Operations	General and Administrative and Other	Consolidated Total
	(In thousands)					
Three Months Ended June 30, 2004						
Revenues from external customers	$ 37,209	$ 32,405	$ 8,314	$ 8,216	$ —	$ 86,144
Intercompany real estate charges	—	4,985	112	—	(5,097)	—
Depreciation and amortization	—	1,408	384	—	2,825	4,617
Interest expense	—	4,594	233	1,994	—	6,821
Impairment and closure charges	—	—	8,888	—	—	8,888
Income (loss) before provision for income taxes	18,912	4,862	(731)	4,515	(20,575)	6,983
Provision for income taxes	—	—	—	—	2,617	2,617
Three Months Ended June 30, 2003						
Revenues from external customers	$ 34,722	$ 28,993	$ 21,335	$ 18,234	$ —	$ 103,284
Intercompany real estate charges	—	3,731	485	—	(4,216)	—
Depreciation and amortization	—	1,194	1,046	—	2,358	4,598
Interest expense	—	4,438	435	1,825	—	6,698
Impairment and closure charges	—	—	567	—	—	567
Reorganization charges	—	—	—	—	811	811
Income (loss) before provision for income taxes	18,761	4,815	(1,504)	8,366	(12,882)	17,556
Provision for income taxes	—	—	—	—	6,584	6,584
Six Months Ended June 30, 2004						
Revenues from external customers	$ 76,338	$ 64,797	$ 18,869	$ 18,024	$ —	$ 178,028
Intercompany real estate charges	—	9,897	295	—	(10,192)	—
Depreciation and amortization	—	2,784	880	—	5,668	9,332
Interest expense	—	9,223	506	3,973	—	13,702
Impairment and closure charges	—	—	10,059	—	—	10,059
Income (loss) before provision for income taxes	39,743	10,046	(2,297)	9,110	(32,163)	24,439
Provision for income taxes	—	—	—	—	9,163	9,163
Six Months Ended June 30, 2003						
Revenues from external customers	$ 68,508	$ 57,307	$ 41,009	$ 30,451	$ —	$ 197,275
Intercompany real estate charges	—	7,203	981	—	(8,184)	—
Depreciation and amortization	—	2,354	2,152	—	4,505	9,011
Interest expense	—	8,836	864	3,495	—	13,195
Impairment and closure charges	—	—	917	—	—	917
Reorganization charges	—	—	—	—	7,520	7,520
Income (loss) before provision for income taxes	37,146	9,672	(3,095)	13,750	(30,376)	27,097
Provision for income taxes	—	—	—	—	10,162	10,162

5. Stock Based Employee Compensation: In accordance with the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," we have elected to account for our stock-based employee compensation plans under the intrinsic value method which requires compensation expense to be recorded only if, on the date of grant, the current market price of the Company's common stock exceeds the exercise price the employee must pay for the stock. The Company's policy is to grant stock options at the fair market value of the underlying stock at the date of grant. Had compensation expense for our stock option plans been determined based on the fair value at the grant date for awards through June 30, 2004 consistent with the provisions of SFAS No. 123, our after-tax net income and after-tax net income per share would have been reduced to the pro forma amounts indicated below (in thousands, except net income per share data):

	Three Months Ended June 30		Six Months Ended June 30	
	2004	**2003**	**2004**	**2003**
Net income, as reported	$ 4,366	$ 10,972	$ 15,276	$ 16,935
Add stock-based compensation expense included in reported net income, net of tax	26	25	54	59
Less stock-based compensation expense determined under the fair-value accounting method, net of tax	(435)	(452)	(863)	(699)
Net income, pro forma	$ 3,957	$ 10,545	$ 14,467	$ 16,295
Net income per share—diluted, as reported	$ 0.21	$ 0.51	$ 0.71	$ 0.78
Net income per share—diluted, pro forma	$ 0.19	$ 0.49	$ 0.68	$ 0.76

6. Income Taxes: The Internal Revenue Service ("IRS") has proposed adjustments in connection with its examination of the Company's 2000 and 2001 federal income tax returns. The proposed adjustments would accelerate the tax years in which the Company reports initial franchise fee income for federal income tax purposes. If the IRS is successful, the Company would be required to report additional income for its 2000 tax year of approximately $45.2 million and additional income for its 2001 tax year of approximately $4.8 million. The Company's federal income tax liability with respect to the proposed adjustments, exclusive of interest, penalties and any related state tax liability would be approximately $15.8 million for 2000 and $1.7 million for 2001. The Company is currently contesting the proposed adjustments through IRS administrative proceedings. In addition, if the IRS is successful, the Company would report additional income for its 2002 and 2003 tax years. The Company estimates that its federal income tax liability with respect to such additional income, exclusive of interest, penalties and related state tax liability would be approximately $2.0 million for each of 2002 and 2003.

For the tax years under audit, and potentially for subsequent tax years, such proposed adjustments could result in material cash payments by the Company. The Company had previously recorded in its consolidated financial statements the expected federal and state deferred income tax liability. The proposed adjustments relate only to the timing of when the taxes are paid. Although the Company cannot determine at this time the resolution of this matter, we do not believe that the proposed adjustments, if upheld, will have a material adverse effect on our financial condition or results of operations.

7. Impairment and Closure Charges: During the second quarter of 2004, IHOP recorded an $8.9 million charge for long-lived asset impairments on 14 restaurants. The Company will close 8 of these restaurants in the third quarter of 2004. The decision to close the restaurants was a result of a comprehensive analysis that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. The assets for these restaurants were written down to their estimated fair value in the second quarter. During the third quarter of 2004, IHOP expects to record an additional charge of approximately $4 to $5 million, primarily related to existing lease obligations associated with several of the restaurants to be closed. These lease charges will be recorded primarily during the third quarter in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which requires lease obligations to be recorded when a restaurant ceases operation.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table sets forth certain operating data for IHOP restaurants:

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(Dollars in thousands) (Unaudited)			
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 are reported as "Area License." Prior period information has been restated to conform to the current period 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.

The following table summarizes IHOP's restaurant development and franchising activity:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(Unaudited)		(Unaudited)	
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 are reported as "Area License." Prior period information has been restated to conform to the current period presentation.

Forward-Looking Statements

The following discussion and analysis provides information we believe is relevant to an assessment and understanding of IHOP's consolidated results of operations and financial condition. The discussion should be read in conjunction with the consolidated financial statements and notes thereto. Certain forward-looking statements are contained in this report. 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 that 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 ability to continue to attract qualified franchisees; availability of suitable locations and terms for 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 concept 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 our press releases, public statements and/or filings with the Securities and Exchange Commission. Forward-looking information is provided by us 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, we disclaim any intent or obligation to update these forward-looking statements.

This information should be read in conjunction with consolidated financial statements and the notes thereto included in Item 1 of Part I of this Quarterly Report and the audited consolidated financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

General

In January 2003, we announced significant changes in the way we conduct our business. These changes included a transition from Company-financed restaurant development (the "Old Model") to a more traditional franchise development model, in which franchisees finance and develop new restaurants (the "New Model"). It was the Company's intention to complete the transition from Company development to franchisee development by the end of 2003. Due to construction delays, we expect to complete the development and franchising of the final restaurant under the Old Model in the third quarter of 2004.

Franchising

Our franchising activities in each of the quarters and six months ended June 30, 2004 and 2003 included both Company financed and franchisee financed development. For clarity of presentation, the discussion below is separated between those activities specific to the Old Model and those which apply to the New Model.

Old Model

Under the Old Model, when we developed a restaurant we identified the site for the new restaurant, purchased the site or leased it from a third party, and built the restaurant and equipped it with all required equipment. We selected and trained the franchisee and supervisory personnel who would operate the restaurant. In addition, we typically financed approximately 80% of the franchise fee, and leased the restaurant and equipment to the franchisee. In accordance with GAAP, the equipment lease between the Company and the franchisee was treated as a sale in our financial statements.

Our involvement in the development of new restaurants allowed IHOP to charge a core franchise fee and development and financing fees totaling $200,000 to $550,000. In addition, we derive income from the financing of the core franchise fee and development and financing fees, and the leasing of property and equipment to franchisees. However, we also incurred obligations in the development, franchising and start-up operations of the new restaurants.

The franchisee typically paid approximately 20% of the initial franchise fee in cash, and we financed the remaining amount over five to eight years. We also continue to receive revenues from the franchisee as follows: (1) a royalty equal to 4.5% of the restaurant's sales; (2) income from the leasing of the restaurant property and related equipment; (3) revenue from the sale of certain proprietary products, primarily pancake mixes; (4) a local advertising fee equal to about 2% of the restaurant's sales, which is usually collected by IHOP and then paid to a local advertising cooperative; and (5) a national advertising fee equal to 1% of the restaurant's sales. In some cases, we have agreed to accept reduced royalties for a period of time from franchisees in order to assist them in establishing their businesses, where business conditions justify it.

New Model

Under the New Model, IHOP's approach to franchising is similar to that of most franchising systems in the foodservice industry. Franchisees can undertake individual store development or multi-store development. Under the single store development program, the franchisee is required to pay a non-refundable location fee of $15,000. If the proposed site is approved for development, the location fee of $15,000 is credited against an initial franchise fee of $50,000. The franchisee then uses his or her own capital and financial resources to acquire the site, build and equip the business and fund working capital needs.

In addition to offering franchises for individual restaurants, the Company offers multi-store development agreements for certain qualified franchisees. These multi-store development agreements provide franchisees with an exclusive right to develop new IHOP restaurants in designated geographic territories for a specified period of time. Multi-store developers are required to develop and operate a specified number of restaurants according to an agreed upon development schedule. Multi-store developers are required to pay a development fee of $20,000 for each restaurant to be developed under a multi-store development agreement. Additionally, for each store which is actually developed, the franchise developer must pay an initial franchise fee of $40,000 against which the development fee of $20,000 is credited. The number of stores and the schedule of stores to be developed under multi-store development agreements is negotiated on an agreement by agreement basis. With respect to restaurants developed under the New Model, the Company receives continuing revenues from the franchisee as follows: (1) a royalty equal to 4.5% of the restaurant's sales; (2) revenue from the sale of certain proprietary products, primarily pancake mixes; (3) a local advertising fee equal to about 2% of the restaurant's sales, which is usually paid to a local advertising cooperative; and (4) a national advertising fee equal to 1% of the restaurant's sales.

The following table represents our development commitments as of June 30, 2004.

		Scheduled Opening of Restaurants				
	Number of Signed Agreements	Remainder of 2004	2005	2006	2007 and thereafter	Total
Single-store development agreements	31	16	15	—	—	31
Multi-store development agreements	34	23	33	30	114	200
	65	39	48	30	114	231

Comparison of the second quarter and six months ended June 30, 2004 and 2003

IHOP's fiscal second quarter ends on the Sunday nearest to June 30 of each year. For convenience, we report the fiscal second quarters as ending on June 30. Each of the quarters ended June 30, 2004 and 2003 was comprised of 13 weeks (91 days). Each of the six month periods ended June 30, 2004 and 2003 was comprised of 26 weeks (182 days).

System-Wide Retail Sales

System-wide retail sales include the sales of all IHOP restaurants as reported to IHOP by its franchisees, area licensees and Company-operated restaurants. In the second quarter of 2004, system-wide retail sales grew by 8.4% or $35.5 million to $461.1 million from $425.5 million in the same period in 2003. System-wide retail sales for the first six months of 2004 grew by 10.4% or $87.0 million to $926.4 million from $839.4 million in the same period in 2003. The growth in system-wide retail sales was primarily due to an increase in same-store sales and an increase in the number of effective restaurants. Same-store sales increased by 4.2% for the second quarter of 2004 and by 5.6% for the first six months of 2004 compared to the same periods in 2003. The increase in same-store sales was primarily attributable to limited time promotions and improved operations of our restaurants. Due to new restaurant development, effective restaurants grew by 3.7% from 1,123 to 1,164 for the second quarter of 2004, and by 4.7% from 1,113 to 1,165 for the first six months of 2004. "Effective" restaurants are the number of restaurants in operation in a given fiscal period, adjusted to account for restaurants in operation for only a portion of the fiscal period.

For the twelve months ending December 31, 2004, we expect system-wide retail sales to be in the range of $1.8 billion to $1.9 billion. System-wide retail sales growth is expected to be driven by the annualized effect of new restaurant openings in 2003, expected new restaurant openings in 2004 and expected improvement in same-store sales. In addition, the anticipated increase in system-wide retail sales will be due in part to the benefit of a 53^{rd} week in fiscal 2004. We utilize a weekly fiscal calendar to close our books. In order to align our fiscal quarter end to the calendar quarter, we utilize a 53-week fiscal calendar approximately every six years to account for this required adjustment. As such, we will record an additional week of retail sales in fiscal 2004.

Franchise Operations

Franchise revenues are the revenues received by IHOP from its franchisees and area licensees and include royalties, sales of proprietary products, advertising fees and core franchise fees (core franchise fees are the portion of total franchise fees allocable to the license to franchisees to use the Company's intellectual property). Franchise revenues grew by 7.2% from $34.7 million in the second quarter 2003 to $37.2 million in the same period in 2004. Franchise revenues for the first six months of 2004 grew by 11.4% to $76.3 million from $68.5 million in the same period of 2003. Franchise revenues grew primarily due to an increase in franchise restaurant retail sales. Franchise retail sales increased by 11.6% to $409.4 million from $366.9 million in the second quarter of 2004 and by 13.6% to $821.0 million from $722.7 million for the first six months of 2004 compared to the same periods in 2003. The increase in franchise restaurant retail sales was primarily due to an increase in the number of effective franchise restaurants and an increase in same-store sales. Effective franchise restaurants grew by 8.8% from 907 to 987 for the second quarter of 2004, and by 9.3% from 899 to 983 for the first six months of 2004, in each case, compared to the same period in 2003. Same-store sales increased by 4.0% in the second quarter of 2004 and increased by 5.5% in the first six months of 2004.

The growth in franchise revenues in the second quarter and first six months of 2004 was negatively impacted by fewer transactions for which we received core franchise fees. In the second quarter of 2004, we franchised 2 restaurants as compared with 19 restaurants in the same period in 2003 and in the first six months of 2004 we franchised 4 restaurants as compared with 30 restaurants in the first six months of 2003.

Franchise expenses consist primarily of advertising and the cost of proprietary products, which are primarily variable in nature and are expected to fluctuate with franchise revenues. Franchise expenses increased by 14.6% to $18.3 million in the second quarter of 2004 from $16.0 million in the second quarter of 2003, and by 16.7% to $36.6 million in the first six months of 2004 from $31.4 million in the first six months of 2003. The increase in franchise expenses was primarily a result of the increase in franchise revenues mentioned above. Franchise expenses for both the second quarter and six months ended June 30, 2004 were also impacted by point of sale equipment subsidies paid to our franchisees in the amount of $0.6 million.

Franchise operations profit increased by 0.8% from $18.8 million in the second quarter of 2003 to $18.9 million in the same period in 2004. Franchise operations profit increased by 7.0% from $37.1 million in the first six months of 2003 to $39.7 million in the same period in 2004. For the twelve months ending December 31, 2004, franchise operations segment profit is expected to increase. The increase will be due to increased sales expected at franchise restaurants from annualized restaurant growth in 2003 and new development in 2004. Franchise operations margin is expected to decline slightly in 2004 primarily due to lower royalty rates from recently refranchised restaurants and lower core franchise fees due to a decrease in the number of restaurants that we expect to franchise.

Rental Operations

Rental revenue includes rental income from operating leases and interest income from direct financing leases. Rental revenues increased by 11.8% to $32.4 million in the second quarter of 2004 from $29.0 million and by 13.1% to $64.8 million in the first six months of 2004 from $57.3 million compared to the same periods in 2003. The increase in rental income is associated with an increase in the number of operating leases associated with new and refranchised restaurants. In addition, rental income under most leases is tied to retail sales of the restaurants, and accordingly the increase is also partially due to improved same-store sales.

Rental expenses consist primarily of rental expense associated with operating leases and interest expense on direct financing leases. Rental expenses increased by 11.2% to $23.7 million in the second quarter of 2004 from $21.3 million in the second quarter of 2003, and by 11.8% to $47.1 million in the first six months of 2004 from $42.1 million in the same period in 2003. The increase in rental costs is associated with an increase in the number of operating leases associated with new and refranchised restaurants.

Rental operations profit increased by 13.4% from $7.7 million in the second quarter of 2003 to $8.7 million in the same period in 2004. Rental operations profit increased by 16.5% from $15.2 million in the first six months of 2003 to $17.7 million in the same period of 2004. For the twelve months ended December 31, 2004, rental operations segment profit is expected to increase primarily due to the anticipated increase in the number of operating leases associated with the refranchising of Company-operated restaurants and the effect of restaurant openings in 2003.

Company Restaurant Operations

Company restaurant operations revenues are retail sales to guests at restaurants operated by IHOP. Company restaurant operations revenues decreased by 61.0% to $8.3 million in the second quarter of 2004 from $21.3 million in the same period of 2003 and decreased by 54.0% to $18.9 million in the first six months of 2004 from $41.0 million in the same period of 2003. The decrease in revenue is primarily due to a decrease in the number of IHOP-operated effective restaurants in the second quarter and first six months of 2004. The number of IHOP-operated effective restaurants decreased by 59.5% from 79 in the second quarter of 2003 to 32 in the second quarter of 2004 and decreased by 51.9% from 77 in the first six months of 2003 to 37 in the first six months of 2004. "Effective" restaurants are the number of restaurants open in a given fiscal period, adjusted to account for restaurants open for only a portion of the period.

Company restaurant expenses include primarily food, labor and benefits, incentives, utilities, rent and other real estate related costs. Company restaurant expenses decreased by 60.2% to $8.9 million in the second quarter of 2004 from $22.5 million in the second quarter of 2003, and decreased by 51.8% to $20.9 million in the first six months of 2004 from $43.4 million in the same period of 2003. The decrease in Company restaurant expenses was primarily attributable to the decrease in the number of IHOP-operated restaurants as mentioned above.

Company restaurant operations loss was $0.6 million in the second quarter of 2004, or 45.8% lower than the loss of $1.2 million in the same period in 2003. For the first six months of 2004, Company restaurant operations loss was $2.0 million, or 15.2% lower than the loss of $2.4 million in the same period in 2003. For the twelve months ending December 31, 2004, the loss on Company operations is expected to be substantially reduced due to the decrease in the number of IHOP-operated restaurants as a result of our strategic repositioning of Company-operated restaurants.

On July 22, 2004, the Company announced the immediate closing of five restaurants and the anticipated franchising of substantially all of its remaining Company-operated restaurants by the end of the year. This strategic repositioning will allow our Company operations management team to focus on the new Company-operated restaurant market the Company is building in Cincinnati, Ohio. 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.

Financing Operations

Financing operations revenues consist of the portion of franchise fees not allocated to the Company's intellectual property, revenues from the sale of restaurant equipment and interest income from the financing of franchise fee and equipment leases. Financing operations revenues decreased by 54.9% to $8.2 million in the second quarter of 2004 from $18.2 million in the same period in 2003. For the first six months of 2004, financing operations revenues decreased by 40.8% to $18.0 million compared to $30.5 million in the same period in 2003. The decrease in revenues was primarily due to a decrease in the number of transactions for which we received development and financing fees. The decrease in the number of transactions was primarily due to the Company's transition from the Old Model to the New Model. In the second quarter of 2004, we franchised 2 restaurants as compared with 19 restaurants in the same period in 2003 and in the first six months of 2004 we franchised 4 restaurants as compared with 30 restaurants in the first six months of 2003. This decrease was partially offset by an increase in interest income from franchise and equipment notes associated with restaurants franchised in 2003.

Financing operations costs and expenses are primarily the cost of restaurant equipment and interest expense not associated with capital leases. Financing operations costs and expenses decreased by 62.5% to $3.7 million in the second quarter of 2004 from $9.9 million in the second quarter of 2003 and decreased by 46.6% to $8.9 million in the first six months of 2004 from $16.7 million in the same period of 2003. The decrease in financing operations costs and expenses was primarily due to a decrease in the costs associated with the number of transactions for which received development and financing fees as mentioned above.

Financing operations profit decreased by 46.0% to $4.5 million in the second quarter of 2004 from $8.4 million in the second quarter of 2003. In the first six months of 2004, financing operations profit decreased by 33.7% to $9.1 million from $13.8 million in the same period in 2003. For the twelve months ending December 31, 2004, financing operations profit is expected to decrease significantly due to the planned reduction in the number of units for which we will receive development and financing fees. The decrease in the number of transactions was primarily due to the Company's transition from the Old Model to the New Model. In 2003, the Company developed and franchised 56 restaurants for which it received development and franchising fees. It is expected that in 2004, the number of transactions for which such fees will be received will decline to four. The reduction of development and financing fees will lead to a profit decline in this segment. This will be partially offset by increased interest income from restaurants developed in 2003.

General and Administrative Expenses

General and administrative expenses increased by $0.5 million, or 3.6%, from $13.6 million in the second quarter of 2003 to $14.1 million in the same period of 2004. In the first six months of 2004, general and administrative expenses increased by $1.9 million, or 7.2%, to $27.7 million from $25.8 million in the same period in 2003. The increase in general and administrative expenses was primarily due to normal increases in salaries and wages.

For the twelve months ending December 31, 2004, we expect that general and administrative expenses will be between $53 million and $58 million.

Other Expense, Net

Other expense, net increased by $0.4 million or 38.1% from $1.2 million in the second quarter of 2003 to $1.6 million in the same period in 2004. Other expense, net was $2.3 million for the first six months of 2003 and 2004.

Impairment and Closure Charges

During the second quarter of 2004, IHOP recorded an $8.9 million charge for long-lived asset impairments on 14 restaurants. The Company will close 8 of these restaurants in the third quarter of 2004. The decision to close the restaurants was a result of a comprehensive analysis that examined restaurants not meeting minimum return on investment thresholds and certain other operating performance criteria. The assets for these restaurants were written down to their estimated fair value in the second quarter. During the third quarter of 2004, IHOP expects to record an additional charge of approximately $4 to $5 million, primarily related to existing lease obligations associated with several of the restaurants to be closed. These lease charges will be recorded primarily during the third quarter in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," which requires lease obligations to be recorded when a restaurant ceases operation.

Reorganization Charges

In January 2003, the Company adopted a new operating model, moving from Company-developed and financed restaurant growth to franchisee-financed development. As a result, financial results for the first six months of 2003 were impacted by certain transition and reorganization charges. In the first six months of 2003, we incurred $7.5 million in reorganization charges. Of these expenses, $5.5 million were related to the write-off of development costs associated with potential sites that we are no longer going to develop as a result of the adoption of our new business model. In addition, we incurred $2.0 million in management consulting, legal fees, severance costs and other expenses. There were no reorganization charges in the first six months of 2004.

Provision for Income Taxes

The Company's effective tax rate was 37.5% for both the second quarter and first six months of 2004 and 2003.

Liquidity and Capital Resources

In the first six months of 2004, cash and cash equivalents decreased by $13.1 million or 46.7% from $28.0 million as of December 31, 2003 to $14.9 million as of June 30, 2004. Marketable securities decreased by $9.6 million or 21.1% from $45.5 million as of December 31, 2003 to $35.9 million as of June 30, 2004. The decrease in cash and cash equivalents and marketable securities was primarily due to the repurchase of stock as discussed below.

Cash provided by operating activities in the first six months of 2004 totaled $32.6 million and resulted primarily from net income of $15.3 million, non-cash impairment charges of $10.1 million, and depreciation and amortization of $9.3 million.

In the first six months of 2004, we opened 3 IHOP-developed restaurants. We funded total capital additions of $9.0 million, which included the cost of the newly-opened restaurants, support of our new remodel program, remodels of existing restaurants, restaurants under construction, and information technology investments. This amount is significantly lower than the $49.6 million invested for these purposes in the first six months of 2003.

In 2004, capital expenditures are expected to be approximately $13 million to $16 million. These capital expenditures include costs associated with the development of four restaurants under the "Old Model," the development of new IHOP-operated restaurants in Cincinnati, Ohio and continued investment in information technology.

In January 2003, our Board of Directors approved an increase in our stock repurchase program that permits the purchase of up to 2.6 million shares. During the first six months of 2004, we repurchased approximately 1.3 million shares of common stock under our stock repurchase program at an aggregate cost of $46.3 million. Depending on market conditions and other factors, these purchases may be commenced or suspended at any time or from time to time without prior notice.

The Internal Revenue Service ("IRS") has proposed adjustments in connection with its routine examination of the Company's 2000 and 2001 federal income tax returns. The proposed adjustments would accelerate the tax years in which the Company reports initial franchise fee income for federal income tax purposes. If the IRS is successful, the Company would be required to report additional income for its 2000 tax year of approximately $45.2 million and additional income for its 2001 tax year of approximately $4.8 million. The Company's federal income tax liability with respect to the proposed adjustments, exclusive of interest, penalties and any related state tax liability would be approximately $15.8 million for 2000 and $1.7 million for 2001. The Company is currently contesting the proposed adjustments through IRS administrative proceedings. In addition, if the IRS is successful, the Company would report additional income for its 2002 and 2003 tax years. The Company estimates that its federal income tax liability with respect to such additional income, exclusive of interest, penalties and related state tax liability would be approximately $2.0 million for each of 2002 and 2003.

For the tax years under audit, and potentially for subsequent tax years, such proposed adjustments could result in material cash payments by the Company. The Company had previously recorded in its consolidated financial statements the expected federal and state deferred income tax liability. The proposed adjustments relate only to the timing of when the taxes are paid. Although the Company cannot determine at this time the resolution of this matter, we do not believe that the proposed adjustments, if upheld, will have a material adverse effect on our financial condition or results of operations.

We expect to fund our liquidity needs, including operating expenses, capital expenditures, the repayment of long-term debt and capital lease obligations, stock repurchases and required income tax payments, from a combination of existing cash balances, liquid investments, cash flows from operating activities and principal receipts from notes and equipment contracts receivable. In 2004, we expect cash flows provided by operating activities of $55 million to $65 million, and principal receipts from notes and equipment contracts receivable of $17 million to $22 million.

As an additional source of liquidity, we have a $25 million line of credit which expires in May 2005. Borrowings under the revolving line of credit agreement bear interest at the bank's reference rate (prime) or, at IHOP's option, at the bank's quoted rate or at a Eurodollar rate. There was no balance outstanding under this agreement at June 30, 2004 nor were there any borrowings under the agreement during the quarter.

Critical Accounting Policies

We prepare our Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires senior management to make estimates, assumptions and subjective or complex judgments that are inherently uncertain and may significantly impact the reported amounts of assets, liabilities, revenue and expenses during the reporting period. Changes in the estimates, assumptions and judgments affecting the application of these policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be most critical in understanding the judgments that are involved in preparing our Consolidated Financial Statements.

Accounting for Long-Lived Assets

We regularly evaluate our long-lived assets for impairment at the individual restaurant level. Restaurant assets are evaluated for impairment on a quarterly basis or whenever events or circumstances indicate that the carrying value of a restaurant may not be recoverable. We consider factors such as the number of years the restaurant has been operated by the Company, sales trends, cash flow trends, remaining lease life, and other factors which may apply on a case by case basis. These impairment evaluations require an estimation of cash flows over the remaining useful life of the asset.

Recoverability of a restaurant's assets is measured by comparing the carrying value of the assets to the undiscounted future cash flows expected to be generated over the remaining useful life of the asset. If the total expected undiscounted future cash flows are less than the carrying amount of the asset, the carrying amount is written down to the estimated fair value, and a loss resulting from impairment is recognized by a charge to earnings. The fair value is determined by discounting the future cash flows based on our cost of capital.

From time to time, the Company may elect to close certain Company-operated restaurants. Typically such decisions are based on operating performance or strategic considerations. In these instances, we reserve, or write-off, the full carrying value of these restaurants as impaired.

Periodically, the Company will reacquire a previously franchised restaurant. At the time of reacquisition, the franchise will be recorded at the lower of (1) the sum of the franchise receivables and costs of reacquisition, or (2) the estimated net realizable value. The estimated net realizable value of a reacquired franchise is based on the Company's average five-year historical franchise resale value. If the sum of the franchise receivables and costs of reacquisition exceeds the historical franchise resale value, an impairment loss will be recognized equal to the amount of the excess. The historical franchise resale value used for each restaurant in the six months of 2004 was $220,000.

Judgments and estimates made by the Company related to long-lived assets are affected by factors such as economic conditions, changes in franchise historical resale values, and changes in operating performance. As the Company assesses the ongoing expected cash flows and carrying value of its long-lived assets, these factors could cause the Company to realize impairment charges.

Self-Insurance Liability

We are self-insured for a significant portion of our employee health and workers' compensation obligations. The Company maintains stop-loss coverage with third party insurers to limit its total exposure. The accrued liability associated with these programs is based on our estimate of the ultimate costs to be incurred to settle known claims and claims incurred but not reported as of the balance sheet date. Our estimated liability is not discounted and is based on a number of assumptions and factors, including historical trends, actuarial assumptions and economic conditions. If actual trends, including the severity or frequency of claims, differ from our estimates, our financial results could be impacted.

Revenue Recognition

IHOP's revenues and expenses are recorded in four categories: franchise operations, rental operations, Company restaurant operations and financing operations.

The Franchise Operations segment consists primarily of royalty revenues, advertising fees, sales of proprietary products (primarily pancake mix) and the portion of the franchise fees allocated to the Company's intellectual property. Rental revenue includes revenue from operating leases and interest income from direct financing leases. Company restaurant sales are retail sales at IHOP-operated restaurants. The Financing Operations segment consists of the portion of the franchise fees not allocated to the Company's intellectual property, sales of equipment, as well as interest income from the financing of franchise fees and equipment leases.

Royalty revenues and advertising fees, which are based on franchisee retail sales, are recorded when earned in accordance with franchise agreements. Revenues from the sales of proprietary products (primarily pancake mix) are recorded when shipped. Fees from development agreements are deferred until restaurants under the agreement are open. Upon restaurant opening, fees received from development agreements are reflected as franchise fee revenue. The portion of franchise fees allocated to the Company's intellectual property is also recorded as revenue upon restaurant opening. Rental revenue from operating leases is recognized on the straight-line basis over the terms of the leases. Interest income from direct financing leases is recognized as revenue when earned. The portion of franchise fees not allocated to the Company's intellectual property and revenue from the sales of equipment is recognized upon restaurant opening. Interest income from the financing of franchise fees and equipment leases is recognized when earned. Revenue from retail sales by Company-operated restaurants is recognized on a cash basis.

Revenue recognition involves uncertainties and other factors, which may cause future results to be materially different. These factors include, but are not limited to: risks associated with the implementation of the Company's new strategic growth plan; the ability to continue to attract qualified franchisees; the terms of the sites designated for development; 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.

Income Taxes

We estimate certain components of our provision for income taxes. These estimates include, but are not limited to, effective state and local income tax rates, allowable tax credits for items such as work opportunity tax credits, FICA taxes paid on reported tip income, and estimates related to depreciation expense allowable for tax purposes. Our estimates are made based on the best available information at the time that we prepare the provision. All tax returns are subject to audit within the statute of limitations by the federal and state governments, and could be subject to differing interpretations of the tax laws.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There were no material changes from the information contained in the Annual Report on Form 10-K as of December 31, 2003.

Item 4. Controls and Procedures

(a) Disclosure Controls and Procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in

Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective.

(b) Changes in Internal Control Over Financial Reporting. There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is a party to certain litigation arising in the ordinary course of business which, in the opinion of management, should not have a material adverse effect upon either the Company's consolidated financial position or results of operations.

In February 2004, Darden Corporation and GMRI, Inc., the owners and operators of the chain of Olive Garden restaurants, filed a civil action for trademark infringement and unfair competition against IHOP Corp. and its subsidiary International House of Pancakes, Inc. in U.S. District Court, Middle District of Florida, Orlando Division. The plaintiffs claim rights to the advertising phrase "Never Ending Pasta Bowl," and assert that IHOP's use of "Never Ending Pancakes" and "Never Ending Popcorn Shrimp" violates their rights. Discovery has recently been initiated and IHOP intends to vigorously contest the claims.

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities.

(a) —(d) Not applicable

(e) The following table provides information relating to the Company's repurchases of stock during the second quarter of 2004:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs(2)
April 1, 2004—April 30, 2004	—	—	—	1,914,310
May 1, 2004—May 31, 2004	398,100	$ 36.72	398,100	1,516,210
June 1, 2004—June 30, 2004	765,000	$ 36.00	765,000	751,210
Total	1,163,100	$ 36.25	1,163,100	751,210

(1) Total number of shares repurchased through June 30, 2004 under the stock repurchase plan announced in January 2003 is 1,848,790. This includes 570,690 shares repurchased in 2003.

(2) The above mentioned stock repurchase plan provided for the repurchase of up to 2.6 million shares.

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Stockholders (the "Meeting") was held on May 25, 2004. Stockholders voted in person or by proxy for the following purposes:

(a) Stockholders voted to elect the following directors:

	Votes For	Votes Withheld
Caroline W. Nahas	19,049,409	803,318
Frank Edelstein	19,686,440	166,287
Richard J. Dahl	19,718,292	134,435

Directors whose terms of office continued after the meeting were H. Frederick Christie, Patrick W. Rose, Michael S. Gordon, Larry Alan Kay, and Julia A. Stewart.

(b) Stockholders voted to approve and ratify the appointment of Ernst & Young LLP, as the Company's independent public accountants for the year ending December 31, 2004. 19,758,921 shares were voted in favor of this proposal, 88,818 shares were voted against, there were 4,988 abstentions, and no broker non-votes.

Item 5. Other Information.

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

3.1	Restated Certificate of Incorporation of IHOP Corp. (Exhibit 3.1 to IHOP Corp.'s Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference).
3.2	Bylaws of IHOP Corp. (Exhibit 3.2 to IHOP Corp.'s Form 10-K for the fiscal year ended December 31, 2002 is incorporated herein by reference).
3.3	Amendment to the bylaws of IHOP Corp. dated November 14, 2000 (Exhibit 3.3 to IHOP Corp.'s Form 10-Q for the quarterly period ended March 31, 2001 is incorporated herein by reference).
*10.1	Performance Shares Award Agreement.
*10.2	Schedule 1 to the Performance Shares Award Agreement.
*10.3	Terms and Conditions of Performance Share Awards.
11.0	Statement Re Computation of Per Share Earnings.
31.1	Certification of CEO pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
31.2	Certification of CFO pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended.
32.1	Certification of CEO pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of CFO pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

On April 16, 2004, IHOP filed a Current Report on Form 8-K, dated April 12, 2004, reporting under Item 4 with respect to changes in IHOP Corp.'s certifying accountant.

On April 23, 2004, IHOP filed a Current Report on Form 8-K, dated April 22, 2004, reporting under Item 5 with respect to the Internal Revenue Service's proposed adjustments in connection with its examination of the 2000 and 2001 federal income tax returns of IHOP Corp. and reporting under Item 12 with respect to earnings information for the quarterly period ended March 31, 2004.

SIGNATURES

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 thereunto duly authorized.

IHOP Corp.
(Registrant)

August 5, 2004	BY:	/s/ JULIA A. STEWART
(Date)		President and Chief Executive Officer (Principal Executive Officer)
August 5, 2004		/s/ THOMAS CONFORTI
(Date)		Chief Financial Officer (Principal Financial Officer)

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.1

IHOP CORP.
PERFORMANCE SHARES AWARD AGREEMENT

THIS PERFORMANCE SHARES AWARD AGREEMENT (the "Agreement") is entered into as of [insert date], between IHOP CORP., a Delaware corporation (the "Company"), and [insert Grantee name] (the "Grantee").

R E C I T A L S:

The Compensation Committee (the "Committee") of the Board of Directors of the Company has granted to the Grantee on [insert grant date], a performance award payable in the form of the common stock of the Company, par value $.01 per share ("Common Stock") and cash, pursuant to the Company's 2001 Stock Incentive Plan (the "Plan") and the Performance Share Awards Terms and Conditions (the "Terms and Conditions"). Any capitalized terms not defined herein shall have the meaning set forth in the Terms and Conditions.

A G R E E M E N T:

In consideration of the foregoing and of the mutual covenants set forth herein and other good and valuable consideration, the parties hereto agree as follows:

1. NUMBER OF SHARES. Subject to the attainment of the performance goals set forth on Schedule 1, the Grantee is entitled to that number of shares of Common Stock equal to the product of   shares of Common Stock and the applicable multiplier set forth on Schedule 1 pursuant to the terms and conditions of this Agreement (the "Target Award"). At the end of the three-year performance cycle, the Administrator shall determine the total number of shares payable pursuant to the Target Award in accordance with the Performance Share Matrix set forth on Schedule 1 hereto and the Committee's determination of the performance levels (the "Earned Award").

2. VESTING. Subject to Section 5, the Target Award shall vest on [insert date]. The period during which the Target Award is subject to vesting is referred to herein as the "Restricted Period".

3. RIGHTS OF GRANTEE IN STOCK. The Grantee shall not be entitled to any of the rights or privileges of a stockholder of the Company with respect to the shares of Common Stock subject to the Target Award unless and until the Restricted Period has lapsed and any dividends declared during the Restricted Period with respect to the shares covered by Target Award shall be deemed to be reinvested in additional shares of Common Stock, which shares shall be included in the number of shares of Common Stock payable as the Earned Award.

4. ISSUANCE OF SHARES AND CASH. Upon expiration of the Restricted Period, the Company shall (i) issue or cause to be issued, and delivered as promptly as possible to the Grantee, certificates representing fifty (50%) of the Earned Award (rounded down to the nearest whole share), which certificates shall be registered in the name of the Grantee and (ii) remit to Grantee a cash payment with respect to the remaining fifty percent (50%) of the Earned Award in accordance with Section 8 of the Terms and Conditions.

5. CESSATION OF EMPLOYMENT; TERMINATION OF AGREEMENT. If the Grantee's employment status with the Company is terminated for any reason other than as a result of Grantee's, death, Disability or Retirement, then this Agreement shall terminate and all rights of the Grantee hereunder shall cease. In the event of Grantee's death, Disability or Retirement, Grantee shall be immediately vested in a pro-rata portion of the Earned Award based on the time employed during the Performance Cycle, rounded to the nearest complete month. Payment of pro-rata Earned Awards shall be governed by all other applicable provisions of this Agreement and the Terms and Conditions. Any shares subject to the Target Award that have not vested at that time and any and all accrued but unpaid dividends thereon shall be forfeited to the Company without payment of any consideration by

the Company, and neither the Grantee nor any of his successors, heirs, assigns, or personal representatives shall thereafter have any further rights or interests in such shares or Target Award or accrued but unpaid dividends.

6. REQUIREMENTS OF LAW AND OF STOCK EXCHANGES. Notwithstanding anything in this Agreement to the contrary, no certificate or certificates for Shares shall be issued and delivered prior to the admission of such Shares to listing on notice of issuance on any stock exchange on which shares of that class are then listed, nor unless or until, in the opinion of counsel for the Company, such securities may be issued and delivered without causing the Company to be in violation of or incur any liability under any federal, state or other securities law, any requirement of any securities exchange listing agreement to which the Company may be a party, or any other requirement of law or of any regulatory body having jurisdiction over the Company.

7. ADJUSTMENT IN STOCK. In the event of any merger, reorganization, consolidation, recapitalization, Common Stock dividend, extraordinary cash dividend or other change in the corporate structure affecting the Common Stock, a substitution or adjustment shall be made in the number shares subject to the Target Award that has not vested or been settled in cash, as may be determined by the Committee, in its sole discretion. Such other substitutions or adjustments shall be made as the Committee in its sole discretion may deem appropriate.

8. NONTRANSFERABILITY OF TARGET AWARD. The Target Award shall not be transferable by the Grantee otherwise than by will or the laws of descent and distribution.

9. NOTICES. Any notice to be given to the Company shall be personally delivered to or addressed to the Secretary of the Company at its principal office, and any notice to be given to the Grantee shall be addressed to him or her at the address given beneath his or her signature hereto, or at such other address as the Grantee may hereafter designate in writing to the Company. Any notice to the Company is deemed given when received by the Company. Any notice to Grantee is deemed given upon the earlier of the date it is received by the Grantee or five (5) days following the date it is enclosed in a properly sealed envelope addressed as aforesaid, registered or certified, and deposited, postage and registration or certification fee prepaid, in a post office or branch post office regularly maintained by the United States.

10. FAILURE TO ENFORCE NOT A WAIVER. The failure of the Company to enforce at any time any provision of this Agreement shall in no way be construed to be a waiver of such provision or of any other provision hereof.

11. WITHHOLDING. The Company (and, where applicable, any Subsidiary) may make such provisions as it may deem appropriate for the withholding of any taxes which the Company (or Subsidiary) determines it is required to withhold in connection with this Agreement and the transactions contemplated thereby, which may include requiring Grantee or his or her legal representative to pay the amount of such taxes to the Company on the date or dates of exercise.

12. INCORPORATION OF PLAN AND TERMS AND CONDITIONS. The Plan and the Terms and Conditions are hereby incorporated by reference and made a part hereof, and the Target Award and this Agreement are subject to all terms and conditions of the Plan and Terms and Conditions.

13. EMPLOYMENT. Nothing in the Terms and Conditions or in this Agreement shall confer upon Grantee any right to continue in the employment of, or to be retained by, the Company or any of its Subsidiaries or affect any right the Company or any of its Subsidiaries may have to terminate the employment or consulting relationship with, the Grantee.

14. AMENDMENT AND TERMINATION. The Administrator may amend or terminate the Plan at any time; provided, however, that the amendment or termination of the Plan shall not, without

the consent of the Grantee or his or her legal representative affect his or her rights under this Agreement.

15. LAWS APPLICABLE TO CONSTRUCTION. This Agreement shall be construed and enforced in accordance with the laws of the State of Delaware, without giving effect to the choice of law principles thereof.

16. COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

IHOP CORP.

By: ______________________________

[Insert Name]
[Insert Title]

The undersigned hereby accepts and agrees to all the terms and provisions of the foregoing Agreement and to all of the terms and provisions of the IHOP Corp. 2001 Stock Incentive Plan and the Terms and Conditions herein incorporated by reference.

____

[Insert Name of Employee]

____

____

QuickLinks

IHOP CORP. PERFORMANCE SHARES AWARD AGREEMENT

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.2

Based upon the recommended plan features, IHOP's PSP will operate as follows:

ILLUSTRATION: RECOMMENDED PSP

Step 1
Year 0 Award
1,500 target
Performance
Shares

Step 2
3-year Performance

IHOP's 3-year TSR		**Value Line Restaurant Index Percentile 3-year TSR**
11%	>	65th %ile = 12%
		50th %ile = 10%
		35th %ile = 7%
		Aggregate 3-yr Cash Flow from Ops = $167M
		Target Cash Flow from Ops = $160-170M

Target Award Adjusted based on Dividends
(Dividend payment reinvested)

	Year 0	**Year 1**	**Year 2**	**Year 3**
# of Target Performance Shares	1,500	1,500	1,535	1,567
Stock Price	$39.00	$42.90	$47.19	$51.91
Dividend per Share	$0.00	$1.00	$1.00	$1.00
$ to Reinvest	$0	$1,500	$1,535	$1,567
# of Shares from Reinvested Dividends	0	35	33	30
"Account Balance"	1,500	1,535	1,567	**1,598**

Step 3
3-year Award Calculation

Relative Total Shareholder Return

	Performance Share Matrix Multiplier on "Account Balance"(1)			
Superior Performance (65th Percentile)	0.75x Account Balance	1.0x Account Balance	1.25x Account Balance	1.5x Account Balance
Target Performance (50th Percentile)	0.5x Account Balance	0.75x Account Balance	1.0x Account Balance	1.25x Account Balance
Threshold Performance (35th Percentile)	0.25x Account Balance	0.5x Account Balance	0.75x Account Balance	1.0x Account Balance
Below Threshold Performance (<35th Percentile)	0.0x Account Balance	0.25x Account Balance	0.5x Account Balance	0.75x Account Balance
	Below Threshold Performance	**Threshold Performance ($140 million)**	**Target Performance ($160-170 million)**	**Superior Performance ($190 million)**

Aggregate Net Cash Flow from Operations

---

(1) *Actual dividends will be reinvested as they are paid (e.g., quarterly)*

Multiplier = 1.125x

Step 4
3-year Award

Acct. Balance = 1,598 perf. shares
x 1.125
x $51.91/share

= $93,321

Payment = 899 shares &
$46,660 cash

FACER TO PAGE 30

Relative Total Shareholder Return

Relative Total Shareholder Return	Performance Share Matrix Multiplier on "Account Balance"(1)			
Superior Performance (65th Percentile)	0.75x Account Balance	1.0x Account Balance	1.25x Account Balance	1.5x Account Balance
Target Performance (50th Percentile)	0.5x Account Balance	0.75x Account Balance	1.0x Account Balance	1.25x Account Balance
Threshold Performance (35th Percentile)	0.25x Account Balance	0.5x Account Balance	0.75x Account Balance	1.0x Account Balance
Below Threshold Performance (<35th Percentile)	0.0x Account Balance	0.25x Account Balance	0.5x Account Balance	0.75x Account Balance
	Below Threshold Performance	**Threshold Performance ($140 million)**	**Target Performance ($160-170 million)**	**Superior Performance ($190 million)**

Aggregate Net Cash Flow from Operations(2)(3)(4)

(1) Interpolate for performance between discrete points

(2) To be adjusted for changes in interest charges on outstanding notes to franchisees over the performance period

(3) Before cash disbursement for PSP

(4) Subject to budget discussions on 12/15/2003

QuickLinks

Exhibit 10.2

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 10.3

TERMS AND CONDITIONS OF
PERFORMANCE SHARE AWARDS ISSUED PURSUANT TO DEFERRED STOCK PROVISIONS OF
THE IHOP CORP. 2001 STOCK INCENTIVE PLAN

1. ESTABLISHMENT OF THE TERMS AND CONDITIONS OF PERFORMANCE SHARE AWARDS ISSUED PURSUANT TO DEFERRED STOCK PROVISIONS OF THE IHOP CORP. 2001 STOCK INCENTIVE PLAN AND DEFINITIONS.

(a) The following Performance Share Awards Terms and Conditions (the "Terms and Conditions") was established by the Board of Directors of IHOP Corp. (the "Company") on February 24, 2004, pursuant to the Company's 2001 Stock Incentive Plan. The Performance Share Awards Terms and Conditions is intended to govern the Terms and Conditions of Deferred Stock (as defined in the Company's 2001 Stock Incentive Plan, also referred to herein as Performance Shares) to be awarded hereunder.(1) The initial Performance Cycle under the Performance Share Awards granted hereunder commenced as of January 1, 2004. Any capitalized terms not defined herein shall have the meaning set forth in the Company's 2001 Stock Incentive Plan. In the event of a conflict between the provisions of the Company's 2001 Stock Incentive Plan and these Terms and Conditions, the provisions of the Company's 2001 Stock Incentive Plan shall prevail.

(1) For the avoidance of confusion or doubt, grantees of awards under the Terms and Conditions shall be treated as holders of Deferred Stock under the Company's 2001 Stock Incentive Plan and shall not be treated as holders of Restricted Stock or Performance Shares (each as defined in the Company's 2001 Stock Incentive Plan).

(b) For purposes of these Terms and Conditions, the terms listed below shall have the following meanings:

(1) **Earned Award** refers to the number of Performance Shares actually earned for a Performance Cycle under these Terms and Conditions.

(2) **Net Cash Flow from Operating Activities** refers to the aggregate 3-year net cash flow from the consolidating operating activities of the Company for the Performance Cycle.

(3) **Participant** refers to a recipient of a Target Award.

(4) **Peer Restaurants** refers to the group of restaurants and restaurant holding companies designated by the Committee for use in comparing IHOP Corp.'s performance for purposes of this Terms and Conditions. From time to time, the Committee may deem it necessary to revise the composition of the Peer Restaurants.

(5) **Performance Cycle** refers to a period of time consisting of three consecutive fiscal years.

(6) **Performance Share** refers to an award unit.

(7) **Performance Shares Award Agreement** refers to a written agreement between IHOP Corp. and a Participant with respect to a Target Award.

(8) **Stock Option Plan** refers to the IHOP Corp. 2001 Stock Incentive Plan.

(9) **Target Award** refers to a Performance Share grant made pursuant to these Terms and Conditions.

(10) **Total Shareholder Return** refers to the change in value of the Company's common stock over a Performance Cycle, plus dividends paid over such Performance Cycle, expressed as a percentage of the closing price of the Company's common stock on the business day prior to the first day of the Performance Cycle.

2. ADMINISTRATION OF THE TERMS AND CONDITIONS.

(a) The Terms and Conditions shall be administered by the Committee.

(b) The Committee shall meet at such times and places and upon such notice as the Committee's Chairperson determines. A majority of the Committee shall constitute a quorum. Any acts by the Committee may be taken at any duly noticed meeting at which a quorum is present and shall be by majority vote of those members entitled to vote or, if in writing, by unanimous written consent.

(c) The Committee shall determine which Eligible Employees of IHOP Corp. or its subsidiaries shall be granted awards under these Terms and Conditions, the timing of such awards, the terms thereof and the number of Performance Shares subject to each award.

(d) The Committee shall have the sole authority, in its absolute discretion, to adopt, amend and rescind such rules and regulations as, in its opinion, may be advisable in the administration of these Terms and Conditions, to construe and interpret these Terms and Conditions, its rules and regulations, and the instruments evidencing awards granted under these Terms and Conditions, and to make all other determinations deemed necessary or advisable for the administration of these Terms and Conditions. All decisions, determinations and interpretations of the Committee shall be binding on all Participants.

3. PERFORMANCE SHARES SUBJECT TO THESE TERMS AND CONDITIONS.

(a) Target Awards may be granted under these Terms and Conditions to Participants for an aggregate of not more than 600,000 Performance Shares. Performance Shares that are forfeited shall again be available for Target Awards under the Stock Option Plan. In the event that the number of shares of Common Stock available for grant under the Stock Option Plan is not sufficient to accommodate the Earned Awards, then the remaining shares of Common Stock available for Earned Awards shall be granted to Participants on a pro-rata basis. No further grants shall be made until such time, if any, as additional shares of Common Stock become available for grant under the Stock Option Plan through action of the Board and/or the stockholders of the Company to increase the number of shares of Common Stock that may be issued under the Stock Option Plan or through cancellation or expiration of awards previously granted hereunder.

4. PERFORMANCE CYCLES.

A new Performance Cycle begins at the start of each Company fiscal year and continues until the end of the third consecutive fiscal year.

5. TARGET AWARD.

Each Participant will be granted a Target Award at the beginning of each Performance Cycle. The size of the Target Award (i.e., the number of Performance Shares granted) will be based on position level, desired pay positioning, other long-term incentive grants, and any other considerations deemed pertinent by the Committee. Participants may earn from zero times to one and one-half times the Target Award based on IHOP Corp.'s performance, as described in Section 6. At the Committee's direction, the Company's Director of Compensation, Benefits and HRIS will prepare a "Performance Shares Award Agreement" evidencing the amount and terms of such Participant's Target Award.

6. PERFORMANCE MEASUREMENT AND EARNING OF AWARDS

Performance Shares are earned based on both Net Cash Flow From Operating Activities and the Company's Total Shareholder Return relative to the Peer Restaurants during the respective Performance Cycle, stated as a percentile ranking where 100% represents the best performing Peer and 0% represents the worst performing Peer. At the beginning of each Performance Cycle, the Committee shall establish the specific performance measure or measures to be used and the schedule for calculating the number of Performance Shares (as a multiple of the Target Award) actually earned. Participants will earn Performance Shares only upon the attainment of the performance goals established by the Committee.

7. EXTRAORDINARY EVENTS

If extraordinary events occur during a Performance Cycle which alter the basis upon which the performance measurement(s) is calculated, such calculation may be adjusted, with the Committee's approval, to exclude the effect of these events. Events warranting such action may include, but are not limited to, major acquisitions or divestitures, significant changes in accounting practices, or a recapitalization of the Company. Notwithstanding the foregoing, the Committee shall not have the discretion to increase the amount of compensation payable that would otherwise be due upon attainment of the goals.

8. VALUE AND PAYMENT OF EARNED AWARDS.

The value payable to a Participant shall equal the Earned Award and will paid as follows:

(i) One-half of the earned award will be in the form of Common Shares of IHOP Corp. stock, issued under the Stock Option Plan; and

(ii) One-half will be in the form of a cash payment, less applicable withholding taxes. The cash payment will be based on one-half of the Earned Award multiplied by the Closing Price of IHOP Corp. stock on the last day of the Performance Cycle.

(iii) The stock and cash payments shall be made within 90 days following the end of the Performance Cycle or deposited to the Participant's account if deferred under a Company-sponsored deferral plan.

9. TERMINATION OF EMPLOYMENT

Termination of employment with the Company or its Subsidiaries prior to the end of the Performance Cycle for any reason (whether voluntary or involuntary) shall result in forfeiture of all opportunity to receive an Earned Award under these Terms and Conditions, subject to the following exceptions. In the event of termination by reason of death, Disability, or Retirement, the Participant (or the Participant's beneficiary or estate in the event of death) will be eligible to receive a pro-rata Earned Award based on the time employed during the Performance Cycle, rounded to the nearest complete month. Payment of pro-rata Earned Awards shall be governed by all other applicable provisions of these Terms and Conditions.

Notwithstanding these or any other provisions of these Terms and Conditions, the Committee may, in its sole discretion, authorize continued participation, pro-ration, or early distribution (or a combination thereof) of Earned Awards which would otherwise be forfeited.

QuickLinks

[TERMS AND CONDITIONS OF PERFORMANCE SHARE AWARDS ISSUED PURSUANT TO DEFERRED STOCK PROVISIONS OF THE IHOP CORP. 2001 STOCK INCENTIVE PLAN]

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 11.0

IHOP CORP. AND SUBSIDIARIES
STATEMENT RE COMPUTATION OF PER SHARE EARNINGS
(In thousands, except per share data)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
NET INCOME PER COMMON SHARE BASIC				
Weighted average shares outstanding	20,958	21,520	21,182	21,417
Net income available to common shareholders	$ 4,366	$ 10,972	$ 15,276	$ 16,935
Net income per share—basic	$ 0.21	$ 0.51	$ 0.72	$ 0.79
NET INCOME PER COMMON SHARE DILUTED				
Weighted average shares outstanding	20,958	21,520	21,182	21,417
Net effect of dilutive stock options based on the treasury stock method using the average market price	176	185	191	157
Total	21,134	21,705	21,373	21,574
Net income available to common shareholders	$ 4,366	$ 10,972	$ 15,276	$ 16,935
Net income per share—diluted	$ 0.21	$ 0.51	$ 0.71	$ 0.78

QuickLinks

Exhibit 11.0

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.1

**Certification Pursuant to
Rule 13a-14(a) of the
Securities Exchange Act of 1934, As Amended**

I, Julia A. Stewart, President and Chief Executive Officer of IHOP Corp., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of IHOP Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2004

/s/ JULIA A. STEWART

Julia A. Stewart
President and Chief Executive Officer

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31.2

Certification Pursuant to
Rule 13a-14(a) of the
Securities Exchange Act of 1934, As Amended

I, Thomas Conforti, Vice President, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of IHOP Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (d) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (e) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2004

/s/ THOMAS CONFORTI

Thomas Conforti
Chief Financial Officer (Principal Financial Officer)

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32.1

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of IHOP Corp. (the "Company") for the quarter ended June 30, 2004, as filed with the Securities and Exchange Commission on August 5, 2004, (the "Report"), Julia A. Stewart, as President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of her knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 5, 2004

/s/ Julia A. Stewart

Julia A. Stewart
President and Chief Executive Officer

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32.2

Certification Pursuant to
18 U.S.C. Section 1350,
As Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of IHOP Corp. (the "Company") for the quarter ended June 30, 2004, as filed with the Securities and Exchange Commission on August 5, 2004, (the "Report"), Thomas Conforti, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 5, 2004

/s/ Thomas Conforti

Thomas Conforti
Chief Financial Officer (Principal Financial Officer)

This certification accompanies the Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.