



WELCOME TO AMERICA'S DINER®

## DENNY'S CORPORATION REPORTS RESULTS FOR SECOND QUARTER 2015

- **7.3% Growth in Domestic System-Wide Same-Store Sales** -
- **Adjusted Net Income per Share\* Grows 21.2%** -
- **Raises 2015 Full Year Guidance for Same-Store Sales and Adjusted EBITDA\*** -

**SPARTANBURG, S.C., August 3, 2015** - Denny's Corporation (NASDAQ: DENN), franchisor and operator of one of America's largest franchised full-service restaurant chains, today reported results for its second quarter ended July 1, 2015.

### Second Quarter Summary

- Domestic system-wide same-store sales growth of 7.3%, comprised of a 7.9% increase at company restaurants and 7.2% increase at domestic franchised restaurants.
- Opened 13 system restaurants including four international locations.
- Completed 77 remodels including 17 at company restaurants.
- Adjusted EBITDA\* of \$24.4 million, or 19.8% of total operating revenue, increased 15.9%.
- Net Income of \$9.7 million increased 17.7% with Diluted Net Income per Share of \$0.11 growing 20.8%.
- Adjusted Net Income of \$9.8 million grew 18.1% with Adjusted Net Income per Share\* of \$0.11 increasing 21.2%.
- Generated \$9.6 million of Free Cash Flow\* after remodel investments at company restaurants and the purchase of one parcel of real estate.
- Allocated \$16.1 million to repurchase 1.5 million shares during the second quarter.

\* *Adjusted Net Income excludes debt refinancing charges, impairment charges and gains on sales of assets and other. Please refer to the historical reconciliation of Net Income to Adjusted Net Income, Adjusted Net Income per Share, Adjusted EBITDA and Free Cash Flow included in the following tables.*

John Miller, President and Chief Executive Officer, stated, "We generated another quarter of strong same-store sales growth at both franchised and company restaurants including our third consecutive quarter of growth in system-wide guest traffic. We are benefitting from the investments we have made in our brand revitalization strategy to enhance our food, service and atmosphere. Our success in driving profitable guest traffic growth and increasing guest satisfaction scores confirm that the improvements we have made are resonating with our guests, franchisees and employees. Going forward, we will remain focused on executing our strategies to elevate the Denny's experience and are still in the early stages of the revitalization process as our Heritage remodel program has penetrated nearly 25% of the system."

## Second Quarter Results

Denny's total operating revenue grew 7.6% to \$123.3 million resulting from an increase in both company restaurant sales along with franchise and license revenue. Franchise and license revenue of \$34.7 million increased \$1.2 million, or 3.6%, primarily due to higher royalty revenue resulting from an increase in same-store sales. Company restaurant sales of \$88.6 million grew \$7.5 million, or 9.2%, primarily due to the increase in same-store sales and the reopening of the Las Vegas Casino Royale restaurant in November 2014.

In the second quarter, Denny's opened 13 franchised restaurants, including four international locations, and closed 11 system restaurants, including one company restaurant, bringing the total number of restaurants to 1,696. Domestic system-wide same-store sales grew 7.3%, including a 7.9% increase at company restaurants and 7.2% increase at domestic franchised restaurants.

Franchise operating margin was \$23.5 million, or 67.7% of franchise and license revenue, an increase of \$0.6 million. This improvement was primarily due to an increase in royalties, partially offset by a rise in direct costs. Company restaurant operating margin of \$16.3 million, or 18.4% of company restaurant sales, increased \$4.8 million, or 4.2 percentage points. The improvement in company margin was primarily driven by the leveraging effect from the growth in same-store sales.

Total general and administrative expenses were \$16.8 million compared to \$14.1 million in the prior year quarter primarily due to higher incentive and share-based compensation expenses, along with higher payroll and benefits expenses. Depreciation and amortization expense was flat at \$5.3 million, as was interest expense at \$2.3 million. In the second quarter, the provision for income taxes was \$5.5 million, reflecting an effective tax rate of 36.1%. Due to the use of net operating loss and tax credit carryforwards, the Company paid \$3.9 million in cash taxes during the second quarter.

Denny's second quarter net income of \$9.7 million increased 17.7% compared to prior year quarter net income of \$8.3 million, with net income per diluted share of \$0.11 growing 20.8% compared to \$0.09 per diluted share in the prior year quarter. Adjusted Net Income\* of \$9.8 million grew 18.1% compared to prior year quarter Adjusted Net Income\* of \$8.3 million. Adjusted Net Income per Share\* of \$0.11 increased 21.2% compared to prior year quarter Adjusted Net Income per Share\* of \$0.09.

Denny's generated \$9.6 million of Free Cash Flow\* in the second quarter, after investing \$9.0 million on capital expenditures primarily used to remodel 17 company restaurants and to acquire a parcel of real estate, which is leased to a franchisee. During the quarter, the Company repurchased 1.5 million shares for \$16.1 million. At the end of the second quarter, the Company had approximately 10.5 million shares authorized under its ongoing repurchase programs based on the closing share price on July 31, 2015. Denny's ended the second quarter with \$160.6 million of total debt outstanding, including \$142.0 million of borrowings under its revolving credit facility.

## Business Outlook

Mark Wolfinger, Denny's Executive Vice President, Chief Administrative Officer and Chief Financial Officer, commented, "Our second quarter same-store sales growth and operations execution helped drive another quarter of margin expansion at our company operated restaurants leading to 21% growth in Adjusted Net Income per Share\*. We are focused on driving long-term shareholder value through our highly franchised business while balancing our Free Cash Flow\* allocation between reinvesting in our brand and company restaurants and returning value to our shareholders through our share repurchase program."

The following full year 2015 estimates are based on management's expectations at this time. A key consideration impacting the Company's outlook for 2015 is having 52 operating weeks in the year compared to 53 operating weeks in 2014.

| Component  | Full Year 2015 Guidance      |                           |
|--|------------------------------|---------------------------|
|  | <u>Previous**</u>            | <u>Current</u>            |
| Domestic Franchise Same-Store Sales  | 2.5% to 3.5%                 | 5.0% to 6.0%              |
| Company Same-Store Sales   | 3.5% to 4.5%                 | 5.5% to 6.5%              |
| New Restaurant Openings  | 35 - 45 (All Franchised)     | 40 - 45 (All Franchised)  |
| Net Restaurant Growth  | Single Digit                 | No Change                 |
| Total General and Administrative Expenses<br>(includes Share-Based Compensation) | \$61M to \$64M               | \$64M to \$67M            |
| Adjusted EBITDA*   | \$85M to \$87M               | \$86M to \$88M            |
| Cash Capital Expenditures  | \$24M to \$26M               | \$26M to \$28M            |
| Depreciation and Amortization Expense  | \$20M to \$21M               | No Change                 |
| Interest Expense, net  | \$8.5M to \$9.5M             | No Change                 |
| Effective Income Tax Rate<br>(Cash Taxes)  | 36% to 38%<br>(\$6M to \$8M) | 35% to 37%<br>(No Change) |
| Free Cash Flow*  | \$45M to \$47M               | \$44M to \$46M            |

\* Please refer to the historical reconciliation of Net Income to Adjusted Net Income, Adjusted Net Income per Share, Adjusted EBITDA and Free Cash Flow included in the following tables.

\*\* As announced in First Quarter 2015 Earnings Release on May 4, 2015.

## Conference Call and Webcast Information

Denny's will provide further commentary on the results for the second quarter ended July 1, 2015 on its quarterly investor conference call today, Monday, August 3, 2015 at 4:30 p.m. ET. Interested parties are invited to listen to a live broadcast of the conference call accessible through the investor relations section of Denny's website at [investor.dennys.com](http://investor.dennys.com). A replay of the call may be accessed at the same location later in the day and will remain available for 30 days.

## About Denny's

Denny's is the franchisor and operator of one of America's largest franchised full-service restaurant chains, based on the number of restaurants. As of July 1, 2015, Denny's had 1,696 franchised, licensed, and company restaurants around the world with combined sales of \$2.7 billion including 108 restaurants in Canada, Costa Rica, Mexico, Honduras, Guam, Curaçao, Puerto Rico, Dominican Republic, El Salvador, Chile and New Zealand, and 160 company operated restaurants in the United States. For further information on Denny's, including news releases, links to SEC filings and other financial information, please visit the Denny's investor relations website at [investor.dennys.com](http://investor.dennys.com).

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*The Company urges caution in considering its current trends and any outlook on earnings disclosed in this press release. In addition, certain matters discussed in this release may constitute forward-looking statements. These forward-looking statements, which reflect its best judgment based on factors currently known, are intended to speak only as of the date such statements are made and involve risks, uncertainties, and other factors that may cause the actual performance of Denny's Corporation, its subsidiaries and underlying restaurants to be materially different from the performance indicated or implied by such statements. Words such as "expects", "anticipates", "believes", "intends", "plans", "hopes", and variations of such words and similar expressions are intended to identify such forward-looking statements. Except as may be required by law, the Company expressly disclaims any obligation to update these forward-looking statements to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events. Factors that could cause actual performance to differ materially from the performance indicated by these forward-looking statements include, among others: the competitive pressures from within the restaurant industry; the level of success of the Company's strategic and operating initiatives; advertising and promotional efforts; adverse publicity; changes in business strategy or development plans; terms and availability of capital; regional weather conditions; overall changes in the general economy, particularly at the retail level; political environment (including acts of war and terrorism); and other factors from time to time set forth in the Company's SEC reports and other filings, including but not limited to the discussion in Management's Discussion and Analysis and the risks identified in Item 1A. Risk Factors contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (and in the Company's subsequent quarterly reports on Form 10-Q).*

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**DENNY'S CORPORATION**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

| (In thousands)                                     | July 1, 2015 | December 31, 2014 |
|--|--------------|-------------------|
| <b>Assets</b>                                      |              |                   |
| Current assets                                     |              |                   |
| Cash and cash equivalents                          | \$ 5,125     | \$ 3,074          |
| Receivables  | 13,749       | 18,059            |
| Current deferred income taxes                      | 23,081       | 24,310            |
| Other current assets                               | 9,485        | 10,628            |
| Total current assets                               | 51,440       | 56,071            |
| Property, net                                      | 113,467      | 109,777           |
| Goodwill   | 31,451       | 31,451            |
| Intangible assets, net                             | 45,728       | 46,278            |
| Noncurrent deferred income taxes                   | 12,879       | 19,252            |
| Other noncurrent assets                            | 30,149       | 27,029            |
| Total assets                                       | \$ 285,114   | \$ 289,858        |
| <b>Liabilities</b>                                 |              |                   |
| Current liabilities                                |              |                   |
| Current maturities of long-term debt               | \$ —         | \$ 4,125          |
| Current maturities of capital lease obligations    | 3,259        | 3,609             |
| Accounts payable                                   | 12,277       | 13,250            |
| Other current liabilities                          | 54,440       | 59,432            |
| Total current liabilities                          | 69,976       | 80,416            |
| Long-term liabilities                              |              |                   |
| Long-term debt, less current maturities            | 142,000      | 135,875           |
| Capital lease obligations, less current maturities | 15,345       | 15,204            |
| Other  | 55,079       | 56,780            |
| Total long-term liabilities                        | 212,424      | 207,859           |
| Total liabilities                                  | 282,400      | 288,275           |
| <b>Shareholders' equity</b>                        |              |                   |
| Common stock                                       | 1,064        | 1,058             |
| Paid-in capital                                    | 573,711      | 571,674           |
| Deficit  | (419,954)    | (438,221)         |
| Accumulated other comprehensive loss, net of tax   | (22,569)     | (24,602)          |
| Treasury stock                                     | (129,538)    | (108,326)         |
| Total shareholders' equity                         | 2,714        | 1,583             |
| Total liabilities and shareholders' equity         | \$ 285,114   | \$ 289,858        |

**Debt Balances**

| (In thousands)                                  | July 1, 2015 | December 31, 2014 |
|---|--------------|-------------------|
| Credit facility revolver due 2020               | \$ 142,000   | \$ —              |
| Credit facility term loan and revolver due 2018 | —            | 140,000           |
| Capital leases                                  | 18,604       | 18,813            |
| Total debt                                      | \$ 160,604   | \$ 158,813        |

**DENNY'S CORPORATION**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

| (In thousands, except per share amounts)         | Quarter Ended |               |
|--|---------------|---------------|
|  | July 1, 2015  | June 25, 2014 |
| Revenue:   |               |               |
| Company restaurant sales                         | \$ 88,629     | \$ 81,138     |
| Franchise and license revenue                    | 34,690        | 33,476        |
| Total operating revenue                          | 123,319       | 114,614       |
| Costs of company restaurant sales                | 72,320        | 69,647        |
| Costs of franchise and license revenue           | 11,216        | 10,633        |
| General and administrative expenses              | 16,827        | 14,068        |
| Depreciation and amortization                    | 5,314         | 5,281         |
| Operating (gains), losses and other charges, net | 228           | 40            |
| Total operating costs and expenses, net          | 105,905       | 99,669        |
| Operating income                                 | 17,414        | 14,945        |
| Interest expense, net                            | 2,264         | 2,274         |
| Other nonoperating income, net                   | (83)          | (332)         |
| Net income before income taxes                   | 15,233        | 13,003        |
| Provision for income taxes                       | 5,499         | 4,730         |
| Net income                                       | \$ 9,734      | \$ 8,273      |
| <br>   |               |               |
| Basic net income per share                       | \$ 0.12       | \$ 0.10       |
| Diluted net income per share                     | \$ 0.11       | \$ 0.09       |
| <br>   |               |               |
| Basic weighted average shares outstanding        | 83,975        | 86,781        |
| Diluted weighted average shares outstanding      | 86,080        | 88,384        |
| <br>   |               |               |
| Comprehensive income                             | \$ 13,317     | \$ 7,885      |

**General and Administrative Expenses**

| (In thousands)                            | Quarter Ended |               |
|---|---------------|---------------|
|   | July 1, 2015  | June 25, 2014 |
| Share-based compensation                  | \$ 1,859      | \$ 1,180      |
| Other general and administrative expenses | 14,968        | 12,888        |
| Total general and administrative expenses | \$ 16,827     | \$ 14,068     |

**DENNY'S CORPORATION**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

| (In thousands, except per share amounts)         | Two Quarters Ended |               |
|--|--------------------|---------------|
|  | July 1, 2015       | June 25, 2014 |
| Revenue:   |                    |               |
| Company restaurant sales                         | \$ 174,611         | \$ 160,442    |
| Franchise and license revenue                    | 68,879             | 66,092        |
| Total operating revenue                          | 243,490            | 226,534       |
| Costs of company restaurant sales                | 143,628            | 139,822       |
| Costs of franchise and license revenue           | 22,194             | 21,330        |
| General and administrative expenses              | 33,763             | 28,184        |
| Depreciation and amortization                    | 10,338             | 10,519        |
| Operating (gains), losses and other charges, net | 836                | 462           |
| Total operating costs and expenses, net          | 210,759            | 200,317       |
| Operating income                                 | 32,731             | 26,217        |
| Interest expense, net                            | 4,351              | 4,596         |
| Other nonoperating income, net                   | (54)               | (432)         |
| Net income before income taxes                   | 28,434             | 22,053        |
| Provision for income taxes                       | 10,167             | 7,349         |
| Net income                                       | \$ 18,267          | \$ 14,704     |
| <br>   |                    |               |
| Basic net income per share                       | \$ 0.22            | \$ 0.17       |
| Diluted net income per share                     | \$ 0.21            | \$ 0.16       |
| <br>   |                    |               |
| Basic weighted average shares outstanding        | 84,467             | 87,792        |
| Diluted weighted average shares outstanding      | 86,547             | 89,630        |
| <br>   |                    |               |
| Comprehensive income                             | \$ 20,300          | \$ 14,108     |

**General and Administrative Expenses**

| (In thousands)                            | Two Quarters Ended |               |
|---|--------------------|---------------|
|   | July 1, 2015       | June 25, 2014 |
| Share-based compensation                  | \$ 3,564           | \$ 2,344      |
| Other general and administrative expenses | 30,199             | 25,840        |
| Total general and administrative expenses | \$ 33,763          | \$ 28,184     |

**DENNY'S CORPORATION**  
**Income, EBITDA, Free Cash Flow, and Net Income Reconciliations**  
**(Unaudited)**

| <b>Income, EBITDA and Free Cash Flow Reconciliation</b> | Quarter Ended    |                  | Two Quarters Ended |                  |
|---|------------------|------------------|--------------------|------------------|
|   | July 1, 2015     | June 25, 2014    | July 1, 2015       | June 25, 2014    |
| (In thousands)  |                  |                  |                    |                  |
| Net income  | \$ 9,734         | \$ 8,273         | \$ 18,267          | \$ 14,704        |
| Provision for income taxes                              | 5,499            | 4,730            | 10,167             | 7,349            |
| Operating (gains), losses and other charges, net        | 228              | 40               | 836                | 462              |
| Other nonoperating income, net                          | (83)             | (332)            | (54)               | (432)            |
| Share-based compensation                                | 1,859            | 1,180            | 3,564              | 2,344            |
| Adjusted Income Before Taxes <sup>(1)</sup>             | <u>\$ 17,237</u> | <u>\$ 13,891</u> | <u>\$ 32,780</u>   | <u>\$ 24,427</u> |
| Interest expense, net                                   | 2,264            | 2,274            | 4,351              | 4,596            |
| Depreciation and amortization                           | 5,314            | 5,281            | 10,338             | 10,519           |
| Cash payments for restructuring charges and exit costs  | (397)            | (385)            | (799)              | (1,016)          |
| Cash payments for share-based compensation              | —                | —                | (3,440)            | (1,083)          |
| Adjusted EBITDA <sup>(1)</sup>                          | <u>\$ 24,418</u> | <u>\$ 21,061</u> | <u>\$ 43,230</u>   | <u>\$ 37,443</u> |
| Cash interest expense, net                              | (2,019)          | (2,010)          | (3,864)            | (4,062)          |
| Cash paid for income taxes, net                         | (3,862)          | (820)            | (4,160)            | (1,640)          |
| Cash paid for capital expenditures                      | (8,955)          | (6,669)          | (12,401)           | (13,526)         |
| Free Cash Flow <sup>(1)</sup>                           | <u>\$ 9,582</u>  | <u>\$ 11,562</u> | <u>\$ 22,805</u>   | <u>\$ 18,215</u> |
| <b>Net Income Reconciliation</b>                        |                  |                  |                    |                  |
| (In thousands)  |                  |                  |                    |                  |
| Net income  | \$ 9,734         | \$ 8,273         | \$ 18,267          | \$ 14,704        |
| Losses (gains) on sales of assets and other, net        | 2                | (33)             | (20)               | (41)             |
| Impairment charges                                      | 45               | 28               | 94                 | 28               |
| Loss on debt refinancing                                | —                | —                | 293                | —                |
| Tax effect <sup>(2)</sup>                               | (17)             | 2                | (131)              | 4                |
| Adjusted Net Income <sup>(1)</sup>                      | <u>\$ 9,764</u>  | <u>\$ 8,270</u>  | <u>\$ 18,503</u>   | <u>\$ 14,695</u> |
| Diluted weighted-average shares outstanding             | <u>86,080</u>    | <u>88,384</u>    | <u>86,547</u>      | <u>89,630</u>    |
| Adjusted Net Income Per Share <sup>(1)</sup>            | <u>\$ 0.11</u>   | <u>\$ 0.09</u>   | <u>\$ 0.21</u>     | <u>\$ 0.16</u>   |

(1) The Company believes that, in addition to other financial measures, Adjusted Income Before Taxes, Adjusted EBITDA, Free Cash Flow, Adjusted Net Income and Adjusted Net Income Per Share are appropriate indicators to assist in the evaluation of its operating performance on a period-to-period basis. The Company also uses Adjusted Income, Adjusted EBITDA and Free Cash Flow internally as performance measures for planning purposes, including the preparation of annual operating budgets, and for compensation purposes, including bonuses for certain employees. Adjusted EBITDA is also used to evaluate its ability to service debt because the excluded charges do not have an impact on its prospective debt servicing capability and these adjustments are contemplated in its credit facility for the computation of its debt covenant ratios. Free Cash Flow, defined as Adjusted EBITDA less cash portion of interest expense net of interest income, capital expenditures, and cash taxes, is used to evaluate operating effectiveness and decisions regarding the allocation of resources. However, Adjusted Income, Adjusted EBITDA, Free Cash Flow, Adjusted Net Income and Adjusted Net Income Per Share should be considered as a supplement to, not a substitute for, operating income, net income or other financial performance measures prepared in accordance with U.S. generally accepted accounting principles.

(2) Tax adjustments for the three and six months ended July 1, 2015 are calculated using the Company's year-to-date effective tax rate of 35.8%. Tax adjustments for the three and six months ended June 25, 2014 are calculated using the Company's 2014 year-to-date effective tax rate of 33.3%.



**DENNY'S CORPORATION**  
**Operating Margins**  
**(Unaudited)**

| (In thousands)                                     | Quarter Ended |        |               |        |
|--|---------------|--------|---------------|--------|
|  | July 1, 2015  |        | June 25, 2014 |        |
| Company restaurant operations: <sup>(1)</sup>      |               |        |               |        |
| Company restaurant sales                           | \$ 88,629     | 100.0% | \$ 81,138     | 100.0% |
| Costs of company restaurant sales:                 |               |        |               |        |
| Product costs                                      | 21,876        | 24.7%  | 21,327        | 26.3%  |
| Payroll and benefits                               | 33,665        | 38.0%  | 31,978        | 39.4%  |
| Occupancy  | 4,913         | 5.5%   | 4,899         | 6.0%   |
| Other operating costs:                             |               |        |               |        |
| Utilities  | 3,132         | 3.5%   | 3,326         | 4.1%   |
| Repairs and maintenance                            | 1,497         | 1.7%   | 1,473         | 1.8%   |
| Marketing  | 3,258         | 3.7%   | 2,855         | 3.5%   |
| Other  | 3,979         | 4.5%   | 3,789         | 4.7%   |
| Total costs of company restaurant sales            | \$ 72,320     | 81.6%  | \$ 69,647     | 85.8%  |
| Company restaurant operating margin <sup>(2)</sup> | \$ 16,309     | 18.4%  | \$ 11,491     | 14.2%  |
| Franchise operations: <sup>(3)</sup>               |               |        |               |        |
| Franchise and license revenue:                     |               |        |               |        |
| Royalties  | \$ 23,774     | 68.5%  | \$ 22,125     | 66.1%  |
| Initial fees                                       | 656           | 1.9%   | 332           | 1.0%   |
| Occupancy revenue                                  | 10,260        | 29.6%  | 11,019        | 32.9%  |
| Total franchise and license revenue                | \$ 34,690     | 100.0% | \$ 33,476     | 100.0% |
| Costs of franchise and license revenue:            |               |        |               |        |
| Occupancy costs                                    | \$ 7,733      | 22.3%  | \$ 8,213      | 24.6%  |
| Other direct costs                                 | 3,483         | 10.0%  | 2,420         | 7.2%   |
| Total costs of franchise and license revenue       | \$ 11,216     | 32.3%  | \$ 10,633     | 31.8%  |
| Franchise operating margin <sup>(2)</sup>          | \$ 23,474     | 67.7%  | \$ 22,843     | 68.2%  |
| Total operating revenue <sup>(4)</sup>             | \$ 123,319    | 100.0% | \$ 114,614    | 100.0% |
| Total costs of operating revenue <sup>(4)</sup>    | 83,536        | 67.7%  | 80,280        | 70.0%  |
| Total operating margin <sup>(4)(2)</sup>           | \$ 39,783     | 32.3%  | \$ 34,334     | 30.0%  |
| Other operating expenses: <sup>(4)(2)</sup>        |               |        |               |        |
| General and administrative expenses                | \$ 16,827     | 13.6%  | \$ 14,068     | 12.3%  |
| Depreciation and amortization                      | 5,314         | 4.3%   | 5,281         | 4.6%   |
| Operating gains, losses and other charges, net     | 228           | 0.2%   | 40            | —%     |
| Total other operating expenses                     | \$ 22,369     | 18.1%  | \$ 19,389     | 16.9%  |
| Operating income <sup>(4)</sup>                    | \$ 17,414     | 14.1%  | \$ 14,945     | 13.0%  |

(1) As a percentage of company restaurant sales.

(2) Other operating expenses such as general and administrative expenses and depreciation and amortization relate to both company and franchise operations and are not allocated to costs of company restaurant sales and costs of franchise and license revenue. As such, operating margin is considered a non-GAAP financial measure. Operating margins should be considered as a supplement to, not as a substitute for, operating income, net income or other financial measures prepared in accordance with U.S. generally accepted accounting principles.

(3) As a percentage of franchise and license revenue.

(4) As a percentage of total operating revenue.

**DENNY'S CORPORATION**  
**Operating Margins**  
**(Unaudited)**

| (In thousands)                                     | Two Quarters Ended |        |               |        |
|--|--------------------|--------|---------------|--------|
|  | July 1, 2015       |        | June 25, 2014 |        |
| Company restaurant operations: <sup>(1)</sup>      |                    |        |               |        |
| Company restaurant sales                           | \$ 174,611         | 100.0% | \$ 160,442    | 100.0% |
| Costs of company restaurant sales:                 |                    |        |               |        |
| Product costs                                      | 43,320             | 24.8%  | 41,910        | 26.1%  |
| Payroll and benefits                               | 66,869             | 38.3%  | 65,077        | 40.6%  |
| Occupancy  | 9,808              | 5.6%   | 10,027        | 6.2%   |
| Other operating costs:                             |                    |        |               |        |
| Utilities  | 6,308              | 3.6%   | 6,657         | 4.1%   |
| Repairs and maintenance                            | 2,947              | 1.7%   | 2,932         | 1.8%   |
| Marketing  | 6,465              | 3.7%   | 5,862         | 3.7%   |
| Other  | 7,911              | 4.5%   | 7,357         | 4.6%   |
| Total costs of company restaurant sales            | \$ 143,628         | 82.3%  | \$ 139,822    | 87.1%  |
| Company restaurant operating margin <sup>(2)</sup> | \$ 30,983          | 17.7%  | \$ 20,620     | 12.9%  |
| Franchise operations: <sup>(3)</sup>               |                    |        |               |        |
| Franchise and license revenue:                     |                    |        |               |        |
| Royalties  | \$ 46,937          | 68.1%  | \$ 43,606     | 66.0%  |
| Initial fees                                       | 1,101              | 1.6%   | 449           | 0.7%   |
| Occupancy revenue                                  | 20,841             | 30.3%  | 22,037        | 33.3%  |
| Total franchise and license revenue                | \$ 68,879          | 100.0% | \$ 66,092     | 100.0% |
| Costs of franchise and license revenue:            |                    |        |               |        |
| Occupancy costs                                    | \$ 15,624          | 22.7%  | \$ 16,481     | 25.0%  |
| Other direct costs                                 | 6,570              | 9.5%   | 4,849         | 7.3%   |
| Total costs of franchise and license revenue       | \$ 22,194          | 32.2%  | \$ 21,330     | 32.3%  |
| Franchise operating margin <sup>(2)</sup>          | \$ 46,685          | 67.8%  | \$ 44,762     | 67.7%  |
| Total operating revenue <sup>(4)</sup>             | \$ 243,490         | 100.0% | \$ 226,534    | 100.0% |
| Total costs of operating revenue <sup>(4)</sup>    | 165,822            | 68.1%  | 161,152       | 71.1%  |
| Total operating margin <sup>(4)(2)</sup>           | \$ 77,668          | 31.9%  | \$ 65,382     | 28.9%  |
| Other operating expenses: <sup>(4)(2)</sup>        |                    |        |               |        |
| General and administrative expenses                | \$ 33,763          | 13.9%  | \$ 28,184     | 12.4%  |
| Depreciation and amortization                      | 10,338             | 4.2%   | 10,519        | 4.6%   |
| Operating gains, losses and other charges, net     | 836                | 0.3%   | 462           | 0.2%   |
| Total other operating expenses                     | \$ 44,937          | 18.5%  | \$ 39,165     | 17.3%  |
| Operating income <sup>(4)</sup>                    | \$ 32,731          | 13.4%  | \$ 26,217     | 11.6%  |

(1) As a percentage of company restaurant sales.

(2) Other operating expenses such as general and administrative expenses and depreciation and amortization relate to both company and franchise operations and are not allocated to costs of company restaurant sales and costs of franchise and license revenue. As such, operating margin is considered a non-GAAP financial measure. Operating margins should be considered as a supplement to, not as a substitute for, operating income, net income or other financial measures prepared in accordance with U.S. generally accepted accounting principles.

(3) As a percentage of franchise and license revenue.

(4) As a percentage of total operating revenue.

**DENNY'S CORPORATION**

**Statistical Data**

**(Unaudited)**

**Same-Store Sales**

|                                  | Quarter Ended |               | Two Quarters Ended |               |
|----------------------------------|---------------|---------------|--------------------|---------------|
|                                  | July 1, 2015  | June 25, 2014 | July 1, 2015       | June 25, 2014 |
| (increase vs. prior year)        |               |               |                    |               |
| Company Restaurants              | 7.9%          | 3.7%          | 7.7%               | 3.4%          |
| Domestic Franchised Restaurants  | 7.2%          | 1.7%          | 7.2%               | 1.6%          |
| Domestic System-wide Restaurants | 7.3%          | 1.9%          | 7.2%               | 1.8%          |
| System-wide Restaurants          | 6.4%          | 1.7%          | 6.5%               | 1.5%          |

**Average Unit Sales**

|                        | Quarter Ended |               | Two Quarters Ended |               |
|------------------------|---------------|---------------|--------------------|---------------|
|                        | July 1, 2015  | June 25, 2014 | July 1, 2015       | June 25, 2014 |
| (In thousands)         |               |               |                    |               |
| Company Restaurants    | \$ 559        | \$ 511        | \$ 1,097           | \$ 1,009      |
| Franchised Restaurants | \$ 400        | \$ 366        | \$ 788             | \$ 722        |

**Restaurant Unit Activity**

|                            | Company | Franchised<br>& Licensed | Total |
|----------------------------|---------|--------------------------|-------|
| Ending Units April 1, 2015 | 160     | 1,534                    | 1,694 |
| Units Opened               | —       | 13                       | 13    |
| Units Reacquired           | 1       | (1)                      | —     |
| Units Closed               | (1)     | (10)                     | (11)  |
| Net Change                 | —       | 2                        | 2     |
| Ending Units July 1, 2015  | 160     | 1,536                    | 1,696 |

Equivalent Units

|                     |     |       |       |
|---------------------|-----|-------|-------|
| Second Quarter 2015 | 158 | 1,536 | 1,694 |
| Second Quarter 2014 | 159 | 1,534 | 1,693 |
| Net Change          | (1) | 2     | 1     |

**Restaurant Unit Activity**

|                                | Company | Franchised<br>& Licensed | Total |
|--------------------------------|---------|--------------------------|-------|
| Ending Units December 31, 2014 | 161     | 1,541                    | 1,702 |
| Units Opened                   | —       | 22                       | 22    |
| Units Reacquired               | 1       | (1)                      | —     |
| Units Closed                   | (2)     | (26)                     | (28)  |
| Net Change                     | (1)     | (5)                      | (6)   |
| Ending Units July 1, 2015      | 160     | 1,536                    | 1,696 |

Equivalent Units

|                   |     |       |       |
|-------------------|-----|-------|-------|
| Year-to-Date 2015 | 159 | 1,536 | 1,695 |
| Year-to-Date 2014 | 159 | 1,535 | 1,694 |
| Net Change        | —   | 1     | 1     |