

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 September 25, 2024

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-18051



DENNY'S CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-3487402

(I.R.S. Employer Identification No.)

203 East Main Street  
Spartanburg, South Carolina  
(Address of principal executive offices)

29319-0001  
(Zip Code)

(864) 597-8000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
\$.01 Par Value, Common Stock	DENN	The Nasdaq Stock Market LLC

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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company  Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of October 24, 2024, 51,329,094 shares of the registrant's common stock, par value \$0.01 per share, were outstanding.

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## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

#### Denny's Corporation and Subsidiaries Consolidated Balance Sheets (Unaudited)

	September 25, 2024	December 27, 2023
	(In thousands, except per share amounts)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,466	\$ 4,893
Investments	2,902	1,281
Receivables, net	17,038	21,391
Inventories	1,835	2,175
Assets held for sale	—	1,455
Prepaid and other current assets	10,610	12,855
<b>Total current assets</b>	<b>33,851</b>	<b>44,050</b>
Property, net of accumulated depreciation of \$160,221 and \$159,879, respectively	101,532	93,494
Finance lease right-of-use assets, net of accumulated amortization of \$7,563 and \$8,220, respectively	6,411	6,098
Operating lease right-of-use assets, net	121,169	116,795
Goodwill	66,357	65,908
Intangible assets, net	92,112	93,428
Deferred financing costs, net	1,225	1,702
Other noncurrent assets	38,966	43,343
<b>Total assets</b>	<b>\$ 461,623</b>	<b>\$ 464,818</b>
<b>Liabilities</b>		
Current liabilities:		
Current finance lease liabilities	\$ 1,457	\$ 1,383
Current operating lease liabilities	15,076	14,779
Accounts payable	14,685	24,070
Other current liabilities	56,474	63,068
<b>Total current liabilities</b>	<b>87,692</b>	<b>103,300</b>
Long-term liabilities:		
Long-term debt	261,000	255,500
Noncurrent finance lease liabilities	9,540	9,150
Noncurrent operating lease liabilities	117,390	114,451
Liability for insurance claims, less current portion	7,160	6,929
Deferred income taxes, net	4,619	6,582
Other noncurrent liabilities	28,705	31,592
<b>Total long-term liabilities</b>	<b>428,414</b>	<b>424,204</b>
<b>Total liabilities</b>	<b>516,106</b>	<b>527,504</b>
<b>Shareholders' deficit</b>		
Common stock \$0.01 par value; 135,000 shares authorized; September 25, 2024: 53,342 shares issued and 51,326 outstanding; December 27, 2023: 52,906 shares issued and 52,239 shares outstanding	\$ 533	\$ 529
Paid-in capital	13,129	6,688
Deficit	(7,009)	(21,784)
Accumulated other comprehensive loss, net	(43,445)	(41,659)
Treasury stock, at cost, 2,016 and 667 shares, respectively	(17,691)	(6,460)
<b>Total shareholders' deficit</b>	<b>(54,483)</b>	<b>(62,686)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 461,623</b>	<b>\$ 464,818</b>

See accompanying notes

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Income**  
(Unaudited)

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
(In thousands, except per share amounts)				
Revenue:				
Company restaurant sales	\$ 52,701	\$ 53,153	\$ 159,391	\$ 161,486
Franchise and license revenue	59,058	61,030	178,269	187,083
Total operating revenue	<u>111,759</u>	<u>114,183</u>	<u>337,660</u>	<u>348,569</u>
Costs of company restaurant sales, excluding depreciation and amortization:				
Product costs	13,611	13,587	40,554	41,796
Payroll and benefits	19,838	19,754	60,805	60,482
Occupancy	4,443	4,085	13,687	12,259
Other operating expenses	8,928	8,467	27,470	24,416
Total costs of company restaurant sales, excluding depreciation and amortization	<u>46,820</u>	<u>45,893</u>	<u>142,516</u>	<u>138,953</u>
Costs of franchise and license revenue, excluding depreciation and amortization				
General and administrative expenses	19,831	18,237	61,539	58,515
Depreciation and amortization	3,622	3,605	10,938	10,878
Goodwill impairment charges	—	—	20	—
Operating (gains), losses and other charges, net	746	2,620	1,984	2,467
Total operating costs and expenses, net	<u>100,018</u>	<u>100,165</u>	<u>306,798</u>	<u>303,470</u>
Operating income	<u>11,741</u>	<u>14,018</u>	<u>30,862</u>	<u>45,099</u>
Interest expense, net	4,571	4,381	13,564	13,288
Other nonoperating (income) expense, net	(824)	43	(1,685)	9,470
Income before income taxes	7,994	9,594	18,983	22,341
Provision for income taxes	1,478	1,686	4,208	5,298
Net income	<u>\$ 6,516</u>	<u>\$ 7,908</u>	<u>\$ 14,775</u>	<u>\$ 17,043</u>
Net income per share - basic	<u>\$ 0.12</u>	<u>\$ 0.14</u>	<u>\$ 0.28</u>	<u>\$ 0.30</u>
Net income per share - diluted	<u>\$ 0.12</u>	<u>\$ 0.14</u>	<u>\$ 0.28</u>	<u>\$ 0.30</u>
Basic weighted average shares outstanding	<u>52,148</u>	<u>55,869</u>	<u>52,635</u>	<u>56,764</u>
Diluted weighted average shares outstanding	<u>52,207</u>	<u>56,082</u>	<u>52,739</u>	<u>56,973</u>

See accompanying notes

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**  
**(Unaudited)**

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Net income	\$ 6,516	\$ 7,908	\$ 14,775	\$ 17,043
Other comprehensive income (loss), net of tax:				
Minimum pension liability adjustment, net of tax of \$4, \$4, \$23 and \$30, respectively	12	9	63	86
Changes in the fair value of cash flow hedges, net of tax of \$(2,687), \$4,597, \$416 and \$5,893, respectively	(7,958)	13,516	1,234	17,328
Reclassification of cash flow hedges to interest expense, net of tax of \$(400), \$(352), \$(1,168) and \$(901), respectively	(1,182)	(1,034)	(3,458)	(2,650)
Amortization of unrealized losses related to interest rate swaps to interest expense, net of tax of \$49, \$24, \$127 and \$59, respectively	144	70	375	173
Other comprehensive income (loss)	(8,984)	12,561	(1,786)	14,937
Total comprehensive income (loss)	\$ (2,468)	\$ 20,469	\$ 12,989	\$ 31,980

See accompanying notes

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Deficit**  
**For the Quarters Ended September 25, 2024 and September 27, 2023**  
**(Unaudited)**

	Common Stock		Treasury Stock		Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss, Net	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount				
(In thousands)								
Balance, June 26, 2024	53,339	\$ 533	(1,770)	\$ (15,925)	\$ 10,135	\$ (13,525)	\$ (34,461)	\$ (53,243)
Net income	—	—	—	—	—	6,516	—	6,516
Other comprehensive loss	—	—	—	—	—	—	(8,984)	(8,984)
Share-based compensation on equity classified awards, net of withholding tax	—	—	—	—	2,994	—	—	2,994
Purchase of treasury stock, including excise tax	—	—	(246)	(1,766)	—	—	—	(1,766)
Issuance of common stock for share-based compensation	3	—	—	—	—	—	—	—
Balance, September 25, 2024	<u>53,342</u>	<u>\$ 533</u>	<u>(2,016)</u>	<u>\$ (17,691)</u>	<u>\$ 13,129</u>	<u>\$ (7,009)</u>	<u>\$ (43,445)</u>	<u>\$ (54,483)</u>

	Common Stock		Treasury Stock		Paid-in Capital	Deficit	Accumulated Other Comprehensive Loss, Net	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount				
(In thousands)								
Balance, June 28, 2023	65,708	\$ 657	(10,000)	\$ (114,866)	\$ 144,506	\$ (32,594)	\$ (40,321)	\$ (42,618)
Net income	—	—	—	—	—	7,908	—	7,908
Other comprehensive income	—	—	—	—	—	—	12,561	12,561
Share-based compensation on equity classified awards, net of withholding tax	—	—	—	—	2,887	—	—	2,887
Purchase of treasury stock, including excise tax	—	—	(1,680)	(16,536)	—	—	—	(16,536)
Issuance of common stock for share-based compensation	3	—	—	—	—	—	—	—
Balance, September 27, 2023	<u>65,711</u>	<u>\$ 657</u>	<u>(11,680)</u>	<u>\$ (131,402)</u>	<u>\$ 147,393</u>	<u>\$ (24,686)</u>	<u>\$ (27,760)</u>	<u>\$ (35,798)</u>

See accompanying notes

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Deficit**  
**For the Three Quarters Ended September 25, 2024 and September 27, 2023**  
**(Unaudited)**

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Paid-in Capital</u>	<u>Deficit</u>	<u>Accumulated Other Comprehensive Loss, Net</u>	<u>Total Shareholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
<b>(In thousands)</b>								
Balance, December 27, 2023	52,906	\$ 529	(667)	\$ (6,460)	\$ 6,688	\$ (21,784)	\$ (41,659)	\$ (62,686)
Net income	—	—	—	—	—	14,775	—	14,775
Other comprehensive loss	—	—	—	—	—	—	(1,786)	(1,786)
Share-based compensation on equity classified awards, net of withholding tax	—	—	—	—	6,445	—	—	6,445
Purchase of treasury stock, including excise tax	—	—	(1,349)	(11,231)	—	—	—	(11,231)
Issuance of common stock for share-based compensation	436	4	—	—	(4)	—	—	—
Balance, September 25, 2024	<u>53,342</u>	<u>\$ 533</u>	<u>(2,016)</u>	<u>\$ (17,691)</u>	<u>\$ 13,129</u>	<u>\$ (7,009)</u>	<u>\$ (43,445)</u>	<u>\$ (54,483)</u>

	<u>Common Stock</u>		<u>Treasury Stock</u>		<u>Paid-in Capital</u>	<u>Deficit</u>	<u>Accumulated Other Comprehensive Loss, Net</u>	<u>Total Shareholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
<b>(In thousands)</b>								
Balance, December 28, 2022	64,998	\$ 650	(8,270)	\$ (95,476)	\$ 142,136	\$ (41,729)	\$ (42,697)	\$ (37,116)
Net income	—	—	—	—	—	17,043	—	17,043
Other comprehensive income	—	—	—	—	—	—	14,937	14,937
Share-based compensation on equity classified awards, net of withholding tax	—	—	—	—	5,264	—	—	5,264
Purchase of treasury stock, including excise tax	—	—	(3,410)	(35,926)	—	—	—	(35,926)
Issuance of common stock for share-based compensation	713	7	—	—	(7)	—	—	—
Balance, September 27, 2023	<u>65,711</u>	<u>\$ 657</u>	<u>(11,680)</u>	<u>\$ (131,402)</u>	<u>\$ 147,393</u>	<u>\$ (24,686)</u>	<u>\$ (27,760)</u>	<u>\$ (35,798)</u>

See accompanying notes

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

	Three Quarters Ended	
	September 25, 2024	September 27, 2023
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 14,775	\$ 17,043
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation and amortization	10,938	10,878
Goodwill impairment charges	20	—
Operating (gains), losses and other charges, net	1,984	2,467
Losses and amortization on interest rate swaps, net	502	10,838
Amortization of deferred financing costs	477	476
Gains on investments	(121)	(59)
Gains on early termination of debt and leases	(42)	—
Deferred income tax (benefit) expense	(1,672)	369
Increase of tax valuation allowance	333	—
Share-based compensation expense	8,406	8,477
Changes in assets and liabilities, excluding acquisitions and dispositions:		
Receivables	4,119	8,235
Inventories	341	3,184
Prepays and other current assets	2,245	712
Other noncurrent assets	669	(902)
Operating lease assets and liabilities	(725)	(479)
Accounts payable	(11,087)	(7,079)
Other accrued liabilities	(7,824)	(1,319)
Other noncurrent liabilities	(2,391)	(2,073)
Net cash flows provided by operating activities	<u>20,947</u>	<u>50,768</u>
Cash flows from investing activities:		
Capital expenditures	(17,710)	(5,499)
Acquisition of restaurant and real estate	—	(1,227)
Initial operating lease direct costs	—	(400)
Proceeds from sales of real estate, restaurants and other assets	1,360	3,161
Investment purchases	(1,500)	(1,300)
Proceeds from sale of investments	—	1,850
Collections on notes receivable	489	391
Issuance of notes receivable	(255)	—
Net cash flows used in investing activities	<u>(17,616)</u>	<u>(3,024)</u>
Cash flows from financing activities:		
Revolver borrowings	91,900	100,300
Revolver payments	(86,400)	(113,700)
Repayments of finance leases	(1,056)	(1,359)
Tax withholding on share-based payments	(1,881)	(3,007)
Purchase of treasury stock	(11,266)	(35,415)
Net bank overdrafts	1,945	2,936
Net cash flows used in financing activities	<u>(6,758)</u>	<u>(50,245)</u>
Decrease in cash and cash equivalents	(3,427)	(2,501)
Cash and cash equivalents at beginning of period	4,893	3,523
Cash and cash equivalents at end of period	<u>\$ 1,466</u>	<u>\$ 1,022</u>

See accompanying notes



**Denny's Corporation and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**(Unaudited)**

**Note 1. Introduction and Basis of Presentation**

*Introduction*

Denny's Corporation, or the Company, is one of America's largest full-service restaurant chains based on number of restaurants. As of September 25, 2024, the Company consisted of 1,586 restaurants, 1,514 of which were franchised/licensed restaurants and 72 of which were company operated.

The Company consists of the Denny's brand ("Denny's") and the Keke's Breakfast Café brand ("Keke's"). As of September 25, 2024, the Denny's brand consisted of 1,525 restaurants, 1,464 of which were franchised/licensed restaurants and 61 of which were company operated. As of September 25, 2024, the Keke's brand consisted of 61 restaurants, 50 of which were franchised restaurants and 11 of which were company operated.

*Basis of Presentation*

Our unaudited consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission for interim financial information. Therefore, certain information and notes normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been omitted. In our opinion, all adjustments considered necessary for a fair presentation of the interim periods presented have been included. Such adjustments are of a normal and recurring nature. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Actual results may differ from these estimates under different assumptions or conditions; however, we believe that our estimates are reasonable.

These interim consolidated financial statements should be read in conjunction with our consolidated financial statements and notes thereto as of and for the fiscal year ended December 27, 2023 which are contained in our audited Annual Report on Form 10-K for the fiscal year ended December 27, 2023. The results of operations for the interim periods presented are not necessarily indicative of the results for the entire fiscal year ending December 25, 2024. Our significant interim accounting policies include the recognition of advertising and marketing costs, generally in proportion to revenue, and the recognition of income taxes using an estimated annual effective rate.

*Change in Presentation*

Certain reclassifications have been made in the 2023 interim consolidated financial statements to conform to the 2024 presentation. These reclassifications did not affect total revenues or net income.

**Note 2. Summary of Significant Accounting Policies**

*Newly Adopted Accounting Standards*

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which was later clarified in January 2021 by ASU 2021-01, "Reference Rate Reform (Topic 848): Scope". Additionally, in December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848", which allows ASU 2020-04 to be adopted and applied prospectively to contract modifications made on or before December 31, 2024. The guidance provides optional guidance, for a limited time, to ease the potential burden in accounting for or recognizing the effects of reference rate reform on financial reporting. The Company adopted ASU 2020-04 on March 12, 2020. The adoption of and future elections under this new guidance did not and are not expected to have a material impact on the Company's consolidated financial position or results of operations. The guidance is effective through December 31, 2024.

### Accounting Standards to be Adopted

In November 2023, the FASB issued ASU 2023-07, “Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures”. The new guidance requires enhanced reportable segment disclosures to include significant segment expenses. ASU 2023-07 is effective for annual periods beginning after December 15, 2023 (our fiscal 2024) and interim periods beginning after December 15, 2024 (our fiscal 2025). We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements and will add necessary disclosures upon adoption.

In December 2023, the FASB issued ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”. The new guidance requires enhanced effective tax rate reconciliation and income taxes paid disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 (our fiscal 2025). We are currently evaluating the impact that the adoption of this new guidance will have on our consolidated financial statements and will add necessary disclosures upon adoption.

We reviewed all other newly issued accounting pronouncements and concluded that they are either not applicable to our business or are not expected to have a material effect on our consolidated financial statements as a result of future adoption.

### Note 3. Receivables

Receivables consisted of the following:

	September 25, 2024	December 27, 2023
	(In thousands)	
Receivables, net:		
Trade accounts receivable from franchisees	\$ 12,363	\$ 14,092
Notes and loan receivables from franchisees	235	584
Vendor receivables	1,941	4,059
Credit card receivables	657	995
Other	2,402	1,862
Allowance for credit losses	(560)	(201)
Total receivables, net	<u>\$ 17,038</u>	<u>\$ 21,391</u>

### Note 4. Goodwill and Intangible Assets

	September 25, 2024
	(In thousands)
Balance, beginning of year	\$ 65,908
Reclassifications from Keke's assets held for sale	469
Impairment charges related to Denny's	(20)
Balance, end of period	<u>\$ 66,357</u>

Goodwill by segment consisted of the following:

	September 25, 2024	December 27, 2023
	(In thousands)	
Denny's	\$ 37,507	\$ 37,527
Other	28,850	28,381
Total goodwill	<u>\$ 66,357</u>	<u>\$ 65,908</u>

Intangible assets consisted of the following:

	September 25, 2024		December 27, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(In thousands)				
Intangible assets with indefinite lives:				
Trade names	\$ 79,687	\$ —	\$ 79,687	\$ —
Liquor licenses	120	—	120	—
Intangible assets with definite lives:				
Reacquired franchise rights	9,135	5,990	9,470	5,614
Franchise agreements	10,603	1,443	10,700	935
Intangible assets, net	<u>\$ 99,545</u>	<u>\$ 7,433</u>	<u>\$ 99,977</u>	<u>\$ 6,549</u>

Amortization expense for intangible assets with definite lives totaled \$0.4 million and \$1.1 million for the quarter and year-to-date period ended September 25, 2024, respectively. Amortization expense for intangible assets with definite lives totaled \$0.4 million and \$1.2 million for the quarter and year-to-date period ended September 27, 2023, respectively.

#### Note 5. Other Current Liabilities

Other current liabilities consisted of the following:

	September 25, 2024	December 27, 2023
	(In thousands)	
Accrued payroll	\$ 14,896	\$ 16,400
Current portion of liability for insurance claims	3,732	3,758
Accrued taxes	6,027	4,699
Accrued advertising	10,474	10,664
Gift cards	5,932	7,838
Accrued legal settlements	4,367	7,488
Accrued interest	4,826	4,530
Other	6,220	7,691
Other current liabilities	<u>\$ 56,474</u>	<u>\$ 63,068</u>

## Note 6. Fair Value of Financial Instruments

Financial assets and liabilities measured at fair value on a recurring basis are summarized below:

	Total	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(In thousands)				
Fair value measurements as of September 25, 2024:				
Deferred compensation plan investments <sup>(1)</sup>	\$ 11,063	\$ 11,063	\$ —	\$ —
Interest rate swaps <sup>(2)</sup>	5,912	—	5,912	—
Investments <sup>(3)</sup>	2,902	—	2,902	—
Total	<u>\$ 19,877</u>	<u>\$ 11,063</u>	<u>\$ 8,814</u>	<u>\$ —</u>
Fair value measurements as of December 27, 2023:				
Deferred compensation plan investments <sup>(1)</sup>	\$ 12,225	\$ 12,225	\$ —	\$ —
Interest rate swaps <sup>(2)</sup>	8,888	—	8,888	—
Investments <sup>(3)</sup>	1,281	—	1,281	—
Total	<u>\$ 22,394</u>	<u>\$ 12,225</u>	<u>\$ 10,169</u>	<u>\$ —</u>

- (1) The fair values of our deferred compensation plan investments are based on the closing market prices of the elected investments and are included in other noncurrent assets in our Consolidated Balance Sheets.
- (2) The fair values of our interest rate swaps are based upon Level 2 inputs, which include valuation models. The key inputs for the valuation models are quoted market prices, interest rates, forward yield curves and credit risk adjustments that are necessary to reflect the probability of default by the counterparty or us. For disclosures about the fair value measurements of our derivative instruments, see Note 7.
- (3) The fair values of our investments are valued using a readily determinable net asset value per share based on the fair value of the underlying securities. There are no significant redemption restrictions associated with these investments.

Those assets and liabilities measured at fair value on a non-recurring basis are summarized below:

	Significant Unobservable Inputs (Level 3)	Impairment Charges
(In thousands)		
Fair value measurements as of September 25, 2024:		
Assets held and used <sup>(1)</sup>	\$ —	\$ 78

- (1) As of September 25, 2024, impaired assets were written down to their fair value. To determine fair value, we used the income approach, which assumes that the future cash flows reflect current market expectations. These fair value measurements require significant judgment using Level 3 inputs, such as discounted cash flows from operations, which are not observable from the market, directly or indirectly. There is uncertainty in the projected future cash flows used in the Company's impairment analysis, which requires the use of estimates and assumptions. If actual performance does not achieve the projections, or if the assumptions used change in the future, the Company may be required to recognize impairment charges in future periods.

Assets that are measured at fair value on a non-recurring basis include property, operating lease right-of-use assets, finance lease right-of-use assets, goodwill and intangible assets. During the quarter and year-to-date period ended September 25, 2024, we recognized impairment charges of \$0.1 million and \$0.8 million, respectively, related to certain of these assets. See Note 4 and Note 9.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are deemed to approximate fair value due to the immediate or short-term maturity of these instruments. The fair value of notes receivable approximates the carrying value after consideration of recorded allowances and related risk-based interest rates. The liabilities under our credit facility are carried at historical cost, which approximates fair value. The fair value of our senior secured revolver approximates its carrying value since it is a variable rate facility (Level 2).

## Note 7. Long-Term Debt

The Company and certain of its subsidiaries have a credit facility consisting of a five-year \$400 million senior secured revolver (with a \$25 million letter of credit sublimit). The credit facility includes an accordion feature that would allow us to increase the size of the facility to \$450 million. Borrowings bear a tiered interest rate, which is based on the Company's consolidated leverage ratio. The maturity date for the credit facility is August 26, 2026.

The credit facility is available for working capital, capital expenditures and other general corporate purposes. The credit facility is guaranteed by the Company and its material subsidiaries and is secured by assets of the Company and its subsidiaries, including the stock of its subsidiaries (other than its insurance captive subsidiary). It includes negative covenants that are usual for facilities and transactions of this type. The credit facility also includes certain financial covenants with respect to a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio. We were in compliance with all financial covenants as of September 25, 2024.

As of September 25, 2024, we had outstanding revolver loans of \$261.0 million and outstanding letters of credit under the credit facility of \$16.1 million. These balances resulted in unused commitments of \$122.9 million as of September 25, 2024 under the credit facility.

As of September 25, 2024, borrowings under the credit facility bore interest at a rate of Adjusted Daily Simple SOFR plus 2.25%. Letters of credit under the credit facility bore interest at a rate of 2.38%. The commitment fee, paid on the unused portion of the credit facility, was set to 0.35%.

Prior to considering the impact of our interest rate swaps, described below, the weighted-average interest rate on outstanding revolver loans was 7.68% and 7.41% as of September 25, 2024 and December 27, 2023, respectively. Taking into consideration our interest rate swaps that are designated as cash flow hedges, the weighted-average interest rate of outstanding revolver loans was 5.14% and 5.04% as of September 25, 2024 and December 27, 2023, respectively.

### Interest Rate Hedges

We have receive-variable, pay-fixed interest rate swaps to hedge the forecasted cash flows of our floating rate debt. A summary of our interest rate swaps as of September 25, 2024 is as follows:

Trade Date	Effective Date	Maturity Date	Notional Amount	Fair Value	Fixed Rate
(In thousands)					
<b>Swaps designated as cash flow hedges</b>					
March 20, 2015	March 29, 2018	March 31, 2025	\$ 120,000	\$ 1,159	2.34 %
October 1, 2015	March 29, 2018	March 31, 2026	\$ 50,000	\$ 811	2.37 %
February 15, 2018	March 31, 2020	December 31, 2033	\$ 60,000 (1)	\$ 3,942	3.09 %
<b>Total</b>			<b>\$ 230,000</b>	<b>\$ 5,912</b>	

(1) The notional amounts of the swaps entered into on February 15, 2018 increase periodically until they reach the maximum notional amount of \$335 million on August 31, 2033.

### Termination and Designation of Certain Interest Rate Swaps

During the quarter ended March 29, 2023, we terminated a portion of our hedging relationship entered into in 2018 ("2018 Swaps"), reducing the previous maximum notional amount of \$425 million on August 31, 2033 to \$335 million. We received \$1.5 million of cash as a result of the termination, which is recorded as a component of operating activities in our Consolidated Statement of Cash Flows for the year-to-date period ended September 27, 2023.

In addition, during the quarter ended March 29, 2023, we designated the remaining 2018 Swaps as cash flow hedges of our exposure to variability in future cash flows attributable to variable rate interest payments due on forecasted notional amounts.

### *Changes in Fair Value of Interest Rate Swaps*

To the extent the swaps are highly effective in offsetting the variability of the hedged cash flows, changes in the fair value of the swaps are not included in the Consolidated Statements of Income but are reported as a component of other comprehensive income (loss). Our interest rate swaps are designated as cash flow hedges with unrealized gains and losses recorded as a component of accumulated other comprehensive loss, net.

As of September 25, 2024, the fair value of the swaps designated as cash flow hedges was an asset of \$5.9 million, recorded as a component of other noncurrent assets. The designated swaps have an offsetting amount (before taxes) recorded as a component of accumulated other comprehensive loss, net in our Consolidated Balance Sheets. See Note 13 for amounts recorded in accumulated other comprehensive loss related to interest rate swaps. During the year-to-date period ended September 25, 2024, we reclassified \$4.6 million from accumulated other comprehensive loss, net as a reduction to interest expense, net. We expect to reclassify \$6.6 million from accumulated other comprehensive loss, net as a reduction to interest expense, net in our Consolidated Statements of Income related to swaps designated as cash flow hedges during the next 12 months.

For the periods prior to their designation as cash flow hedges, changes in the fair value of the 2018 Swaps were recorded as a component of other nonoperating (income) expense, net in our Consolidated Statements of Income. For the year-to-date period ended September 27, 2023, we recorded expense of \$10.6 million as a component of other nonoperating (income) expense, net related to the 2018 Swaps resulting from changes in fair value.

### *Amortization of Certain Amounts Included in Accumulated Other Comprehensive Loss, Net*

At September 25, 2024, we had a total of \$63.7 million (before taxes) included in accumulated other comprehensive loss, net related to (i) the discontinuance of hedge accounting treatment related to certain cash flow hedges in prior years and (ii) the fair value of certain swaps at the date of designation as cash flow hedges that are being amortized into our Consolidated Statements of Income as a component of interest expense, net over the remaining term of the related swap.

For the quarter and year-to-date period ended September 25, 2024, we recorded unrealized losses of \$0.2 million and \$0.5 million, respectively, to interest expense, net. For the quarter and year-to-date period ended September 27, 2023, we recorded unrealized losses of \$0.1 million and \$0.2 million, respectively, to interest expense, net. We expect to amortize \$2.3 million from accumulated other comprehensive loss, net to interest expense, net in our Consolidated Statements of Income related to dedesignated interest rate swaps during the next 12 months.

### **Note 8. Revenues**

The following table disaggregates our revenue by sales channel and type of good or service:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Company restaurant sales	\$ 52,701	\$ 53,153	\$ 159,391	\$ 161,486
Franchise and license revenue:				
Royalties	29,101	29,703	88,421	90,106
Advertising revenue	20,172	19,297	59,098	58,818
Initial and other fees	1,639	3,388	5,903	10,994
Occupancy revenue	8,146	8,642	24,847	27,165
Franchise and license revenue	59,058	61,030	178,269	187,083
Total operating revenue	\$ 111,759	\$ 114,183	\$ 337,660	\$ 348,569

Franchise occupancy revenue consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Operating lease revenue	\$ 6,063	\$ 6,461	\$ 18,262	\$ 20,015
Variable lease revenue	2,083	2,181	6,585	7,150
Total occupancy revenue	<u>\$ 8,146</u>	<u>\$ 8,642</u>	<u>\$ 24,847</u>	<u>\$ 27,165</u>

Balances related to contracts with customers consist of receivables, contract assets, deferred franchise revenue and deferred gift card revenue. See Note 3 for details on our receivables.

Deferred franchise revenue consists primarily of the unamortized portion of initial franchise fees that are currently being amortized into revenue and amounts related to development agreements and unopened restaurants that will begin amortizing into revenue when the related restaurants are opened. Deferred franchise revenue represents our remaining performance obligations to our franchisees, excluding amounts of variable consideration related to sales-based royalties and advertising.

The components of the change in deferred franchise revenue are as follows:

	(In thousands)
Balance, December 27, 2023	\$ 19,150
Fees received from franchisees	522
Revenue recognized <sup>(1)</sup>	(2,345)
Balance, September 25, 2024	17,327
Less current portion included in other current liabilities	1,946
Deferred franchise revenue included in other noncurrent liabilities	<u>\$ 15,381</u>

(1) Of this amount \$2.1 million was included in the deferred franchise revenue balance as of December 27, 2023.

We record contract assets related to incentives and subsidies provided to franchisees related to new unit openings and/or equipment upgrades. These amounts will be recognized as a component of franchise and license revenue over the remaining term of the related franchise agreements.

The components of the change in contract assets are as follows:

	(In thousands)
Balance, December 27, 2023	\$ 6,608
Franchisee deferred costs	293
Contract asset amortization	(980)
Balance, September 25, 2024	5,921
Less current portion included in other current assets	941
Contract assets included in other noncurrent assets	<u>\$ 4,980</u>

The Company purchases equipment related to various programs for franchise restaurants, including kitchen and point-of-sale system equipment. We bill our franchisees and recognize revenue when the related equipment is installed, less amounts contributed from the Company, which have been deferred as contract assets in the table above. We recognized \$0.1 million and \$0.6 million of revenue, recorded as a component of initial and other fees, related to the sale of equipment to franchisees during the quarter and year-to-date period ended September 25, 2024, respectively. We recognized \$1.7 million and \$4.6 million of revenue, recorded as a component of initial and other fees, related to the sale of equipment to franchisees during the quarter and year-to-date period ended September 27, 2023, respectively. As of September 25, 2024, we had \$0.3 million in inventory and \$0.2 million in receivables related to the purchased equipment. As of December 27, 2023, we had \$0.6 million in inventory and \$0.3 million in receivables related to the purchased equipment.

As of September 25, 2024, deferred franchise revenue, net of contract asset amortization, expected to be recognized in the future is as follows:

	(In thousands)
Remainder of 2024	\$ 306
2025	1,123
2026	1,121
2027	1,091
2028	966
Thereafter	6,799
Deferred franchise revenue, net	<u>\$ 11,406</u>

Deferred gift card liabilities consist of the unredeemed portion of gift cards sold in company restaurants and at third party locations. The balance of deferred gift card liabilities represents our remaining performance obligations to our customers. The balance of deferred gift card liabilities as of September 25, 2024 and December 27, 2023 was \$5.9 million and \$7.8 million, respectively. During the year-to-date period ended September 25, 2024, we recognized revenue of \$0.4 million from gift card redemptions at company restaurants.

#### Note 9. Operating (Gains), Losses and Other Charges, Net

Operating (gains), losses and other charges, net consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Losses (gains) on sales of assets and other, net	\$ 6	\$ (88)	\$ (88)	\$ (2,132)
Impairment charges <sup>(1)</sup>	78	1,711	792	1,840
Restructuring charges and exit costs	662	997	1,280	2,759
Operating (gains), losses and other charges, net	<u>\$ 746</u>	<u>\$ 2,620</u>	<u>\$ 1,984</u>	<u>\$ 2,467</u>

(1) Impairment charges include impairments related to property, operating right-of-use assets, finance right-of-use assets, franchise agreements, and reacquired franchise rights.

During the quarter and year-to-date period ended September 25, 2024, losses (gains) on sales of assets and other, net were primarily related to the sales of restaurants and real estate. During the quarter and year-to-date period ended September 27, 2023, losses (gains) on sales of assets and other, net were primarily related to the sales of real estate.

As of September 25, 2024, we had no recorded assets held for sale. As of December 27, 2023, we had recorded assets held for sale at their carrying amount of \$1.5 million (consisting of property of \$0.9 million, goodwill of \$0.5 million and other assets of \$0.1 million) related to one parcel of real estate and three Keke's restaurants.

We recorded impairment charges of \$0.1 million and \$0.8 million for the quarter and year-to-date period ended September 25, 2024, respectively, primarily related to assets held for sale and resulting from our assessments of underperforming units and closed units. The \$0.1 million for the quarter was related to a franchise agreement. The \$0.8 million for the year-to-date period included \$0.6 million related to property, \$0.1 million related to reacquired franchise rights, and \$0.1 million related to a franchise agreement.



Restructuring charges and exit costs consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Exit costs	\$ 231	\$ 12	\$ 322	\$ 64
Severance and other restructuring charges	431	985	958	2,695
Total restructuring charges and exit costs	\$ 662	\$ 997	\$ 1,280	\$ 2,759

Exit costs primarily consist of costs related to closed restaurants. Exit cost liabilities related to lease costs are included as a component of operating lease liabilities in our Consolidated Balance Sheets.

As of September 25, 2024 and December 27, 2023, we had accrued severance and other restructuring charges of \$0.7 million and \$1.4 million, respectively. The balance as of September 25, 2024 is expected to be paid during the next 12 months.

#### Note 10. Share-Based Compensation

Total share-based compensation included as a component of general and administrative expenses was as follows:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Employee share awards	\$ 2,773	\$ 2,659	\$ 7,753	\$ 7,793
Restricted stock units for board members	233	205	653	684
Total share-based compensation	\$ 3,006	\$ 2,864	\$ 8,406	\$ 8,477

#### Employee Share Awards

During the year-to-date period ended September 25, 2024, we granted certain employees 0.6 million performance share units ("PSUs") with a weighted average grant date fair value of \$15.48 per share that vest based on the total shareholder return ("TSR") of our common stock compared to the TSRs of a group of peer companies. As the TSR based PSUs contain a market condition, a Monte Carlo valuation was used to determine the grant date fair value. The performance period for these PSUs is the three-year fiscal period beginning December 28, 2023 and ending December 30, 2026. The PSUs will vest and be earned at the end of the performance period at which point the relative TSR achievement percentages will be applied to the vested units (from 0% to 200% of the target award).

During the year-to-date period ended September 25, 2024, we also granted certain employees 0.7 million restricted stock units ("RSUs") with a weighted average grant date fair value of \$10.63 per share. These RSUs generally vest evenly over the three-year fiscal period beginning December 28, 2023 and ending December 30, 2026. We recognize compensation cost associated with these RSU awards on a straight-line basis over the entire performance period of the award.

During the year-to-date period ended September 25, 2024, we issued 0.4 million shares of common stock related to vested PSUs and RSUs. In addition, 0.2 million shares of common stock were withheld in lieu of taxes related to vested PSUs and RSUs.

As of September 25, 2024, we had \$16.6 million of unrecognized compensation cost related to unvested PSU awards and RSU awards outstanding, which have a weighted average remaining contractual term of 1.9 years.

#### Restricted Stock Units for Board Members

During the year-to-date period ended September 25, 2024, we granted 0.1 million RSUs (which are equity classified) with a weighted average grant date fair value of \$8.09 per unit to non-employee members of our Board of Directors. The RSUs vest after a one-year service period. A director may elect to convert these awards to shares of common stock either on a specific date in the future (while still serving as a member of our Board of Directors), upon termination as a member of our Board of Directors, or in three equal annual installments commencing after termination of service as a member of our Board of Directors.

During the year-to-date period ended September 25, 2024, fewer than 0.1 million RSUs were converted into shares of common stock.

As of September 25, 2024, we had \$0.6 million of unrecognized compensation cost related to unvested RSU awards outstanding, which have a weighted average remaining contractual term of 0.6 years.

#### Note 11. Income Taxes

The effective income tax rate was 18.5% for the quarter and 22.2% for the year-to-date period ended September 25, 2024, compared to 17.6% and 23.7% for the prior year periods, respectively. The effective income tax rate for the year-to-date period ended September 25, 2024 included discrete items relating to share-based compensation of 0.1%. The effective income tax rate for the quarter and year-to-date period ended September 27, 2023 included discrete items relating to share-based compensation of (2.5)% and 0.4%, respectively.

#### Note 12. Net Income Per Share

The amounts used for the basic and diluted net income per share calculations are summarized below:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands, except per share amounts)			
Net income	\$ 6,516	\$ 7,908	\$ 14,775	\$ 17,043
Weighted average shares outstanding - basic	52,148	55,869	52,635	56,764
Effect of dilutive share-based compensation awards	59	213	104	209
Weighted average shares outstanding - diluted	52,207	56,082	52,739	56,973
Net income per share - basic	\$ 0.12	\$ 0.14	\$ 0.28	\$ 0.30
Net income per share - diluted	\$ 0.12	\$ 0.14	\$ 0.28	\$ 0.30
Anti-dilutive share-based compensation awards	618	735	758	788

#### Note 13. Shareholders' Deficit

##### Share Repurchases

Our credit facility permits the repurchase of the Company's stock and the payment of cash dividends subject to certain limitations. Our Board of Directors approves share repurchases of our common stock. Under these authorizations, we may, from time to time, purchase shares in the open market (including pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Securities Exchange Act of 1934, as amended) or in privately negotiated transactions, subject to market and business conditions. Currently, we are operating under a \$250 million share repurchase authorization approved by the Board of Directors in December 2019.

During the year-to-date period ended September 25, 2024, we repurchased a total of 1.3 million shares of our common stock for \$11.2 million, including excise taxes. This brings the total amount repurchased under the current authorization to \$160.8 million, leaving \$89.2 million that can be used to repurchase our common stock under this authorization as of September 25, 2024. Repurchased shares are included as treasury stock in our Consolidated Balance Sheets and our Consolidated Statements of Shareholders' Deficit.

In the fourth quarter of fiscal 2023, the Board approved the retirement of 12.8 million shares of treasury stock at a weighted average share price of \$11.02, including excise taxes. As of September 25, 2024, 2.0 million shares were held in treasury stock.

### Accumulated Other Comprehensive Loss, Net

The components of the change in accumulated other comprehensive loss, net were as follows:

	Defined Benefit Plans	Derivatives	Accumulated Other Comprehensive Loss, Net
	(In thousands)		
Balance as of December 27, 2023	\$ (337)	\$ (41,322)	\$ (41,659)
Amortization of net loss <sup>(1)</sup>	60	—	60
Settlement loss recognized	26	—	26
Changes in the fair value of cash flow hedges	—	1,650	1,650
Reclassification of cash flow hedges to interest expense, net <sup>(2)</sup>	—	(4,626)	(4,626)
Amortization of unrealized losses related to interest rate swaps to interest expense, net	—	502	502
Income tax expense related to items of other comprehensive income (loss)	(23)	625	602
Balance as of September 25, 2024	<u>\$ (274)</u>	<u>\$ (43,171)</u>	<u>\$ (43,445)</u>

- (1) Before-tax amount related to our defined benefit plans that was reclassified from accumulated other comprehensive loss, net and included as a component of pension expense within general and administrative expenses in our Consolidated Statements of Income during the year-to-date period ended September 25, 2024.
- (2) Amounts reclassified from accumulated other comprehensive loss, net into interest expense, net in our Consolidated Statements of Income represent payments either (received from) or made to the counterparty for the interest rate hedges. See Note 7 for additional details.

### Note 14. Commitments and Contingencies

#### Legal Proceedings

There are various claims and pending legal actions against or indirectly involving us, incidental to and arising out of the ordinary course of the business. In the opinion of management, based upon information currently available, the ultimate liability with respect to these proceedings and claims will not materially affect our consolidated results of operations or financial position.

### Note 15. Supplemental Cash Flow Information

	Three Quarters Ended	
	September 25, 2024	September 27, 2023
	(In thousands)	
Income taxes paid, net	\$ 4,344	\$ 6,531
Interest paid	\$ 12,469	\$ 9,346
Noncash investing and financing activities:		
Accrued purchase of property	\$ 513	\$ 102
Issuance of common stock, pursuant to share-based compensation plans	\$ 3,815	\$ 5,638
Execution of finance leases	\$ 1,514	\$ 593
Treasury stock payable, including excise taxes	\$ 528	\$ 1,053

## Note 16. Segment Information

We manage our business by brand and as a result have identified two operating segments, Denny's and Keke's. In addition, we have identified Denny's as a reportable segment. The Denny's reportable segment includes the results of all company and franchised and licensed Denny's restaurants. Our Keke's operating segment, which includes the results of all company and franchised Keke's restaurants, is included in Other.

The primary sources of revenues for all operating segments are the sale of food and beverages at our company restaurants and the collection of royalties, advertising revenue, initial and other fees, including occupancy revenue, from restaurants operated by our franchisees. We do not rely on any major customer as a source of sales and the customers and assets of all operating segments are located predominantly in the United States. There are no material transactions between segments.

Management's measure of segment income is restaurant-level operating margin. The Company defines restaurant-level operating margin as operating income excluding the following four items: general and administrative expenses, depreciation and amortization, goodwill impairment charges and operating (gains), losses and other charges, net. The Company excludes general and administrative expenses, which include primarily non restaurant-level costs associated with the support of company and franchised restaurants and other activities at their corporate office. The Company excludes depreciation and amortization expense, substantially all of which is related to company restaurant-level assets, because such expenses represent historical sunk costs which do not reflect current cash outlays for the restaurants. The Company excludes operating (gains), losses and other charges, net, to provide a clearer perspective of its ongoing operating performance. Restaurant-level operating margin is used by our chief operating decision maker ("CODM") to evaluate restaurant-level operating efficiency and performance.

The following tables present revenues by segment and a reconciliation of restaurant-level operating margin to net income:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
<b>Revenues by operating segment:</b>				
	(In thousands)			
Denny's	\$ 105,365	\$ 109,136	\$ 318,728	\$ 332,952
Other	6,394	5,047	18,932	15,617
Total operating revenue	\$ 111,759	\$ 114,183	\$ 337,660	\$ 348,569
<b>Segment income:</b>				
Denny's	\$ 35,015	\$ 36,944	\$ 102,750	\$ 111,525
Other	925	1,536	2,593	5,434
Total restaurant-level operating margin	\$ 35,940	\$ 38,480	\$ 105,343	\$ 116,959
General and administrative expenses	\$ 19,831	\$ 18,237	\$ 61,539	\$ 58,515
Depreciation and amortization	3,622	3,605	10,938	10,878
Goodwill impairment charges	—	—	20	—
Operating (gains), losses and other charges, net	746	2,620	1,984	2,467
Total other operating expenses	24,199	24,462	74,481	71,860
Operating income	11,741	14,018	30,862	45,099
Interest expense, net	4,571	4,381	13,564	13,288
Other nonoperating (income) expense, net	(824)	43	(1,685)	9,470
Income before income taxes	7,994	9,594	18,983	22,341
Provision for income taxes	1,478	1,686	4,208	5,298
Net income	\$ 6,516	\$ 7,908	\$ 14,775	\$ 17,043

	September 25, 2024	December 27, 2023
	(In thousands)	
<b>Segment assets:</b>		
Denny's	\$ 320,642	\$ 340,136
Other	140,981	124,682
Total assets	\$ 461,623	\$ 464,818

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our consolidated financial statements and the notes thereto that appear elsewhere in this report and the MD&A contained in our Annual Report on Form 10-K for the fiscal year ended December 27, 2023.

### **Forward-Looking Statements**

This report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as codified in Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company urges caution in considering its current trends and any outlook on its operations and financial results disclosed in this report. In addition, certain matters discussed in this report may constitute forward-looking statements. These forward-looking statements, which reflect management's 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 “expect”, “anticipate”, “believe”, “intend”, “plan”, “hope”, “will” 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 report 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: economic, public health and political conditions that impact consumer confidence and spending; commodity and labor inflation; the ability to effectively staff restaurants and support personnel; our ability to maintain adequate levels of liquidity for our cash needs, including debt obligations, payment of dividends, planned share repurchases and capital expenditures as well as the ability of our customers, suppliers, franchisees and lenders to access sources of liquidity to provide for their own cash needs; competitive pressures from within the restaurant industry; our ability to integrate and derive the expected benefits from our acquisition of Keke's; the level of success of our operating initiatives and advertising and promotional efforts; adverse publicity; health concerns arising from food-related pandemics, outbreaks of flu viruses, or other diseases; changes in business strategy or development plans; terms and availability of capital; regional weather conditions; overall changes in the general economy (including with regard to energy costs), particularly at the retail level; political environment and geopolitical events (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 fiscal year ended December 27, 2023 and in the Company's subsequent quarterly reports on Form 10-Q.

### **Overview**

We manage our business by brand and as a result have identified two operating segments, Denny’s and Keke’s. As of September 25, 2024, the Denny's brand consisted of 1,525 restaurants, 1,464 of which were franchised/licensed restaurants and 61 of which were company operated. At September 25, 2024, the Keke's brand consisted of 61 restaurants, 50 of which were franchised restaurants and 11 of which were company operated.

In addition, we have identified Denny’s as a reportable segment. The Denny’s reportable segment includes the results of all company and franchised and licensed Denny’s restaurants. Total revenues at Keke’s for the quarter and year-to-date period ended September 25, 2024 represented less than 10% of total consolidated revenues, therefore, the Keke’s operating segment is included in Other for segment reporting purposes.

## Statements of Income

The following table contains information derived from our Consolidated Statements of Income expressed as a percentage of total operating revenue, except as noted below. Percentages may not add due to rounding.

	Quarter Ended				Three Quarters Ended			
	September 25, 2024		September 27, 2023		September 25, 2024		September 27, 2023	
	(In thousands)							
Revenue:								
Company restaurant sales	\$ 52,701	47.2 %	\$ 53,153	46.6 %	\$ 159,391	47.2 %	\$ 161,486	46.3 %
Franchise and license revenue	59,058	52.8 %	61,030	53.4 %	178,269	52.8 %	187,083	53.7 %
Total operating revenue	111,759	100.0 %	114,183	100.0 %	337,660	100.0 %	348,569	100.0 %
Costs of company restaurant sales, excluding depreciation and amortization (a):								
Product costs	13,611	25.8 %	13,587	25.6 %	40,554	25.4 %	41,796	25.9 %
Payroll and benefits	19,838	37.6 %	19,754	37.2 %	60,805	38.1 %	60,482	37.5 %
Occupancy	4,443	8.4 %	4,085	7.7 %	13,687	8.6 %	12,259	7.6 %
Other operating expenses	8,928	16.9 %	8,467	15.9 %	27,470	17.2 %	24,416	15.1 %
Total costs of company restaurant sales, excluding depreciation and amortization	46,820	88.8 %	45,893	86.3 %	142,516	89.4 %	138,953	86.0 %
Costs of franchise and license revenue, excluding depreciation and amortization (a)								
General and administrative expenses	19,831	17.7 %	18,237	16.0 %	61,539	18.2 %	58,515	16.8 %
Depreciation and amortization	3,622	3.2 %	3,605	3.2 %	10,938	3.2 %	10,878	3.1 %
Goodwill impairment charges	—	0.0 %	—	0.0 %	20	0.0 %	—	0.0 %
Operating (gains), losses and other charges, net	746	0.7 %	2,620	2.3 %	1,984	0.6 %	2,467	0.7 %
Total operating costs and expenses, net	100,018	89.5 %	100,165	87.7 %	306,798	90.9 %	303,470	87.1 %
Operating income	11,741	10.5 %	14,018	12.3 %	30,862	9.1 %	45,099	12.9 %
Interest expense, net	4,571	4.1 %	4,381	3.8 %	13,564	4.0 %	13,288	3.8 %
Other nonoperating (income) expense, net	(824)	(0.7)%	43	0.0 %	(1,685)	(0.5)%	9,470	2.7 %
Income before income taxes	7,994	7.2 %	9,594	8.4 %	18,983	5.6 %	22,341	6.4 %
Provision for income taxes	1,478	1.3 %	1,686	1.5 %	4,208	1.2 %	5,298	1.5 %
Net income	\$ 6,516	5.8 %	\$ 7,908	6.9 %	\$ 14,775	4.4 %	\$ 17,043	4.9 %

(a) Costs of company restaurant sales percentages are as a percentage of company restaurant sales. Costs of franchise and license revenue percentages are as a percentage of franchise and license revenue. All other percentages are as a percentage of total operating revenue.

**Statistical Data**

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(Dollars in thousands)			
<b>Denny's</b>				
Company average unit sales	\$771	\$755	\$2,288	\$2,303
Franchise average unit sales	\$465	\$458	\$1,395	\$1,376
Company equivalent units (a)	62	66	63	65
Franchise equivalent units (a)	1,470	1,523	1,485	1,525
Company same-store sales (decrease) increase vs. prior year (b)(c)	(0.4)%	(1.4)%	(2.0)%	4.1%
Domestic franchise same-store sales (decrease) increase vs. prior year (b)(c)	(0.1)%	2.1%	(0.6)%	4.3%
<b>Keke's</b>				
Company average unit sales	\$423	\$429	\$1,323	\$1,354
Franchise average unit sales	\$439	\$430	\$1,368	\$1,397
Company equivalent units (a)	11	8	10	8
Franchise equivalent units (a)	50	48	50	47
Company same-store sales decrease vs. prior year (b)(c) (d)	(1.7)%	(3.4)%	(2.4)%	(3.4)%
Franchise same-store sales decrease vs. prior year (b)(c) (d)	(0.9)%	(5.3)%	(3.2)%	(5.3)%

(a) Equivalent units are calculated as the weighted average number of units in operation during a defined time period.

(b) Same-store sales include sales from company restaurants or non-consolidated franchised and licensed restaurants that were open during the comparable periods noted.

(c) Prior year amounts have not been restated for 2024 comparable units.

(d) Effective July 20, 2022, the Company acquired Keke's. As a result, data presented for the quarter and year-to-date period ended September 27, 2023 only represent post-acquisition results.

**Unit Activity**

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
<b>Denny's</b>				
Company restaurants, beginning of period	64	66	65	66
Units opened	—	—	—	—
Units sold to franchisees	(3)	—	(3)	—
Units closed	—	—	(1)	—
End of period	61	66	61	66
Franchised and licensed restaurants, beginning of period				
	1,477	1,525	1,508	1,536
Units opened	2	7	10	21
Units purchased from Company	3	—	3	—
Units closed	(18)	(10)	(57)	(35)
End of period	1,464	1,522	1,464	1,522
Total restaurants, end of period	1,525	1,588	1,525	1,588

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
<b>Keke's</b>				
Company restaurants, beginning of period	11	8	8	8
Units opened	—	—	4	—
Units sold to franchisees	—	—	(1)	—
End of period	11	8	11	8
Franchised restaurants, beginning of period	51	47	50	46
Units opened	—	1	—	2
Units purchased from Company	—	—	1	—
Units closed	(1)	—	(1)	—
End of period	50	48	50	48
Total restaurants, end of period	61	56	61	56

### Company Restaurant Operations

Company restaurant sales decreased \$0.5 million, or 0.9%, for the quarter ended September 25, 2024 and \$2.1 million, or 1.3%, year-to-date compared to the prior year periods, primarily resulting from decreases of four Denny's equivalent units for the current quarter and two Denny's equivalent units year-to-date compared to the prior year periods, and a decrease in Denny's same-store sales of 0.4% for the current quarter and 2.0% year-to-date compared to the prior year periods. The decreases in company restaurant sales were partially offset by three additional Keke's equivalent units for the current quarter and two additional Keke's equivalent units year-to-date compared to the prior year periods.

Total costs of company restaurant sales as a percentage of company restaurant sales were 88.8% for the quarter ended September 25, 2024 and 89.4% year-to-date compared to 86.3% and 86.0% for the prior year periods, respectively.

Product costs as a percentage of company restaurant sales were 25.8% for the quarter ended September 25, 2024 and 25.4% year-to-date compared to 25.6% and 25.9% for the prior year periods, respectively. The current quarter increase as a percentage of company restaurant sales was primarily due to higher commodity costs, partially offset by increased pricing. The year-to-date decrease was primarily due to increased pricing, partially offset by higher commodity costs.

Payroll and benefits as a percentage of company restaurant sales were 37.6% for the quarter ended September 25, 2024 and 38.1% year-to-date compared to 37.2% and 37.5%, respectively, for the prior year periods. The current quarter increase as a percentage of company restaurant sales was primarily due to a 0.3 percentage point increase in incentive compensation. The year-to-date increase as a percentage of company restaurant sales was primarily due to a 0.4 percentage point increase in workers' compensation costs, primarily resulting from negative claims development in the current year.

Occupancy costs as a percentage of company restaurant sales were 8.4% for the quarter ended September 25, 2024 and 8.6% year-to-date compared to 7.7% and 7.6%, respectively, for the prior year periods. The current quarter increase as a percentage of company restaurant sales was primarily due to a 0.4 percentage point increase in general liability insurance costs resulting from negative claims development in the current quarter and a 0.4 percentage point increase in rent and property taxes. The year-to-date increase as a percentage of company restaurant sales was primarily due to a 0.7 percentage point increase in general liability insurance costs resulting from negative claims development in the current year and a 0.3 percentage point increase in rent and property taxes.



Other operating expenses consist of the following amounts and percentages of company restaurant sales:

	Quarter Ended				Three Quarters Ended			
	September 25, 2024		September 27, 2023		September 25, 2024		September 27, 2023	
	(In thousands)							
Utilities	\$ 1,959	3.7 %	\$ 2,120	4.0 %	\$ 5,309	3.3 %	\$ 6,037	3.7 %
Repairs and maintenance	964	1.8 %	996	1.9 %	2,977	1.9 %	2,667	1.7 %
Marketing	1,859	3.5 %	1,393	2.6 %	5,339	3.3 %	4,207	2.6 %
Legal settlements	152	0.3 %	245	0.5 %	1,809	1.1 %	475	0.3 %
Pre-opening costs	209	0.4 %	105	0.2 %	766	0.5 %	130	0.1 %
Other direct costs	3,785	7.2 %	3,608	6.8 %	11,270	7.1 %	10,900	6.7 %
Other operating expenses	<u>\$ 8,928</u>	<u>16.9 %</u>	<u>\$ 8,467</u>	<u>15.9 %</u>	<u>\$ 27,470</u>	<u>17.2 %</u>	<u>\$ 24,416</u>	<u>15.1 %</u>

The current quarter increase in other operating expenses was primarily due to increased marketing. The year-to-date increase was primarily due to increased marketing and unfavorable developments in certain legal claims during the current year period, partially offset by lower utility costs.

### Franchise Operations

Franchise and license revenue and costs of franchise and license revenue consisted of the following amounts and percentages of franchise and license revenue for the periods indicated:

	Quarter Ended				Three Quarters Ended			
	September 25, 2024		September 27, 2023		September 25, 2024		September 27, 2023	
	(In thousands)							
Royalties	\$ 29,101	49.3 %	\$ 29,703	48.7 %	\$ 88,421	49.6 %	\$ 90,106	48.2 %
Advertising revenue	20,172	34.2 %	19,297	31.6 %	59,098	33.2 %	58,818	31.4 %
Initial and other fees	1,639	2.8 %	3,388	5.6 %	5,903	3.3 %	10,994	5.9 %
Occupancy revenue	8,146	13.8 %	8,642	14.2 %	24,847	13.9 %	27,165	14.5 %
Franchise and license revenue	<u>\$ 59,058</u>	<u>100.0 %</u>	<u>\$ 61,030</u>	<u>100.0 %</u>	<u>\$ 178,269</u>	<u>100.0 %</u>	<u>\$ 187,083</u>	<u>100.0 %</u>
Advertising costs	\$ 20,172	34.2 %	\$ 19,297	31.6 %	\$ 59,098	33.2 %	\$ 58,818	31.4 %
Occupancy costs	5,256	8.9 %	5,389	8.8 %	15,482	8.7 %	16,853	9.0 %
Other direct franchise costs	3,571	6.0 %	5,124	8.4 %	15,221	8.5 %	16,986	9.1 %
Costs of franchise and license revenue	<u>\$ 28,999</u>	<u>49.1 %</u>	<u>\$ 29,810</u>	<u>48.8 %</u>	<u>\$ 89,801</u>	<u>50.4 %</u>	<u>\$ 92,657</u>	<u>49.5 %</u>

Franchise and license revenue decreased \$2.0 million, or 3.2%, for the quarter ended September 25, 2024 and \$8.8 million, or 4.7%, year-to-date compared to the prior year periods. Royalties decreased \$0.6 million, or 2.0%, and \$1.7 million, or 1.9%, for the current quarter and year-to-date period, respectively, compared to the prior year periods. The decreases in royalties primarily resulted from a decrease of 53 Denny's franchise equivalent units for the current quarter and 40 franchise equivalent units year-to-date, compared to the prior year periods, and a decrease in Denny's domestic franchise same-store sales of 0.1% for the current quarter and 0.6% year-to-date as compared to the prior year periods. The decreases were partially offset by an increase in Keke's franchise equivalent units of two units and three units for the current quarter and year-to-date period, respectively.

Advertising revenue increased \$0.9 million, or 4.5%, for the current quarter and \$0.3 million, or 0.5%, year-to-date compared to the prior year periods. The increase in advertising revenue for the current quarter primarily resulted from a \$1.0 million increase in local advertising co-op contributions, partially offset by the impact from a 0.1% decrease in Denny's domestic franchise same-store sales and a decrease of 53 Denny's franchise equivalent units. The increase in advertising revenue for the year-to-date period primarily resulted from a \$0.7 million increase in local advertising co-op contributions, partially offset by the impact of a 0.6% decrease in Denny's domestic franchise same-store sales and a decrease of 40 Denny's franchise equivalent units compared to the prior year period.

Initial and other fees decreased \$1.7 million, or 51.6%, for the quarter ended September 25, 2024 and \$5.1 million, or 46.3%, year-to-date compared to the prior year periods. The decreases in initial and other fees primarily resulted from a \$1.6 million and \$4.0 million decrease in revenue from the sale of equipment to franchisees during the current quarter and year-to-date period, respectively, as a result of the completion of our kitchen modernization program in 2023. The revenue recorded related to the sale of equipment has an equal and offsetting expense recorded in other direct costs as described below. Occupancy revenue decreased \$0.5 million, or 5.7%, for the current quarter and \$2.3 million, or 8.5%, year-to-date compared to the prior year periods, primarily due to lease terminations.

Costs of franchise and license revenue decreased \$0.8 million, or 2.7%, for the quarter ended September 25, 2024 and decreased \$2.9 million, or 3.1%, year-to-date compared to the prior year periods. Advertising costs increased \$0.9 million, or 4.5%, for the current quarter and increased \$0.3 million, or 0.5%, year-to-date, which corresponds to the related advertising revenue increases for the current quarter and year-to-date noted above. Occupancy costs decreased \$0.1 million, or 2.5%, for the current quarter and \$1.4 million, or 8.1%, year-to-date compared to the prior year periods, primarily due to lease terminations, which corresponds to the related occupancy revenue decreases noted above. Other direct franchise costs decreased \$1.6 million, or 30.3%, for the current quarter and \$1.8 million, or 10.4%, year-to-date compared to the prior year periods. The decrease in other direct franchise costs for the current quarter was primarily due to a \$1.7 million decrease in costs from the sale of equipment to franchisees as noted above. The year-to-date decrease in other direct franchise costs was primarily due to a \$3.9 million decrease in costs from the sale of equipment to franchisees as noted above, partially offset by a \$2.6 million distribution to franchisees related to a review of advertising costs. As a result of the changes in franchise and license revenue discussed above, costs of franchise and license revenue increased to 49.1% and 50.4% of franchise and license revenue for the quarter and year-to-date period ended September 25, 2024, respectively, from 48.8% and 49.5% for the prior year periods, respectively.

### Other Operating Costs and Expenses

Other operating costs and expenses such as general and administrative expenses and depreciation and amortization expense relate to both company and franchise operations.

General and administrative expenses consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Corporate administrative expenses	\$ 15,875	\$ 14,580	\$ 46,843	\$ 43,919
Share-based compensation	3,006	2,864	8,406	8,477
Incentive compensation	447	1,049	4,868	5,335
Deferred compensation valuation adjustments	503	(256)	1,422	784
Total general and administrative expenses	\$ 19,831	\$ 18,237	\$ 61,539	\$ 58,515

Corporate administrative expenses increased \$1.3 million for the quarter ended September 25, 2024 and \$2.9 million year-to-date compared to the prior year periods. The increases were primarily due to increases in employee compensation and software subscription costs. Changes in deferred compensation valuation adjustments have offsetting gains or losses on the underlying nonqualified deferred plan investments included as a component of other non-operating expense (income), net, for the corresponding periods.

Depreciation and amortization consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Depreciation of property and equipment	\$ 2,752	\$ 2,722	\$ 8,230	\$ 8,118
Amortization of finance lease ROU assets	319	348	1,019	1,099
Amortization of intangible and other assets	551	535	1,689	1,661
Total depreciation and amortization expense	\$ 3,622	\$ 3,605	\$ 10,938	\$ 10,878

Goodwill impairment charges were less than \$0.1 million for the year-to-date period ended September 25, 2024 related to assets eventually sold by Denny's.

Operating (gains), losses and other charges, net consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Losses (gains) on sales of assets and other, net	\$ 6	\$ (88)	\$ (88)	\$ (2,132)
Impairment charges <sup>(1)</sup>	78	1,711	792	1,840
Restructuring charges and exit costs	662	997	1,280	2,759
Operating (gains), losses and other charges, net	\$ 746	\$ 2,620	\$ 1,984	\$ 2,467

(1) Impairment charges include impairments related to property, operating right-of-use assets, finance right-of-use assets, franchise agreements, and reacquired franchise rights.

Losses (gains) on sales of assets and other, net for the quarter and year-to-date period ended September 25, 2024 were primarily related to the sale of restaurants and real estate. Gains on sales of assets and other, net for the quarter and year-to-date period ended September 27, 2023 were primarily related to the sale of real estate.

We recorded impairment charges of \$0.1 million and \$0.8 million during the quarter and year-to-date period ended September 25, 2024, respectively, primarily related to assets held for sale and resulting from our assessments of underperforming units and closed units.

Restructuring charges and exit costs consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Exit costs	\$ 231	\$ 12	\$ 322	\$ 64
Severance and other restructuring charges	431	985	958	2,695
Total restructuring and exit costs	\$ 662	\$ 997	\$ 1,280	\$ 2,759

Operating income was \$11.7 million for the current quarter and \$30.9 million year-to-date compared to \$14.0 million and \$45.1 million, respectively, for the prior year periods.

**Interest expense, net** consisted of the following:

	Quarter Ended		Three Quarters Ended	
	September 25, 2024	September 27, 2023	September 25, 2024	September 27, 2023
	(In thousands)			
Interest on credit facility	\$ 5,158	\$ 4,823	\$ 15,382	\$ 14,053
Interest income on interest rate swaps	(1,582)	(1,386)	(4,626)	(3,551)
Interest on finance lease liabilities	495	529	1,501	1,618
Letters of credit and other fees	199	202	510	598
Interest income	(51)	(40)	(183)	(139)
Total cash interest, net	4,219	4,128	12,584	12,579
Amortization of deferred financing costs	159	159	477	476
Amortization of interest rate swap losses	193	93	502	231
Interest accretion on other liabilities	—	1	1	2
Total interest expense, net	\$ 4,571	\$ 4,381	\$ 13,564	\$ 13,288

**Other nonoperating income, net** increased \$0.9 million for the quarter ended September 25, 2024 and increased \$11.2 million year-to-date compared to the prior year periods. The increase for the current quarter was due to increased gains on deferred compensation plan investments. The increase for the year-to-date period was primarily due to losses related to dedesignated interest rate swap valuation adjustments in the prior year period.

During the quarter ended March 29, 2023, we terminated a portion of our hedging relationship entered into in 2018 (“2018 Swaps”), reducing the previous maximum notional amount of \$425 million on August 31, 2023 to \$335 million. In addition, during the quarter ended March 29, 2023, we designated the remaining 2018 Swaps as cash flow hedges of our exposure to variability in future cash flows attributable to variable rate interest payments due on forecasted notional amounts. As a result, subsequent to the designation of the 2018 Swaps, gains and losses related to these cash flow hedges have been and will be recorded as a component of accumulated other comprehensive loss, net.

**Provision for income taxes** was \$1.5 million for the quarter ended September 25, 2024 and \$4.2 million year-to-date compared to \$1.7 million and \$5.3 million, respectively, for the prior year periods. The effective tax rate was 18.5% for the current quarter and 22.2% year-to-date, compared to 17.6% and 23.7% for the prior year periods, respectively. We expect the 2024 fiscal year effective tax rate to be between 22% and 26%. The annual effective tax rate cannot be determined until the end of the fiscal year; therefore, the actual rate could differ from our current estimates.

**Net income** was \$6.5 million for the quarter ended September 25, 2024 and \$14.8 million year-to-date compared to \$7.9 million and \$17.0 million, respectively, for the prior year periods.

## Liquidity and Capital Resources

Our primary sources of liquidity and capital resources are cash generated from operations and borrowings under our credit facility (as described below). Principal uses of cash are operating expenses, capital expenditures, and the repurchase of shares of our common stock.

The following table presents a summary of our sources and uses of cash and cash equivalents for the periods indicated:

	Three Quarters Ended	
	September 25, 2024	September 27, 2023
	(In thousands)	
Net cash provided by operating activities	\$ 20,947	\$ 50,768
Net cash used in investing activities	(17,616)	(3,024)
Net cash used in financing activities	(6,758)	(50,245)
Decrease in cash and cash equivalents	\$ (3,427)	\$ (2,501)

Net cash flows provided by operating activities were \$20.9 million for the year-to-date period ended September 25, 2024 compared to \$50.8 million for the year-to-date period ended September 27, 2023. The decrease in net cash flows provided by operating activities was primarily due to decreases in operating income, accounts payable, other accrued liabilities, and inventory usage and receivable collections due to the completion of our kitchen modernization program in 2023. We believe that our estimated cash flows from operations, combined with our capacity for additional borrowings under our credit facility and cash on hand, will enable us to meet our anticipated cash requirements and fund capital expenditures over the next 12 months.

Net cash flows used in investing activities were \$17.6 million for the year-to-date period ended September 25, 2024. These cash flows included capital expenditures of \$17.7 million and investment purchases of \$1.5 million, partially offset by net proceeds from asset sales of \$1.4 million. Net cash flows used in investing activities were \$3.0 million for the year-to-date period ended September 27, 2023. These cash flows included capital expenditures of \$5.5 million, investment purchases of \$1.3 million, and a real estate acquisition of \$1.2 million, partially offset by net proceeds from the sale of three parcels of real estate for \$3.1 million and net investment proceeds of \$1.9 million.

Our principal capital requirements have been largely associated with the following:

	Three Quarters Ended	
	September 25, 2024	September 27, 2023
	(In thousands)	
Facilities	\$ 5,543	\$ 3,199
New construction	7,807	730
Remodeling	1,891	404
Information technology	1,376	732
Other	1,093	434
Capital expenditures	\$ 17,710	\$ 5,499

Net cash flows used in financing activities were \$6.8 million for the year-to-date period ended September 25, 2024, including cash payments for stock repurchases of \$11.3 million and payments of tax withholding on share-based compensation of \$1.9 million, partially offset by net long-term debt borrowings of \$4.4 million and net bank overdrafts of \$1.9 million. Net cash flows used in financing activities were \$50.2 million for the year-to-date period ended September 27, 2023, which included cash payments for stock repurchases of \$35.4 million, payments of tax withholding on share-based compensation of \$3.0 million and net long-term debt payments of \$14.8 million, partially offset by net bank overdrafts of \$2.9 million.

Our working capital deficit was \$53.8 million at September 25, 2024 compared to \$59.3 million at December 27, 2023, primarily due to a decrease in accounts payable and other accrued liabilities, partially offset by a decrease in current assets during the year-to-date period ended September 25, 2024. We are able to operate with a substantial working capital deficit because (1) restaurant operations and most food service operations are conducted primarily on a cash (and cash equivalent) basis with a low level of accounts receivable, (2) rapid turnover allows for a limited investment in inventories, and (3) accounts payable for food, beverages and supplies usually becomes due after the receipt of cash from the related sales.

### ***Credit Facility***

The Company and certain of its subsidiaries have a credit facility consisting of a five-year \$400 million senior secured revolver (with a \$25 million letter of credit sublimit). The credit facility includes an accordion feature that would allow us to increase the size of the facility to \$450 million. Borrowings bear a tiered interest rate, which is based on the Company's consolidated leverage ratio. The maturity date for the credit facility is August 26, 2026.

The credit facility is available for working capital, capital expenditures and other general corporate purposes. The credit facility is guaranteed by the Company and its material subsidiaries and is secured by assets of the Company and its subsidiaries, including the stock of its subsidiaries (other than its insurance captive subsidiary). It includes negative covenants that are usual for facilities and transactions of this type. The credit facility also includes certain financial covenants with respect to a maximum consolidated leverage ratio and a minimum consolidated fixed charge coverage ratio. We were in compliance with all financial covenants as of September 25, 2024.

As of September 25, 2024, we had outstanding revolver loans of \$261.0 million and outstanding letters of credit under the credit facility of \$16.1 million. These balances resulted in unused commitments of \$122.9 million as of September 25, 2024 under the credit facility.

As of September 25, 2024, borrowings under the credit facility bore interest at a rate of Adjusted Daily Simple SOFR plus 2.25%. Letters of credit under the credit facility bore interest at a rate of 2.38%. The commitment fee, paid on the unused portion of the credit facility, was set to 0.35%.

Prior to considering the impact of our interest rate swaps, described below, the weighted-average interest rate on outstanding revolver loans was 7.68% and 7.41% as of September 25, 2024 and December 27, 2023, respectively. Taking into consideration our interest rate swaps that are designated as cash flow hedges, the weighted-average interest rate of outstanding revolver loans was 5.14% and 5.04% as of September 25, 2024 and December 27, 2023, respectively.

### ***Technology Transformation Initiatives***

The Company has committed to investing approximately \$4 million toward a new cloud-based restaurant technology platform in domestic franchise restaurants, which will lay the foundation for future technology initiatives to further enhance the guest experience. The rollout is in progress and is expected to continue into 2025 and 2026.

### **Critical Accounting Policies and Estimates**

For information regarding our Critical Accounting Policies and Estimates, see the "Critical Accounting Policies and Estimates" section in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 27, 2023.

### **Implementation of New Accounting Standards**

Information regarding the implementation of new accounting standards is incorporated by reference from Note 2 to our unaudited consolidated financial statements set forth in Part I, Item 1 of this report.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

### **Interest Rate Risk**

We have exposure to interest rate risk related to certain instruments entered into for other than trading purposes. Specifically, as of September 25, 2024, borrowings under our credit facility bore interest at variable rates based on Adjusted Daily Simple SOFR plus 2.25% per annum.

We have receive-variable, pay-fixed interest rate swaps to hedge the forecasted cash flows of our floating rate debt. A summary of our interest rate swaps as of September 25, 2024 is as follows:

Trade Date	Effective Date	Maturity Date	Notional Amount	Fair Value	Fixed Rate
(In thousands)					
<b>Swaps designated as cash flow hedges</b>					
March 20, 2015	March 29, 2018	March 31, 2025	\$ 120,000	\$ 1,159	2.34 %
October 1, 2015	March 29, 2018	March 31, 2026	\$ 50,000	\$ 811	2.37 %
February 15, 2018	March 31, 2020	December 31, 2033	\$ 60,000 (1)	\$ 3,942	3.09 %
<b>Total</b>			<b>\$ 230,000</b>	<b>\$ 5,912</b>	

(1) The notional amounts of the swaps entered into on February 15, 2018 increase periodically until they reach the maximum notional amount of \$335 million on August 31, 2033.

As of September 25, 2024, our swaps effectively increased our ratio of fixed rate debt from 4% of total debt to 89% of total debt. Based on the levels of borrowings under the credit facility at September 25, 2024, if interest rates changed by 100 basis points, our annual cash flow and income before taxes would change by \$0.2 million. This computation is determined by considering the impact of hypothetical interest rates on the credit facility at September 25, 2024, taking into consideration the interest rate swaps that will be in effect during the next 12 months. However, the nature and amount of our borrowings may vary as a result of future business requirements, market conditions and other factors.

Depending on market considerations, fluctuations in the fair values of our interest rate swaps could be significant. With the exception of these changes in the fair value of our interest rate swaps and in the levels of borrowings under our credit facility, there have been no material changes in our quantitative and qualitative market risks since the prior reporting period. For additional information related to our interest rate swaps, including changes in the fair value, refer to Note 6, Note 7 and Note 13 to our unaudited consolidated financial statements in Part I, Item 1 of this report.

#### **Item 4. Controls and Procedures**

As required by Rule 13a-15(b) under the Exchange Act, our management conducted an evaluation (under the supervision and with the participation of our Chief Executive Officer, Kelli F. Valade, and our Executive Vice President and Chief Financial Officer, Robert P. Verostek) as of the end of the period covered by this Quarterly Report on Form 10-Q, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation, Ms. Valade and Mr. Verostek each concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (ii) is accumulated and communicated to our management, including Ms. Valade and Mr. Verostek, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during our fiscal quarter ended September 25, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Information regarding legal proceedings is incorporated by reference from Note 14 to our unaudited consolidated financial statements set forth in Part I, Item 1 of this report.

### **Item 1A. Risk Factors**

There have been no material changes in the risk factors set forth in Part I, Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended December 27, 2023.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Purchases of Equity Securities by the Issuer

The table below provides information concerning repurchases of shares of our common stock during the quarter ended September 25, 2024.

Period	Total Number of Shares Purchased	Average Price Paid Per Share <sup>(1)</sup>	Total Number of Shares Purchased as Part of Publicly Announced Programs	Dollar Value of Shares that May Yet be Purchased Under the Programs <sup>(2)</sup>
			(In thousands, except per share amounts)	
June 27, 2024 - July 24, 2024	189	\$ 7.01	189	\$ 89,625
July 25, 2024 - August 21, 2024	57	7.35	57	\$ 89,197
August 22, 2024 - September 25, 2024	—	—	—	\$ 89,197
Total	<u>246</u>	<u>\$ 7.09</u>	<u>246</u>	

(1) Average price paid per share excludes commissions and any excise taxes paid.

(2) On December 2, 2019, we announced that our Board of Directors approved a share repurchase program, authorizing us to repurchase up to an additional \$250 million of our common stock (in addition to prior authorizations). Such repurchases may take place from time to time in the open market (including pre-arranged stock trading plans in accordance with the guidelines specified in Rule 10b5-1 under the Exchange Act) or in privately negotiated transactions, subject to market and business conditions. During the quarter ended September 25, 2024, we purchased 0.2 million shares of our common stock for an aggregate consideration of \$1.8 million pursuant to the share repurchase program.

## Item 5. Other Information

### Rule 10b5-1 Trading Plans

During the quarter ended September 25, 2024, none of the Company's directors or officers informed the Company of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.



**Item 6. Exhibits**

The following are included as exhibits to this report:

Exhibit No.	Description
31.1	<a href="#"><u>Certification of Kelli F. Valade, Chief Executive Officer of Denny's Corporation, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
31.2	<a href="#"><u>Certification of Robert P. Verostek, Executive Vice President and Chief Financial Officer of Denny's Corporation, pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>
32.1	<a href="#"><u>Certification of Kelli F. Valade, Chief Executive Officer of Denny's Corporation, and Robert P. Verostek, Executive Vice President and Chief Financial Officer of Denny's Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

## 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.

### DENNY'S CORPORATION

Date: October 29, 2024

By: /s/ Robert P. Verostek

Robert P. Verostek  
Executive Vice President and  
Chief Financial Officer

Date: October 29, 2024

By: /s/ Jay C. Gilmore

Jay C. Gilmore  
Senior Vice President,  
Chief Accounting Officer and  
Corporate Controller

CERTIFICATION

I, Kelli F. Valade, certify that:

1. I have reviewed this report on Form 10-Q of Denny's Corporation;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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 function):
  - 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 controls over financial reporting.

Date: October 29, 2024

By: /s/ Kelli F. Valade  
Kelli F. Valade  
Chief Executive Officer

CERTIFICATION

I, Robert P. Verostek, certify that:

1. I have reviewed this report on Form 10-Q of Denny's Corporation;
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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) 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
  - d) 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 function):
  - 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 controls over financial reporting.

Date: October 29, 2024

By: /s/ Robert P. Verostek

Robert P. Verostek  
Executive Vice President and  
Chief Financial Officer

CERTIFICATION

Kelli F. Valade  
Chief Executive Officer  
of Denny's Corporation

and

Robert P. Verostek  
Executive Vice President and Chief Financial Officer  
of Denny's Corporation

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 of Denny's Corporation (the "Company") on Form 10-Q for the quarter ended September 25, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kelli F. Valade, Chief Executive Officer of the Company, and I, Robert P. Verostek, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 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 results of operations of the Company.

Date: October 29, 2024

By: /s/ Kelli F. Valade  
Kelli F. Valade  
Chief Executive Officer

Date: October 29, 2024

By: /s/ Robert P. Verostek  
Robert P. Verostek  
Executive Vice President and  
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Denny's Corporation and will be retained by Denny's Corporation and furnished to the Securities and Exchange Commission or its staff upon request.