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IHP: Post Conf. Call Wrap- Maintaining Rating and Raising Estimates

Rating	
New:	**Neutral**
Old:	Neutral

Price Target	
New:	**$46**
Old:	None

Price	$49.30
Market Cap.	928.7m
52wk Range	$37.97-$53.80
Div. Yld.	2.0%

2006E	
ROA	5.6%
ROE	13.8%
ROIC	8.4%
BV Per Share	$17.74
Debt to Cap	28.8%

Current Estimates

EPS Estimates (Before SFAS 123)

FY Date	1Q	2Q	3Q	4Q	EPS	EOY P/E
2004	$0.50	$0.21	$0.38	$0.52	$1.61	26.0x
2005	$0.50	$0.60	$0.62	$0.53	$2.24	21.4x
2006	$0.58 E	$0.59 E	$0.65 E	$0.56 E	$2.39 E	21.4x

Source: Onboard Consulting Estimates

Highlights

- Before the market opened today, IHOP released 4Q05 earnings of $0.53 versus our expectation of $0.50. The company benefited from the leverage on below planned G&A expenses, lower than expected franchise expenses, and a lower share count offset by higher other expenses and taxes. Earnings quality was good, as the company only benefited from a small gain ($11,000) on store impairment.
- Of note, the company released store margins for the new model for the first time (11% versus 8% for the old model operators and approximately 16% for our comparable company-Applebee's), and lowered its estimated loss from its tax situation to $10m from $19m.
- The company also reaffirmed its 2006 guidance of $2.35-$245. However, management stated that it expects to increase G&A in 2006 to around 5%- the high end of its targeted 3%-5% growth range. This event causes us to believe that the lower than expected G&A in the 4th quarter may have been a shift between periods, more than a lasting event.
- As a result of these events, we are raising our 1Q06 EPS estimate from $0.55 to $0.58 and our full year estimate from $2.35 to $2.39. We are also maintaining our Neutral Weight rating and $46 price target, as we believe that the company that the company is fairly valued (20.6x 2006E EPS), and its easier first half comparisons are mitigated by tougher second half SSS, potentially higher G&A expenses and a still uncertain tax situation.

Inside this report:

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Disclosures

Reg AC, Analyst Certification

I, Kelly C. Peebles, hereby certify that all the views expressed in this review, accurately reflect my personal views about the subject Company or companies and its, or their, securities. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views contained in this review.

Please read additional disclosures located on page 3

Information for Decision Makers

Discussion

This morning, IHOP reported 4Q05 earnings of $0.53 versus our expectation of $0.50 (Figure 1). The upside was primarily driven by below guidance G&A expenses and leverage on franchise sales (~$0.06 post-tax combined) and lower share count (100k shares) offset by higher other expenses ($0.01) and taxes ($0.02). Following the release, the company provided some color around its results and reaffirmed 2006 guidance of $2.35-$2.45.

On the top line, same-store sales (SSS) were pre-announced for the company as a whole and for franchised stores. However, its Florida Area Licensee's sales came in well below our expectations (-3.2% versus 9.0% est.), and its trailing four quarter 2-year run rate of 13.9%. Despite this result, we still expect positive performance ahead and are not concerned about a decline its a relatively small portion of total sales (8.8%). Similarly, the company announced that it took about 1.8% price in November's new menu. This increase, though moderate, should help boost check averages until May, when it laps over the 2.5% increase it took. Beyond then, we expect the company to take an additional 2.5% increase to maintain SSS momentum as it heads into the tougher 2nd half comparisons.

Effective units in operation also came in below expectation (1,066 versus 1,063 franchise units). This event caused our sales estimate to be slightly higher than reported, and we view this deviation as a shift in more unit openings to the back half of the quarter than usual, as EOP actual units came in in-line. Similarly, effective company operated units were lower than expected, but the company reiterated its planned Capex increase in 2006 to catch up for its lower opening schedule in 2005.

Shifting to profitability, franchise operations performed better than expected with an estimated margin of 52.9% versus our 50.5% estimate. The gain was primarily due to lower than planned advertising fund contributions. Margin improvement was also seen at company operated unit's, which almost broke even versus our estimated loss due to store openings (which were pushed into 2006). We view this development as a positive, given that one of the company's goals has been to break even on its own operations. Finally, rental operations came in as expected, but financing operations were less profitable than expected.

Figure 1. Fourth Quarter Estimates to Actual

Revenues	4Q04 Y/Y	4Q05 Estimates	4Q05 Actual	Variances	Var %
Franchise Revenues	39.09	46.40	43.31	(3.09)	(6.7%)
Rental Income	32.45	33.00	32.54	(0.46)	(1.4%)
Company Restaurant Sales	7.51	2.03	2.60	0.57	27.9%
Financing Revenues	7.49	7.88	9.54	1.66	21.1%
Total Revenues	**86.54**	**89.31**	**87.99**	(1.32)	(1.5%)
Franchise Expenses	18.26	22.98	20.40	(2.58)	(11.2%)
Rental Expense	24.06	25.19	24.74	(0.45)	(1.8%)
Company Restaurant Expenses	8.03	4.20	2.94	(1.26)	(30.0%)
Financing Expenses	3.93	3.55	6.66	3.11	87.8%
Restaurant Operating Profit	**32.27**	**33.40**	**33.25**	(0.15)	(0.4%)
General and Administrative	15.73	17.54	15.84	(1.70)	(9.7%)
Other Expense, net	1.18	0.70	1.33	0.63	89.3%
Facility Action Charges	3.07	-	0.01	0.01	
Operating Income	**12.29**	**15.15**	**16.07**	0.92	6.0%
Interest Expense	-	-	-	0.00	
Other Income (Expense), Net	-	-	-	0.00	
Pre-tax Income	**12.3**	**15.2**	**16.1**	0.92	6.0%
Income Taxes (Benefit)	4.61	5.76	6.11	0.35	6.1%
Net Operating Income	**$7.7**	**$9.4**	**$10.0**	0.56	6.0%
Non-recurring			$0.0	0.00	
Net Income, Reported	**$7.7**	**$9.4**	**$10.0**	0.56	6.0%
Earnings Per Share					
Continuing Operations	**$0.38**	**$0.50**	**$0.53**	0.03	6.6%
Nonrecurring (Gain) Loss	$0.00	$0.00	$0.00	0.00	
Reported (Diluted)	**$0.38**	**$0.50**	**$0.53**	0.03	6.6%
Basic Shares Outstanding	20.15	18.77	18.64	(0.13)	(0.7%)
Diluted Shares (Mil.)	20.32	18.94	18.84	(0.11)	(0.6%)
Margin Analysis (as a percent of sales, except tax rate)					
Total Non-company Margin	41.49%	40.75%	39.34%	(0.01)	(3.5%)
Company Store Margin	(6.95)	(106.74)	(13.24)	93.50	(87.6%)
Franchise Rent Margin	25.86	23.67	23.97	0.30	1.3%
Franchise Margin	53.29	50.48	52.90	2.42	4.8%
Financing Margin	47.60	55.00	30.20	(24.80)	(45.1%)
Gross Margin	62.72	62.61	62.21	(0.39)	(0.6%)
General & Administrative Expens	18.18	19.64	18.01	(1.64)	(8.3%)
Facility Action Charges, Net	3.55	0.00	0.01	0.01	
Other Expenses	1.36	0.78	1.51	0.72	92.1%
Operating Margin	14.20	16.97	18.26	1.29	7.6%
Interest Expense	0.00	0.00	0.00	0.00	
Pretax Margin	14.20	16.97	18.26	1.29	7.6%
Net Margin	8.87	10.52	11.32	0.80	7.6%
Tax Rate	37.54	38.00	38.01	0.01	0.0%

Source: The company and Onboard Consulting estimates.

In the conference call, IHOP also released details for the first time about its franchisee operating margin. New model stores averages 11% margins, while old model stores average 8%. The variation comes from the capital structure and financing decisions between the models- in the old model IHOP fronted most of the initial cost and in the new model, the franchisee's do. As a comparison, we estimate that another franchised system, Applebee's, has margins around 16%. Though the lower than expected margins may be viewed as a negative, it illustrates the reduced risk IHOP has taken by shifting to a franchiser from an owner, as well as the potential for higher royalties if leverage can be found through increased sales.

IHOP also provided a status update on the pending tax litigation in the call. The company's potential liability of $19m still remains unresolved, but it now anticipates a net federal tax obligation (excluding any interest or penalties) to be around $10m. This outlook comes from the excess payment of taxes, which results in a benefit of approximately $9m. Given the uncertain outlook on this situation, we view this development as a positive, as the company's potential estimated cash outflow has been reduced.

After incorporating the new data, we made several changes:

- First, we bumped up SSS to incorporate the 1.8% price increase for the year from 2.7% to 4.5%, and implicitly assumed that the company will take at least 2.5% price in May. We also trimmed our FY2006 SSS outlook from 7.8% to 4.1% for the Area Licensee in Florida.
- Secondly, the company stated that it expects to increase G&A in 2006 to around 5%- the high end of its targeted 3%-5% growth range. This event causes us to believe that the lower than expected G&A in the 4th quarter may have been a shift between periods, more than a lasting event, and have adjusted our model accordingly.
- Finally, we increased 2006 financing revenues by $1.5m due to slower than expected run-offs. Our estimated decline (down 18.9%) is still larger than management's estimated decline of 8%-10%, but we believe at some point during the year the company will realize a gain from the take back of a property (like in 3Q05).

We also increased our 2006 price estimate from $2.35 to $2.39 to reflect these changes, but leave our Neutral Weight rating and $46 price target unchanged, as we believe that the company is fairly valued (20.6x 2006E EPS), and its easier first half comparisons are mitigated by tougher second half SSS, potentially higher G&A expenses and a still uncertain tax situation. However, will review our outlook after the release of the 10-K when we can incorporate additional information into our model.

IHOP Corp. - Quarterly Earnings Model

(Dollars in millions, except per-share data. Fiscal year ends Dec)

First Quarter

	3/31/2004 2004	% Chg.	3/31/2005 2005	% Chg.	3/31/2006 2006	% Chg.
Revenues						
Franchise Revenues	39.1	15.8%	40.9	4.5%	45.4	11.1%
Rental Income	32.4	14.4%	33.0	2.0%	33.2	0.5%
Company Restaurant Sales	10.6	(46.4%)	4.0	(62.2%)	4.5	12.6%
Financing Revenues	9.8	(19.7%)	7.9	(19.4%)	7.3	(8.0%)
Total Revenues	**91.9**	(2.2%)	**85.8**	(6.6%)	**90.4**	5.3%
Franchise Expenses	18.3	18.8%	19.5	6.3%	21.1	8.6%
Rental Expense	23.4	17.2%	24.7	5.4%	24.4	(1.2%)
Company Restaurant Expenses	12.0	(42.8%)	4.8	(59.8%)	4.5	(6.6%)
Financing Expenses	5.2	(23.7%)	3.4	(35.5%)	3.5	3.5%
Restaurant Operating Profit	**33.0**	6.9%	**33.5**	1.6%	**36.9**	10.0%
General and Administrative	13.6	11.2%	15.6	14.1%	16.5	6.0%
Other Expense, net	1.9	(18.8%)	1.6	(17.6%)	0.8	(49.1%)
Facility Action Charges	0.0	NM	0.1	NM	0.0	NM
Reorganization Charges	0.0	NM	0.0	NM	0.0	NM
Depreciation and Amortization	0.0	NM	0.0	NM	0.0	NM
Operating Income	**17.5**	7.4%	**16.3**	(6.5%)	**19.6**	19.9%
Interest Expense	0.0	NM	0.0	NM	0.0	NM
Other Income (Expense), Net	0.0	NM	0.0	NM	0.0	NM
Pre-tax Income	**17.5**	7.4%	**16.3**	(6.5%)	**19.6**	19.9%
Income Taxes (Benefit)	6.5	7.4%	6.3	(4.4%)	8.7	39.0%
Net Operating Income	**$10.9**	7.4%	**$10.1**	(7.7%)	**$10.9**	8.1%
Non-recurring						
Net Income, Reported	**$10.9**	83.0%	**$10.1**	(7.7%)	**$10.9**	
Earnings Per Share						
Continuing Operations	**$0.50**	6.6%	**$0.50**	(1.3%)	**$0.58**	16.6%
Nonrecurring (Gain) Loss	$0.00		$0.00		$0.00	
Reported (Diluted)	**$0.50**	81.5%	**$0.50**	(1.3%)	**$0.58**	16.6%
Basic Shares Outstanding	21.4	0.4%	20.0	(6.6%)	18.5	(7.2%)
Diluted Shares (Mil.)	21.6	0.8%	20.2	(6.5%)	18.7	(7.3%)
Margin Analysis (as a percent of sales, except tax rate)						
Total Non-company Margin	42.29%	(90) bp	41.96%	(34) bp	42.94%	98 bp
Company Store Margin	(13.27)	NM	(20.57)	NM	0.00	NM
Franchise Rent Margin	27.70	(172) bp	25.29	(241) bp	26.49	120 bp
Franchise Margin	53.24	(118) bp	52.43	(81) bp	53.47	104 bp
Financing Margin	46.85	278 bp	57.47	NM	52.16	NM
Gross Margin	64.09	(307) bp	60.95	(314) bp	59.20	(175) bp
General & Administrative Expense	14.84	179 bp	18.13	329 bp	18.25	12 bp
Facility Action Charges, Net	0.00	0 bp	0.06	6 bp	0.00	(6) bp
Other Expenses	2.07	(42) bp	1.83	(24) bp	0.89	(95) bp
Operating Margin	19.00	171 bp	19.03	3 bp	21.67	264 bp
Interest Expense	0.00	0 bp	0.00	0 bp	0.00	0 bp
Pretax Margin	19.00	171 bp	19.03	3 bp	21.67	264 bp
Net Margin	11.87	107 bp	11.74	(13) bp	12.05	31 bp
Tax Rate	37.50	(0) bp	38.30	80 bp	44.40	NM

Second Quarter

	6/30/2004 2004	% Chg.	6/30/2005 2005	% Chg.	6/30/2006 2006	% Chg.
Revenues						
Franchise Revenues	37.2	7.2%	39.9	7.2%	44.9	12.6%
Rental Income	32.4	11.8%	32.8	1.2%	33.6	2.4%
Company Restaurant Sales	8.3	(61.0%)	3.8	(54.2%)	3.9	3.0%
Financing Revenues	8.2	(54.9%)	6.4	(22.0%)	5.9	(8.0%)
Total Revenues	**86.1**	(16.6%)	**82.9**	(3.8%)	**88.3**	6.6%
Franchise Expenses	18.3	14.6%	18.2	(0.6%)	20.9	7.4%
Rental Expense	23.7	11.2%	24.3	2.6%	24.8	1.7%
Company Restaurant Expenses	8.9	(60.2%)	3.8	(57.6%)	3.9	3.5%
Financing Expenses	3.7	(62.5%)	2.8	(24.8%)	2.6	(6.3%)
Restaurant Operating Profit	**31.5**	(6.4%)	**33.8**	7.3%	**36.2**	6.9%
General and Administrative	14.0	3.6%	12.5	(10.9%)	13.3	6.0%
Other Expense, net	1.6	38.1%	1.2	(23.3%)	0.8	(34.1%)
Facility Action Charges	8.9	NM	0.7	(91.6%)	0.0	NM
Reorganization Charges	0.0	NM	0.0	NM	0.0	NM
Depreciation and Amortization	0.0	NM	0.0	NM	0.0	NM
Operating Income	**7.0**	(62.0%)	**19.3**	176.9%	**22.1**	14.3%
Interest Expense	0.0	NM	0.0	NM	0.0	NM
Other Income (Expense), Net	0.0	NM	0.0	NM	0.0	NM
Pre-tax Income	**7.0**	(62.0%)	**19.3**	176.9%	**22.1**	14.3%
Income Taxes (Benefit)	2.6	(62.0%)	7.4	182.9%	11.0	48.6%
Net Operating Income	**$4.4**	(62.0%)	**11.9**	173.2%	**$11.1**	(7.1%)
Non-recurring						
Net Income, Reported	**$4.4**	(60.2%)	**11.9**	173.2%	**$11.1**	
Earnings Per Share						
Continuing Operations	**$0.21**	(60.9%)	**$0.60**	189.2%	**$0.59**	(0.4%)
Nonrecurring (Gain) Loss	$0.00		$0.00		$0.00	
Reported (Diluted)	**$0.21**	(59.1%)	**$0.60**	189.2%	**$0.59**	(0.4%)
Basic Shares Outstanding	21.0	(2.6%)	19.8	(5.7%)	18.4	(6.7%)
Diluted Shares (Mil.)	21.1	(2.6%)	20.0	(5.5%)	18.6	(6.7%)
Margin Analysis (as a percent of sales, except tax rate)						
Total Non-company Margin	41.28%	(119) bp	42.72%	144 bp	42.83%	11 bp
Company Store Margin	(7.55)	(213) bp	0.47	NM	0.00	(47) bp
Franchise Rent Margin	26.85	38 bp	25.83	(102) bp	26.34	51 bp
Franchise Margin	50.83	(321) bp	54.38	355 bp	53.47	(91) bp
Financing Margin	54.95	NM	56.58	162 bp	55.77	(81) bp
Gross Margin	63.43	(399) bp	59.22	NM	59.07	(15) bp
General & Administrative Expense	16.30	317 bp	15.09	(121) bp	15.02	(8) bp
Facility Action Charges, Net	10.32	NM	0.90	NM	0.00	(90) bp
Other Expenses	1.84	73 bp	1.46	(37) bp	0.91	(56) bp
Operating Margin	8.11	NM	23.32	NM	25.01	169 bp
Interest Expense	0.00	0 bp	0.00	0 bp	0.00	0 bp
Pretax Margin	8.11	NM	23.32	NM	25.01	169 bp
Net Margin	5.07	NM	14.39	NM	12.55	(184) bp
Tax Rate	37.48	(3) bp	38.30	82 bp	49.81	NM

Third Quarter

	9/30/2004 2004	% Chg.	9/30/2005 2005	% Chg.	9/30/2006 2006	% Chg.
Revenues						
Franchise Revenues	39.1	9.3%	43.3	10.7%	47.8	10.4%
Rental Income	32.4	9.7%	33.2	2.4%	34.1	2.6%
Company Restaurant Sales	7.5	(62.1%)	3.6	(52.4%)	5.3	47.9%
Financing Revenues	7.5	(61.8%)	11.2	49.4%	6.5	(42.0%)
Total Revenues	**86.5**	(17.4%)	**91.3**	5.5%	**93.7**	2.6%
Franchise Expenses	18.3	12.3%	20.7	13.5%	22.2	6.9%
Rental Expense	24.1	10.8%	24.6	2.4%	25.3	2.6%
Company Restaurant Expenses	8.0	(62.6%)	3.6	(55.7%)	5.3	48.5%
Financing Expenses	3.9	(65.4%)	7.5	91.8%	3.1	(58.7%)
Restaurant Operating Profit	**32.3**	(5.0%)	**34.9**	8.0%	**37.8**	8.6%
General and Administrative	15.7	23.5%	14.9	(5.4%)	15.8	6.0%
Other Expense, net	1.2	21.2%	0.8	(35.4%)	0.8	5.3%
Facility Action Charges	3.1	109.1%	0.1	(97.3%)	0.0	NM
Reorganization Charges	0.0	NM	0.0	NM	0.0	NM
Depreciation and Amortization	0.0	NM	0.0	NM	0.0	NM
Operating Income	**12.3**	(34.6%)	**19.1**	55.7%	**21.3**	11.2%
Interest Expense	0.0	NM	0.0	NM	0.0	NM
Other Income (Expense), Net	0.0	NM	0.0	NM	0.0	NM
Pre-tax Income	**12.3**	(34.6%)	**19.1**	55.7%	**21.3**	11.2%
Income Taxes (Benefit)	4.6	(34.5%)	7.2	55.3%	9.2	27.8%
Net Operating Income	**$7.7**	(34.6%)	**12.0**	56.0%	**$12.1**	1.2%
Non-recurring						
Net Income, Reported	**$7.7**	(30.5%)	**$12.0**	56.0%	**$12.1**	
Earnings Per Share						
Continuing Operations	**$0.38**	(30.1%)	**$0.62**	63.5%	**$0.65**	5.9%
Nonrecurring (Gain) Loss	$0.00		$0.00		$0.00	
Reported (Diluted)	**$0.38**	(25.7%)	**$0.62**	63.5%	**$0.65**	5.9%
Basic Shares Outstanding	20.2	(6.3%)	19.2	(4.6%)	18.3	(4.6%)
Diluted Shares (Mil.)	20.3	(6.5%)	19.4	(4.5%)	18.5	(4.4%)
Margin Analysis (as a percent of sales, except tax rate)						
Total Non-company Margin	41.49%	(45) bp	39.72%	(177) bp	42.82%	310 bp
Company Store Margin	(6.95)	146 bp	0.42	NM	0.00	(42) bp
Franchise Rent Margin	25.86	(72) bp	25.89	3 bp	25.87	(2) bp
Franchise Margin	53.29	(122) bp	52.14	(115) bp	53.64	150 bp
Financing Margin	47.60	NM	32.73	NM	52.09	NM
Gross Margin	62.72	NM	61.82	(89) bp	59.60	(222) bp
General & Administrative Expense	18.18	NM	16.30	(188) bp	16.84	54 bp
Facility Action Charges, Net	3.55	215 bp	0.09	(346) bp	0.00	(9) bp
Other Expenses	1.36	43 bp	0.83	(53) bp	0.85	2 bp
Operating Margin	14.20	(372) bp	20.96	NM	22.71	175 bp
Interest Expense	0.00	0 bp	0.00	0 bp	0.00	0 bp
Pretax Margin	14.20	(372) bp	20.96	NM	22.71	175 bp
Net Margin	8.87	(233) bp	13.11	NM	12.93	(18) bp
Tax Rate	37.54	4 bp	37.43	(11) bp	43.04	NM

Fourth Quarter

	12/31/2004 2004	% Chg	12/31/2005 2005	% Chg.	12/31/2006 2006	% Chg.
Revenues						
Franchise Revenues	42.2	17.5%	43.3	2.7%	47.4	9.5%
Rental Income	34.5	13.7%	32.5	(5.7%)	32.5	(0.2%)
Company Restaurant Sales	5.2	(63.1%)	2.6	(49.9%)	5.2	99.4%
Financing Revenues	12.6	(44.1%)	9.5	(24.1%)	8.8	(8.0%)
Total Revenues	**94.4**	(8.1%)	**88.0**	(6.8%)	**93.9**	6.7%
Franchise Expenses	20.7	24.7%	20.4	(1.7%)	22.8	3.0%
Rental Expense	24.2	6.4%	24.7	2.2%	24.4	(1.2%)
Company Restaurant Expenses	5.8	(65.7%)	2.9	(49.0%)	5.2	76.1%
Financing Expenses	9.6	(38.4%)	6.7	(30.6%)	5.2	(22.4%)
Restaurant Operating Profit	**34.1**	10.3%	**33.2**	(2.5%)	**36.3**	9.1%
General and Administrative	16.5	3.0%	15.8	(3.8%)	16.8	6.0%
Other Expense, net	(0.8)	NM	1.3	NM	0.8	(39.6%)
Facility Action Charges	1.0	NM	0.0	NM	0.0	NM
Reorganization Charges	0.0	NM	0.0	NM	0.0	NM
Depreciation and Amortization	0.0	NM	0.0	NM	0.0	NM
Operating Income	**17.4**	19.9%	**16.1**	(7.9%)	**18.7**	16.2%
Interest Expense	0.0	NM	0.0	NM	0.0	NM
Other Income (Expense), Net	0.0	NM	0.0	NM	0.0	NM
Pre-tax Income	**17.4**	19.9%	**16.1**	(7.9%)	**18.7**	16.2%
Income Taxes (Benefit)	7.0	27.8%	6.1	(12.4%)	8.3	35.7%
Net Operating Income	**$10.5**	15.2%	**$10.0**	(4.9%)	**$10.4**	4.2%
Non-recurring						
Net Income, Reported	**$10.5**	19.0%	**$10.0**		**$10.4**	
Earnings Per Share						
Continuing Operations	**$0.52**	23.4%	**$0.53**	1.8%	**$0.56**	5.9%
Nonrecurring (Gain) Loss	$0.00		$0.00		$0.00	
Reported (Diluted)	**$0.52**	27.4%	**$0.53**	1.8%	**$0.56**	5.9%
Basic Shares Outstanding	20.0	(6.6%)	18.6	(6.6%)	18.3	(1.6%)
Diluted Shares (Mil.)	20.2	(6.6%)	18.8	(6.5%)	18.5	(1.6%)
Margin Analysis (as a percent of sales, except tax rate)						
Total Non-company Margin	38.88%	86 bp	39.34%	46 bp	40.89%	155 bp
Company Store Margin	(11.30)	NM	(13.24)	(194) bp	0.00	NM
Franchise Rent Margin	29.86	NM	23.97	NM	24.75	78 bp
Franchise Margin	50.79	(282) bp	52.90	211 bp	51.89	(102) bp
Financing Margin	23.70	NM	30.20	NM	41.14	NM
Gross Margin	63.88	NM	62.21	(166) bp	61.37	(84) bp
General & Administrative Expense	17.45	188 bp	18.01	56 bp	17.89	(12) bp
Facility Action Charges, Net	1.04	104 bp	0.01	(103) bp	0.00	(1) bp
Other Expenses	(0.83)	(121) bp	1.51	234 bp	0.85	(65) bp
Operating Margin	18.47	NM	18.26	(21) bp	19.89	162 bp
Interest Expense	0.00	0 bp	0.00	0 bp	0.00	0 bp
Pretax Margin	18.47	NM	18.26	(21) bp	19.89	162 bp
Net Margin	11.09	224 bp	11.32	23 bp	11.05	(27) bp
Tax Rate	39.96	247 bp	38.01	(195) bp	44.41	NM

Source: The company and Onboard Consulting estimates

IHOP Corp. - Annual Earnings Model

(Dollars in thousands, except per-share data. Fiscal year ends Dec)

	52 weeks 2001	% Chg.	52 weeks 2002	% Chg.	52 weeks 2003	% Chg.	53 weeks 2004	% Chg.	52 weeks 2005	% Chg.
Revenue Detail										
Franchise Revenues	142.9	8.0%	123.1	(13.9%)	140.1	13.9%	157.6	12.5%	167.4	6.2%
Rental Income	65.8	28.6%	99.6	51.4%	117.3	17.7%	131.8	12.4%	131.6	(0.1%)
Company Restaurant Sales	68.8	(5.5%)	74.4	8.2%	74.9	0.6%	31.6	(57.8%)	14.0	(55.8%)
Financing Revenues	47.0	(0.1%)	68.8	46.4%	72.5	5.4%	38.1	(47.5%)	35.0	(8.0%)
Total Revenues	**324.4**	7.0%	**365.9**	12.8%	**404.8**	10.6%	**359.0**	(11.3%)	**348.0**	(3.1%)
Franchise Expenses	48.3	8.0%	55.1	14.2%	64.3	16.6%	75.6	17.6%	78.8	4.2%
Rental Expense	37.9	36.7%	73.8	94.9%	85.8	16.2%	95.4	11.2%	98.4	3.1%
Company Restaurant Expenses	66.3	(5.4%)	78.4	18.2%	81.7	4.2%	34.7	(57.5%)	15.1	(56.5%)
Financing Expenses	31.1	0.5%	38.2	22.8%	43.6	14.2%	22.4	(48.6%)	20.3	(9.4%)
Restaurant Operating Profit	**140.9**	8.5%	**120.3**	(14.6%)	**129.4**	7.5%	**130.9**	1.1%	**135.4**	3.5%
General and Administrative	40.6	11.3%	49.5	21.9%	54.6	10.2%	59.9	9.7%	58.8	(1.8%)
Other Expense, net	0.0		5.4		4.9	(10.7%)	3.9	(20.1%)	4.9	25.6%
Facility Action Charges	0.0		0.0		2.0		12.9	NM	0.9	(93.1%)
Operating Income	**85.4**	7.1%	**65.4**	(23.5%)	**67.9**	3.9%	**54.2**	(20.3%)	**70.9**	30.8%
Interest Expense	(21.1)	(3.0%)	0.0		0.0		0.0		0.0	
Other Income (Expense), Net	0.1	(121.7%)	0.0		0.0		0.0		0.0	
Pre-tax Income	**64.5**	12.2%	**65.4**	1.4%	**67.9**	3.9%	**54.2**	(20.3%)	**70.9**	30.8%
Income Taxes (Benefit)	24.2	9.3%	24.5	1.4%	25.5	3.9%	20.7	(18.6%)	26.9	29.8%
Net Operating Income	**$40.3**	14.0%	**$40.8**	1.4%	**$42.5**	3.9%	**$33.4**	(21.3%)	**$43.9**	31.5%
Non-recurring					$5.7					
Net Income, Reported	**$40.3**	14.0%	**$40.8**	1.4%	**$36.8**	(10.0%)	**$33.4**	(9.1%)	**$43.9**	31.5%
Earnings Per Share										
Continuing Operations	**$1.94**	11.3%	**$1.91**	(1.3%)	**$1.96**	2.6%	**$1.61**	(18.2%)	**$2.24**	39.4%
Nonrecurring (Gain) Loss	$0.00		$0.00		$0.26		$0.00			
Reported (Diluted)	**$1.94**	11.3%	**$1.91**	(1.3%)	**$1.70**	(11.1%)	**$1.61**	(5.5%)	**$2.24**	39.4%
Diluted shrs. (Mil.)	20.8	2.5%	21.3	2.8%	21.6	1.3%	20.8	(3.8%)	19.6	(5.7%)
Margin Analysis (as a percent of sales, except tax rate)										
Total Non-company Margin	54.14%	(101) bp	42.65%	NM	41.30%	(135) bp	40.93%	(37) bp	40.88%	(5) bp
Company Store Margin	3.60	(15) bp	(5.36)	NM	(9.16)	(380) bp	(9.94)	(78) bp	(8.10)	184 bp
Franchise Rent Margin	42.43	(341) bp	25.89	NM	26.84	95 bp	27.60	76 bp	25.25	(235) bp
Franchise Margin	66.21	2 bp	55.19	NM	54.14	(105) bp	52.03	(211) bp	52.94	92 bp
Financing Margin	33.85	(40) bp	44.50	NM	39.87	NM	41.10	124 bp	41.98	87 bp
Gross Margin	56.58	(61) bp	67.12	NM	68.03	92 bp	63.54	NM	61.09	(246) bp
General & Administrative Expense	12.52	49 bp	13.54	102 bp	13.48	(5) bp	16.68	320 bp	16.90	21 bp
Facility Action Charges, Net	0.00	0 bp	0.00	0 bp	0.50	50 bp	3.60	310 bp	0.26	(335) bp
Other Expenses	0.00	0 bp	1.48	148 bp	1.20	(29) bp	1.08	(12) bp	1.40	32 bp
Operating Margin	26.34	3 bp	17.86	NM	16.78	(108) bp	15.09	(169) bp	20.36	NM
Interest Expense	(6.51)	(67) bp	0.00	(651) bp	0.00	0 bp	0.00	0 bp	0.00	0 bp
Pretax Margin	19.87	92 bp	17.86	(201) bp	16.78	(108) bp	15.09	(169) bp	20.36	NM
Net Margin	12.42	76 bp	11.16	(125) bp	10.49	(68) bp	9.31	(118) bp	12.62	332 bp
Tax Rate	37.50	(100) bp	37.50	(0) bp	37.50	(0) bp	38.30	80 bp	38.00	(30) bp

	2006E	% Chg.	2007E	% Chg.	2008E	% Chg.	2009E	% Chg.	2010E	% Chg.	2011E	% Chg.
Revenue Detail												
Franchise Revenues	185.6	10.9%	202.1	8.9%	216.6	7.2%	231.3	6.8%	246.4	6.5%	261.8	6.3%
Rental Income	133.4	1.3%	135.1	1.3%	136.9	1.3%	138.7	1.3%	140.5	1.3%	142.4	1.3%
Company Restaurant Sales	18.9	35.2%	23.2	22.8%	27.0	16.4%	29.0	7.7%	31.1	7.3%	33.3	6.9%
Financing Revenues	28.4	(18.9%)	24.5	(13.9%)	21.1	(13.9%)	18.2	(13.9%)	15.7	(13.9%)	13.5	(13.9%)
Total Revenues	**366.3**	5.2%	**384.9**	5.1%	**401.5**	4.3%	**417.2**	3.9%	**433.7**	4.0%	**451.0**	4.0%
Franchise Expenses	87.0	10.5%	94.8	8.9%	101.6	7.2%	108.5	6.8%	115.6	6.5%	122.8	6.3%
Rental Expense	98.9	0.5%	104.7	6.0%	111.0	6.0%	117.6	6.0%	124.6	6.0%	132.0	6.0%
Company Restaurant Expenses	18.9	25.0%	23.2	23.2%	27.1	16.4%	29.1	7.7%	31.2	7.3%	33.4	6.9%
Financing Expenses	14.4	(29.4%)	13.0	(9.4%)	11.8	(9.4%)	10.7	(9.4%)	9.7	(9.4%)	8.8	(9.4%)
Restaurant Operating Profit	**147.1**	8.6%	**149.1**	1.3%	**150.1**	0.7%	**151.3**	0.8%	**152.6**	0.9%	**154.0**	0.9%
General and Administrative	62.3	6.0%	64.8	4.0%	67.4	4.0%	70.1	4.0%	72.9	4.0%	75.8	4.0%
Other Expense, net	3.2	(34.3%)	2.5	(21.9%)	2.5	0.0%	2.5	0.0%	2.5	0.0%	2.5	0.0%
Facility Action Charges	0.0		0.0		0.0		0.0		0.0		0.0	
Operating Income	**81.6**	15.2%	**81.8**	0.2%	**80.2**	(1.9%)	**78.7**	(1.9%)	**77.2**	(1.9%)	**75.7**	(2.0%)
Interest Expense	0.0		0.0		0.0		0.0		0.0		0.0	
Other Income (Expense), Net	0.0		0.0		0.0		0.0		0.0		0.0	
Pre-tax Income	**81.6**	15.2%	**81.8**	0.2%	**80.2**	(1.9%)	**78.7**	(1.9%)	**77.2**	(1.9%)	**75.7**	(2.0%)
Income Taxes (Benefit)	37.1	37.9%	36.6	(1.4%)	35.7	(2.5%)	34.8	(2.5%)	33.9	(2.6%)	33.0	(2.7%)
Net Operating Income	**$44.5**	1.2%	**$45.2**	1.6%	**$44.5**	(1.4%)	**$43.9**	(1.3%)	**$43.3**	(1.4%)	**$42.7**	(1.5%)
Non-recurring												
Net Income, Reported	**$44.5**	1.2%	**$45.2**	1.6%	**$44.5**	(1.4%)	**$43.9**	(1.3%)	**$43.3**	(1.4%)	**$42.7**	(1.5%)
Earnings Per Share												
Continuing Operations	**$2.39**	6.6%	**$2.49**	4.1%	**$2.51**	1.1%	**$2.54**	1.2%	**$2.58**	1.3%	**$2.55**	(1.1%)
Nonrecurring (Gain) Loss												
Reported (Diluted)	**$2.39**	6.6%	**$2.49**	4.1%	**$2.51**	1.1%	**$2.54**	1.2%	**$2.58**	1.3%	**$2.55**	(1.1%)
Diluted shrs. (Mil.)	18.6	(5.1%)	18.2	(2.4%)	17.7	(2.5%)	17.3	(2.5%)	16.8	(2.6%)	16.7	(0.4%)
Margin Analysis (as a percent of sales, except tax rate)												
Total Non-company Margin	42.36%	148 bp	41.24%	(111) bp	40.10%	(114) bp	39.01%	(110) bp	37.94%	(107) bp	36.89%	(105) bp
Company Store Margin	0.00	NM	(0.29)	(29) bp	(0.29)	(0) bp	(0.29)	0 bp	(0.29)	0 bp	(0.29)	(0) bp
Franchise Rent Margin	25.87	62 bp	22.47	(340) bp	18.92	(355) bp	15.21	(372) bp	11.32	(389) bp	7.26	NM
Franchise Margin	53.11	17 bp	53.11	0 bp	53.11	(0) bp	53.11	0 bp	53.11	0 bp	53.11	0 bp
Financing Margin	49.49	NM	46.84	(265) bp	44.06	(279) bp	41.13	(293) bp	38.04	(309) bp	34.80	(325) bp
Gross Margin	59.83	(126) bp	61.26	143 bp	62.61	135 bp	63.73	112 bp	64.81	108 bp	65.86	105 bp
General & Administrative Expense	17.02	12 bp	16.84	(18) bp	16.79	(5) bp	16.80	1 bp	16.81	1 bp	16.82	0 bp
Facility Action Charges, Net	0.00	(26) bp	0.00	0 bp	0.00	0 bp	0.00	0 bp	0.00	0 bp	0.00	0 bp
Other Expenses	0.87	(53) bp	0.65	(22) bp	0.62	(3) bp	0.60	(2) bp	0.58	(2) bp	0.55	(2) bp
Operating Margin	22.28	192 bp	21.25	(103) bp	19.98	(127) bp	18.87	(111) bp	17.81	(106) bp	16.78	(103) bp
Interest Expense	0.00	0 bp	0.00	0 bp	0.00	0 bp	0.00	0 bp	0.00	0 bp	0.00	0 bp
Pretax Margin	22.28	192 bp	21.25	(103) bp	19.98	(127) bp	18.87	(111) bp	17.81	(106) bp	16.78	(103) bp
Net Margin	12.14	(48) bp	11.73	(41) bp	11.09	(65) bp	10.52	(56) bp	9.99	(54) bp	9.46	(53) bp
Tax Rate	45.52	NM	38.00	NM	38.00	0 bp	38.00	0 bp	38.00	0 bp	38.00	0 bp

Source: The company and Onboard Consulting estimates

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Research Coverage Universe

Company	**2.22.06**	**Initiation Price**	**12-month Target Price**
IHOP Corporation (IHOP)	$49.30	$47.35	$46

Stock Ranking System

Onboard defines itself as sector specific analysts. As a result, we only follow a number of restaurant and retail stocks. Onboard's approach is to initiate and provide research on stocks we personally choose to cover. Onboard's stock rankings system is meant to assist clients in making decisions by defining investment rankings regarding the companies we sponsor in research coverage. All of the rankings correspond to a specific investment action that Onboard recommends taking on the date the research is published. It has been our practice to generate an informational company review when we initiate coverage. A Buy ranking could accompany a price target. These company reviews generally entail that additional information about the company that is needed to determine or clarify the companies approach to the growth opportunity. Thus, "Buy" rankings are presented only for stocks that we would be actively buying at the time the research is published. These are stocks that are demonstrating their vision while meeting expectation and are expected to appreciate at least 15% over the next 12 to 18 months. "Neutral" rankings are presented for stocks that we recommend holding. These are stocks that are making progress strategically and operationally but are not expected to demonstrate significant appreciation in the next 12 to 18 months. "Sell" rankings are assigned to stocks where a Onboard analyst anticipates a stock price decline for any reason. These are stocks that appear not to be able to fulfill or deliver on their disclosed milestones and are expected to depreciate at least 15% over the next 12 to 18 months. In the event an analyst's coverage is terminated, there is a requirement that firms notify investors when coverage is dropped. This notice must include a final ranking or recommendation. The rule specifically calls for notice to be made in the same manner as when research coverage was first initiated.

Distribution of Rankings

Ranking	Definition
BUY	Stocks ranked "Buy" are those stocks Onboard recommend actively buying. These are stocks that are demonstrating their vision while meeting expectation and should appreciate at least 15% over the next 12 to 18 months.
Neutral	Stocks ranked "Neutral" are those stocks Onboard would continue to hold in a portfolio. These are stocks that are making progress strategically and operationally but are not expected to demonstrate significant appreciation in the next 12 to 18 months.
SELL	Stocks ranked "Sell" are those Onboard would sell; these are stocks that appear not to be able to fulfill or deliver on their disclosed milestones and are expected to depreciate at least 15% over the next 12 to 18 months.

Distribution of Rankings Breakdown

	Buy	Neutral	Sell
Companies	0 %	100%	0%

Onboard Equity Research, Inc. (Onboard) has an investment ranking on 1 equity securities in 2005. Onboard uses 3 ratings- Buy, Neutral, and Sell - reflecting expected stock price performance relative to our analyst's coverage universe with a 12 to 18 month time horizon.

Company Ranking Time Definition

Initiation 12-26-2005	"Neutral" 12-26-2005			

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Valuation Methodology

Projecting the future valuation of companies is at best an "inexact science" and needs to be understood in terms of its intent and vulnerabilities. Onboard accepts its responsibility to research and prudently perform analysis while incorporating due diligence. The value of estimated company events should not be quantitatively modeled too early. Projecting "true" value in a developing business with an evolving market is very difficult. Manipulation of quantitative data to analyze some companies has a limited. But a qualitative interpretation could determine definitions of the capacities, capabilities, and the potential of shareholder value. We recognize the inherent complexities and dearth of predictability linked to this process and we also realize the utility of the intangibles. Investors need to have time sensitive qualitative information and be able to be appraised by the interpretation of this information. We provide our best qualitative thinking. Onboard integrates information, facts, estimates, and realities and then merges concepts with risks, unknowns and honest interpretation. The valuation narrative is compiled as an information thesis. Some companies with minimal and in most cases no revenues should not employ traditional valuation metrics, such as current P/E ratios, revenue multiples and EBITDA multiples, when attempting a "real" future valuation of shares. We believe investors should focus on the real issues facing the companies. Most stocks are sensitive to news flows and markets do not always incorporate the value of products into the stock price. Investors should understand the issues that could produce valuation enhancement, or reduction, for companies.

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