

DENNYS CORP  
Form DEFA14A  
March 19, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**Schedule 14A Information**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**DENNY S CORPORATION**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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No fee required

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(3) Filing Party:

(4) Date Filed:

Denny s Corporation  
Investor Presentation  
Fourth Quarter 2009

2

Forward-Looking Statements & Solicitation Materials

Denny's Corporation urges caution in considering its current trends and any outlook on earnings disclosed in this presentation. In addition, certain matters discussed may constitute forward-looking statements. These forward-looking statements involve risks, uncertainties, and other factors that may cause the actual performance of

Denny's Corporation,

its

subsidiaries

and

underlying  
restaurants  
to  
be  
materially  
different  
from  
the  
performance

indicated or implied by such statements. Words such as expects , anticipates , believes , intends , plans , hopes , and variations of such words and similar expressions are intended to identify such forward-looking statements. Except as may be required by law, the Company expressly disclaims any obligation to update these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect the occurrence of unanticipated events. Factors that could cause actual performance to differ materially from the performance indicated by these forward-looking statements include, among others: the competitive pressures from within

the  
restaurant  
industry;  
the  
level  
of  
success  
of  
the  
Company s  
operating  
initiatives,  
advertising  
and

promotional efforts; adverse publicity; changes in business strategy or development plans; terms and availability of capital; regional weather conditions; overall changes in the general economy, particularly at the retail level; political environment

(including  
acts  
of  
war  
and  
terrorism);  
and  
other  
factors  
from  
time  
to  
time  
set  
forth  
in  
the

Company's SEC reports, including but not limited to the discussion in Management's Discussion and Analysis and the risks identified in Item 1A. Risk Factors contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (and in the Company's subsequent quarterly reports on Form 10-Q).

This communication may be deemed a solicitation under the rules of the Securities and Exchange Commission

in connection with Denny's Corporation's 2010 annual meeting of stockholders. Denny's will be filing a proxy statement with the SEC in connection with the solicitation of proxies for its 2010 annual meeting of stockholders. Stockholders are strongly advised to read Denny's 2010 proxy statement when it becomes available because it will contain important information. Stockholders will be able to obtain copies of Denny's 2010 proxy statement and other documents filed by Denny's with the SEC in connection with its 2010 annual meeting of stockholders at the SEC's website at [www.sec.gov](http://www.sec.gov) or at the Investor Relations section of Denny's website at [www.dennys.com](http://www.dennys.com).

Detailed information regarding the names, affiliations and interests of individuals who may be deemed participants in the solicitation of proxies from stockholders in connection with Denny's Corporation's 2010 annual meeting of stockholders is available on a Schedule 14A filed with the SEC on April 13, 2009, and on a Form 8-K filed with the SEC on February 1, 2010.

3

Denny's Overview

1.

Exceptional Brand Equity

1,551 restaurants; \$2.2 billion in systemwide sales

2.

Business Model Transformation On-Going

Transitioning to a franchised-based business model

Much stronger balance sheet; greater financial flexibility



3.

Unlocking Long-Term Growth

Energized and expanding franchise system

Same-store sales opportunity

4.

Significantly Improved Investment Thesis

Materially reduced risk profile

Greater ability to flow sales through to earnings and Free Cash Flow

4  
Exceptional Brand Equity  
Exceptional  
Brand  
Awareness  
-  
An  
American  
Icon

97% brand awareness\* in the United States

2

nd

largest Family Chain in units, sales and market share

24 hours / 7 days a week

Value

Longevity

Open since 1953

Overcame 9 recessions

Franchisees average 10 years in the system

40 restaurant openings LTM most since 2001

Diversification

Currently in 49 states and 8 countries

265 franchisees

none have more than 5% of franchise system

Equal sales across all four dayparts

\* Source: Brand Tracker, May 2009

5  
2010 **Super Bowl**  
Campaign  
offered a  
Free Grand Slam to  
everyone in the U.S.:  
2 million guests

7% more than LY  
during promo hours  
500 newspapers  
covered the story  
Grand Slam: 88%  
of population  
associate with  
Denny s  
\* Source: Brand Tracker,  
May 2009

6

Impressive Market Share in Top DMA s

Top Market Share DMA s

Los Angeles

% of Market Share

\* Peer group includes: IHOP, Mimi s Café, Marie Callendar, Coco s, Carrow s, Waffle House, Shoney s, Perkins, Friendly s, Original Pancake, First Watch, Panera

Bread and other notable brands. Source: Restaurant Trends 2008

27%

Miami  
32%  
Las Vegas  
30%  
Phoenix  
21%  
Orlando  
21%  
San Diego  
31%  
San Francisco  
26%

Business Model Transformation  
On-Going



8

Franchise Growth

Initiative (FGI)

Sale of select company restaurants to franchisees based on:

Gaining commitments to future unit growth

Strengthening company portfolio (sale of lower performing units)

Tightening company operating geography

Through Q409,

Denny's

has  
sold  
290  
company  
units  
(or  
56%  
of  
the  
pre-program company store base)  
Targeting a 90% franchise mix  
Optimizing the Capital Structure  
Denny's has materially lowered its debt leverage since 2006  
No outstanding debt maturities until 2012  
Transforming to Franchise Model With Materially Less Debt  
Franchise Mix: 85%  
from 67% in 1Q07  
Paid down 50% of  
debt since 2006

9  
(\$ in millions)  
'09 vs '08  
'09 vs '07  
2008  
B/(W)  
2007  
B/(W)  
Total Operating Revenue

608.1

760.3

(20%)

939.4

(35%)

Adjusted Income before Tax

30.0

23.2

29%

10.5

186%

2009

Producing Significant Earnings Growth

(1) See appendix for reconciliation of Net Income to Adjusted EBITDA and Adjusted Income before Taxes

(1)

Note: Adjusted Income before tax is a non-GAAP measure that management believes best reflects on-going earnings due to the significant impact on our P&L from non-operating, nonrecurring and non cash items

10

Growth of Recurring  
Earnings Even in  
Challenging Economy

Note: Adjusted Income before tax is a non-GAAP measure that management believes best reflects on-going earnings due to the significant impact on our P&L from non-operating, nonrecurring and non cash items

(\$M)

-40

-35

-30  
-25  
-20  
-15  
-10  
-5  
0  
5  
10  
15  
20  
25  
30  
35

Adj. Income Before Tax

Net Income Trend is Up

Note: Adjusted Income before tax is a non-GAAP measure that management believes best reflects on-going earnings due to the significant impact on our P&L from non-operating, nonrecurring and non cash items (\$M)

Volatility has been driven by the gain on sales of assets

-40

-35

-30  
-25  
-20  
-15  
-10  
-5  
0  
5  
10  
15  
20  
25  
30  
35  
40  
45  
Adj. Income Before Tax  
Net Income  
11



12  
Return on Assets\* Improving  
\* Return on Assets (ROA)  
= LTM Adjusted Income Before Taxes divided by Total Assets at End of Period.  
Note: Adjusted Income before tax is a non-GAAP measure that management believes best reflects on-going earnings due to the significant impact on our P&L from non-operating, nonrecurring and non cash items  
9.6%  
6.8%  
2.8%

2.8%  
0.7%  
0.0%  
2.0%  
4.0%  
6.0%  
8.0%  
10.0%  
12.0%  
2005  
2006  
2007  
2008  
2009  
100  
200  
300  
400  
500  
600

13

Emerging Model is Focused on Delivering Free Cash Flow  
(\$ in millions)

2005-2009

2005

2006

2007

2008

2009

Change  
Adjusted EBITDA  
(1)  
\$107.6  
\$119.5  
\$92.9  
\$88.4  
\$85.2  
(\$22.4)  
Cash Interest Expense  
(48.2)  
(50.9)  
(38.5)  
(31.6)  
(29.3)  
+18.9  
Cash Taxes  
(1.3)  
(1.3)  
(2.3)  
(1.1)  
(0.6)  
+ 0.7  
Capital Expenditures  
(47.2)  
(33.1)  
(33.1)  
(27.9)  
(18.4)  
+28.8  
Free Cash Flow  
\$11.0  
\$34.3  
\$19.0  
\$27.8  
\$36.9  
\$25.9

(1) See appendix for reconciliation of Net Income to Adjusted EBITDA and Adjusted Income before Taxes

14  
Franchise Profit Contribution has Surpassed  
Company Restaurants  
(\$ in millions)  
2006-2009  
2006  
2007  
2008  
Change

Equivalent Company Units

534

492

357

-49%

Co. Restaurant Profit

\$122.6

\$98.7

\$78.2

-42%

Co. Restaurant Profit Margin

14%

12%

12%

Equivalent Franchise Units

1,027

1,049

1,186

24%

Franchise Profit

\$61.8

\$66.7

\$77.1

24%

Franchise Profit Margin

69%

70%

69%

Co. Restaurant Contribution

66%

60%

50%

Franchise Profit Contribution

34%

40%

50%

2009

270

\$71.0

15%

1,274

\$76.5

64%

48%

52%

15

(\$ in millions)

Meaningful Franchise Margin Being Captured

\$61.0

\$61.8

\$66.7

\$77.1

\$76.5

\$0.0

\$20.0

\$40.0

\$60.0

\$80.0

2005

2006

2007

2008

2009

Franchise Operating Margin

\$59.0

\$30.8

\$61.3

\$28.4

\$69.5

\$25.3

\$75.0

\$37.0

\$75.6

\$43.5

\$0.0

\$20.0

\$40.0

\$60.0

\$80.0

\$100.0

2005

2006

2007

2008

2009

Royalties & Fees

Occupancy Revenue



16

Denny's has a High Percentage of Franchise Units  
Franchised Units, % of Total Units (2008)

Source: NRN, YE2008, Denny's YE2009

0%

20%

40%

60%

80%

100%  
CKR  
Sonic  
YUM  
Denny's  
Burger King  
McDonald's  
DineEquity  
Domino's

17

Company Margins Improving

Percent of Sales

Cost containment and food margin focus

Leverage from increased check average

Sale of lower performing assets

2007 saw material cost

pressures in minimum wages,

commodities, and utilities

1.1ppts due to  
favorable

Workers

Compensation  
claims

development

12.3%

13.6%

11.7%

12.1%

14.5%

8.0%

12.0%

Company Operating Margin

18  
Franchised Focused Organization Resulting in a  
Reduction in G&A  
(\$M)  
\$67.4  
\$61.0  
\$57.3  
\$62.6  
\$4.8

\$56.9

\$4.1

\$52.6

\$4.7

\$0.0

\$20.0

\$40.0

\$60.0

2007

2008

2009

Other G&A Expenses

Stock Based Comp

19  
Significant Debt Reduction of \$275 Million  
(\$ in millions)  
2005-09  
2005  
2006  
2007  
2008  
Change

Total Debt	
Credit Facility	
342.8	
245.6	
152.5	
126.7	
(262.8)	
Capital Leases & Other	
36.0	
32.7	
25.4	
26.0	
(12.3)	
Senior Notes	
175.0	
175.0	
175.0	
175.0	
0.0	
Total Funded Debt	
\$553.8	
\$453.3	
\$353.0	
\$327.6	
(\$275.1)	
Cash & Cash Equivalents	
(28.2)	
(26.2)	
(21.6)	
(21.0)	
Net Debt	
\$525.5	
\$427.0	
\$331.4	
\$306.6	
Net Debt / Adjusted EBITDA	
4.9x	
3.6x	
3.6x	
3.5x	
(1.9x)	
Adjusted EBITDA / Cash Interest	
2.2x	
2.3x	
2.4x	
2.8x	
0.7x	
2009	
80.0	
23.7	



175.0  
\$278.7  
(26.5)  
\$252.2  
3.0x  
2.9x

20  
3.3x  
3.3x  
6.0x  
1.3x  
Paying Down Debt Driving Favorable Leverage  
Comparisons

Denny s

Cracker Barrel

DineEquity

Bob Evans

Total Debt /

LTM EBITDA

Adjusted Debt /

LTM EBITDAR

Source: Bank of America, as of LTM 2/17/10.

3.8x

4.4x

6.4x

2.2x

(1) See

appendix

for

reconciliation

of

Net

Income

to

LTM

EBITDA;

Adjusted

Debt

is

Total

Funded

Debt

plus

operating

leases

capitalized

as

per

8x

net

rent

methodology,

net

rent

for

Denny s

is

as

of

12/30/09

(in

Q4  
2009  
Earnings Release).  
(1)  
(1)

21  
\$50  
Million  
Revolving  
Credit  
Facility  
Maturity  
December  
2011

Revolver fully available with no current balance  
\$80 Million Term Loan  
Maturity March 2012  
Pre-paid by \$180 million since origination in 12/06  
\$175 Million 10% Senior Notes  
Maturity October 2012  
Callable as of 10/09 at 102.5  
Credit Agreements Prohibit Stock and Bond Repurchases  
Continue to Monitor the Credit Markets for Opportunities to  
Further Strengthen Capital Structure  
Sufficient Liquidity and No Near-Term Maturities

Unlocking Long-Term Growth

23

Aggressively Developing Programs to Spur Unit  
Development

The Franchise Growth Initiative

The Market Growth Incentive Plan (MGIP)

The New & Emerging Market Incentive Plan

Travel Center relationships

Franchisee

commitments



to  
build  
185  
future  
restaurants

(58  
opened)

Driving Sales on the Platforms of Real Breakfast ,  
Value and Limited Time Only focus for New Product  
Innovation

Strong Foundation Provides Denny s with the Ability  
to now Focus on Growth

24  
Stimulating Growth Through Unit Development  
Programs  
Most  
openings  
since 2001  
Denny's unit development has grown by 74% as compared to 2007  
21  
20

23  
34  
40  
0  
5  
10  
15  
20  
25  
30  
35  
40  
45

New Restaurant Openings

25

95%

of new Denny's units since the beginning of 2008 have been opened by franchisees

Opened 39 new franchise restaurants LTM 4Q09 a 122% increase in franchise development compared with 2007

42

new franchisees have been brought into the system since 2007

Strong new franchisees have entered the Denny's system including

largest franchise operators for Jack-in-the-Box and Carl's Jr.

56

separate franchisees have bought units through FGI

Franchisee mix: 25 have been new; 31 have been existing; 17 have completed multiple FGI transactions

Energizing Franchise System Through Unit Development

26  
Denny's Opportunities  
Markets (DMAs) Where Denny's is Either not Present  
or Underdeveloped  
New York / Boston / Charlotte  
6 in each  
Atlanta  
5  
Nashville/ Cincinnati

0

Travel Centers:

6 Denny s units open with Pilot, the largest Travel Center operator in the US

Denny s sales index above system averages

Recently opened 4 units with Flying J Travel Centers

Takes advantage of Denny s highway heritage

Number

of

Denny s

27

First PILOT co-location in Mt. Vernon, Illinois



28

Prototype Opened March 2008 and Ranks #1\* -  
Lowest Cost

\* Source:

Restaurant  
Research

Billion  
Dollar

Restaurant

Chain

Data

Report

-

New

Build

Costs

2009

\* Lowest Cost in Family Segment

29

Denny's System Same-Store Sales Historically  
Outperform

Note: Industry data taken from published reports of 28 selected public restaurant chains  
(some averages and estimates are used).

-7.5%

-5.5%

-3.5%

-1.5%

0.5%

2.5%

4.5%

6.5%

Quick-Service

Midscale

Casual

Denny's System

30  
Committed to Driving Sales  
Compelling  
New  
Limited  
Time  
Only  
Products  
&

Program

Offerings

Pipeline of new LTO entrees across all dayparts with a focus on breakfast

Attractive

Entry

Prices

and

Value

is

a

Critical

Component

Entry price points across all dayparts

Regional value promotions supported by local co-ops

In-store promotion of higher-priced, higher-margin entrees with upselling

Pancake Puppies: incremental business that delivers \$1.80/plate in profit or

~\$6,000/year/unit

Increased

Focus

on

Media

Established Local Co-ops in 2009: now cover 51% of Denny's sales;

increased media potential of the system by 18% since 2008

Greater weight on media in the National Advertising Fund

Current On-Air Module  
Starting @ \$4.99  
31

Driving Incremental Revenue and Profit  
32  
Starting  
@ \$1.99



Conclusion

34

Denny's Investment Highlights

1.

Exceptional Brand Equity

2.

Business Model Transformation On-Going

3.

Unlocking Long-Term Growth

4.

Significantly Improved Investment Thesis



36  
Income and EBITDA Reconciliation  
(\$ in millions)  
2005  
2006  
2007  
2008  
2009  
Net income (loss)

(\$7.3)  
\$30.1  
\$31.4  
\$14.7  
\$41.6  
Provision for income taxes  
1.2  
14.7  
4.8  
1.6  
1.4  
Operating gains, losses and other charges, net  
3.1  
(47.9)  
(31.1)  
(6.4)  
(14.5)  
Other  
nonoperating  
expense,  
net  
(0.6)  
8.0  
0.7  
9.2  
(3.1)  
Share-based compensation  
7.8  
7.6  
4.8  
4.1  
4.7  
Adjusted income before taxes  
\$4.2  
\$12.5  
\$10.5  
\$23.2  
\$30.0  
Interest expense, net  
55.2  
57.7  
43.0  
35.5  
32.6  
Depreciation and amortization  
56.1  
55.3  
49.3  
39.8  
32.3

Cash pmts for restructuring charges and exit costs

(6.7)

(5.1)

(9.1)

(9.1)

(7.5)

Cash pmts for share-based compensation

(1.2)

(0.9)

(0.9)

(0.9)

(2.2)

Adjusted EBITDA

\$107.6

\$119.5

\$92.9

\$88.4

\$85.2

37

Selling Denny's Lower Performing Company Operating Units

7.1%

10.9%

14.3%

16.4%

20.6%

0.0%

5.0%



10.0%

15.0%

20.0%

25.0%

\$1.2MM

\$1.4MM

\$1.6MM

\$1.8MM

\$2.4MM

AUV in millions

Company Restaurant Operating Margin

Note: Each column represents 1/5 of the 520 company restaurants prior to the FGI program divided into quintiles sorted by average unit volume. The boxed number reflects the company restaurants remaining in each quintile out of the original 104. The margin shown reflects restaurant level operating margin in 2006 excluding area management and other costs.