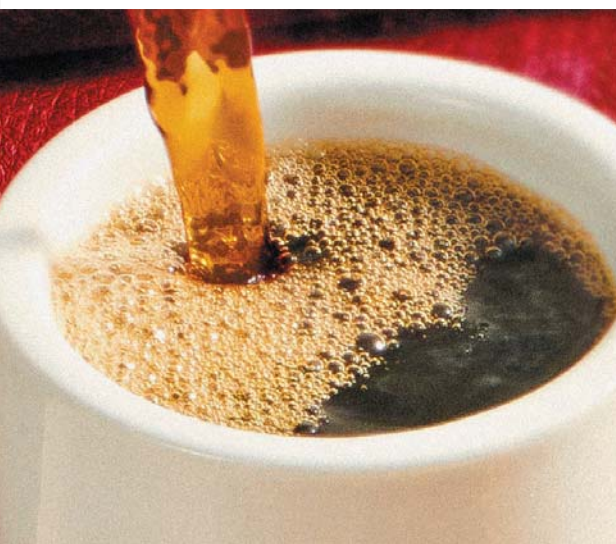




# 2024

## ANNUAL REPORT





# CEO LETTER

## To Our Shareholders

As we reflect on the past year, we are pleased to share our progress on key initiatives and milestones with you. Our teams did an amazing job executing against our **CRAVE** strategic framework that were introduced in 2023 and the momentum we gained throughout 2024 was remarkable. Notable achievements included:

### Denny's

- Domestic system-wide same-restaurant sales\* improved sequentially throughout 2024 with Denny's **outperforming industry benchmarks** in all four quarters.
- Successfully navigated AB1228 in our largest state of California and took the opportunity to be diligent with pricing and **steal share from QSR competitors**.
- Launched our third virtual brand, Banda Burrito to nearly 1,000 restaurants **driving incremental sales** and increased productivity.
- Our creative marketing team entered a partnership with the new Beetlejuice movie which resulted in the **Triple Juicy Burger** earning a permanent spot on our core menu.
- We entered the value war with determination, bringing back the \$2 \$4 \$6 \$8 menu to reinforce Denny's position as a **leader in value**.
- Made **meaningful investments** in our digital infrastructure resulting in organic digital sales growth and laying the foundation for future enhancements as well.
- Reignited our Diner 2.0 remodel program in which test restaurants delivered a **6.5% traffic lift**, demonstrating its ability to modernize the brand and elevate guest satisfaction.
- New restaurant openings achieved average unit volumes of **\$2.3 million** compared to \$1.9 million for existing locations.

### Keke's

- Opened a record **12 new cafes**, including 7 company and 5 franchise locations.
- Took our first steps outside of Florida and **expanded to five additional states** including California, Colorado, Nevada, Tennessee and Texas.
- Secured additional development commitments for a total of approximately **140 franchise cafes** in the current pipeline.
- Rolled out a new beverage program including mimosas, bellinis and sangrias **driving incremental check growth**.
- Increased marketing investments across the system which resulted in our first ever paid media campaign which drove **incremental traffic** to our cafes.
- Began testing the first ever remodel program for Keke's which is expected to deliver a **6%-8% sales lift**.
- The culmination of these initiatives resulted in a strong finish to the year by **outperforming industry benchmarks** in the final two quarters.

These combined achievements resulted in Adjusted EBITDA\*\* of \$81.4M, capital investments of \$28.6M into our company restaurants and cafes and returning \$11.2M directly to shareholders through our share repurchase program.

## CRAVE Strategic Framework



### CREATE

Leading Edge Solutions with Technology and Innovation



### ROBUST

New Restaurant Growth as the Franchisor of Choice



### ASSEMBLE

Best-In-Class People and Teams Through Culture, Tools, & Systems



### VALIDATE

& Optimize the Business Model to Maximize Restaurant Margins



### ELEVATE

Profitable Traffic Through the Guest Experience & Uniquely Craveable Foods

Additionally, we held an investor day where we detailed our Rise of a New Day strategies and long-range outlook for Denny's Corporation. This pivotal moment allowed us to unveil our roadmap to increasing average unit volumes at both brands, strategically closing lower-volume restaurants at Denny's to enhance the health of the remaining portfolio, aggressively grow the Keke's brand, appropriately align and optimize G&A expenses, balance investing capital with a seed and feed strategy for the Keke's brand while remaining committed to our share repurchase program, maintain a lower leverage profile compared to other highly franchised brands, and ultimately delivering Adjusted EBITDA\*\* between 5%-7%.



Looking ahead to fiscal 2025, we are excited to build on our momentum. We have an extremely talented and committed group of team members and franchisees aligned with our vision and executing daily to help us achieve our long-range outlook. We are confident that the work we are doing today will benefit us for years to come and further strengthen our position as one of the largest full-service restaurant chains with Denny's as a stable flagship brand and Keke's as a high-growth concept in a fast-growing segment. On behalf of myself, our Board of Directors, and management, I want to thank you for the continued support. We value your trust in our brands and will continue to work diligently to create value for shareholders.

*Kelli F. Valade*

**Kelli F. Valade**  
Chief Executive Officer  
March 2025



\*Same-restaurant sales include sales at company restaurants and non-consolidated franchised and licensed restaurants that were open during the comparable periods noted. Total operating revenue is limited to company restaurant sales and royalties, advertising revenue, initial and other fees and occupancy revenue from non-consolidated franchised and licensed restaurants. Accordingly, domestic franchise same-restaurant sales and domestic system-wide same-restaurant sales should be considered as a supplement to, not a substitute for, the Company's results as reported under GAAP.

\*\* Please refer to the Reconciliation of Net Income to Non-GAAP Financial Measures, as well as the Reconciliation of Operating Income to Non-GAAP Financial Measures set forth on the last page of this report.



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 25, 2024

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-18051



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)

29319-9966

(Zip Code)

Registrant's telephone number, including area code **(864) 597-8000**

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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 (§232.405 of this chapter) 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was \$290,174,732 as of June 26, 2024, the last business day of the registrant's most recently completed second fiscal quarter, based upon the closing sales price of the registrant's common stock on that date of \$6.90 per share and, for purposes of this computation only, the assumption that all of the registrant's directors, executive officers and beneficial owners of 10% or more of the registrant's common stock are affiliates.

As of February 20, 2025, 51,611,066 shares of the registrant's common stock, \$.01 par value per share, were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the registrant's definitive Proxy Statement for the 2025 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.



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## FORWARD-LOOKING STATEMENTS

The forward-looking statements included in the “Business,” “Risk Factors,” “Legal Proceedings,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures About Market Risk” sections and elsewhere herein, which reflect our best judgment based on factors currently known, involve risks and uncertainties. Words such as “expect,” “anticipate,” “believe,” “intend,” “plan,” “hope,” and variations of such words and similar expressions are intended to identify such forward-looking statements. Such statements speak only as to the date thereof. Except as may be required by law, we expressly disclaim any obligation to update these forward-looking statements to reflect events or circumstances after the date of this Form 10-K or to reflect the occurrence of unanticipated events. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors including, but not limited to, the factors discussed in such sections and, in particular, those set forth in the cautionary statements contained in “Risk Factors.” The forward-looking information we have provided in this Form 10-K pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 should be evaluated in the context of these factors.

## **PART I**

### **Item 1. Business**

#### **Description of Business**

Denny's Corporation, or the "Company", a Delaware corporation, is one of America's largest franchised full-service restaurant chains. The Company owns and operates the Denny's brand ("Denny's") and the Keke's Breakfast Cafe brand ("Keke's"). As of December 25, 2024, the Company consisted of 1,568 restaurants, 1,493 of which were franchised/licensed restaurants and 75 of which were company operated.

#### **The Denny's Brand**

Denny's is known as "America's Diner", or in the case of our international locations, "the local diner." Open 24/7 in most locations, we provide our guests quality food that emphasizes everyday value and new and innovative products through our compelling limited time only offerings, delivered in a warm, friendly "come as you are" atmosphere. Denny's has been serving guests for over 70 years and is best known for its all day breakfast fare. The Grand Slam, one of our most popular menu items, was first introduced in 1977. Denny's offers a wide selection of lunch and dinner items including entrees, burgers, sandwiches and salads, along with an assortment of appetizers and desserts. We have four dayparts, breakfast, lunch, dinner and late night, accounting for 28%, 36%, 20% and 16%, respectively, of average daily sales. Weekends have traditionally been the most popular time for guests to visit our restaurants. In 2024, 38% of an average week of sales occurred from Friday late night through Sunday lunch. Additionally, off-premises sales, including sales for delivery and through our three virtual brands, represented approximately 20% of total sales in 2024.

As of December 25, 2024, the Denny's brand consisted of 1,499 franchised, licensed and company restaurants around the world, including 1,334 restaurants in the United States and 165 international restaurant locations. As of December 25, 2024, 1,438 of Denny's restaurants were franchised or licensed, representing 96% of the total Denny's restaurants, and 61 were company restaurants.

#### **The Keke's Brand**

We acquired Keke's on July 20, 2022. Keke's is a daytime eatery dedicated to providing a consistently outstanding breakfast experience through fresh food that is made to order, excellent service from a welcoming staff, and a clean and comfortable environment. Open daily from 7:00 a.m. to 2:30 p.m., Keke's produces meals that are handmade using the best ingredients available, including fresh fruits and vegetables, and the highest quality bread and dairy products. In addition to Mornings from Scratch breakfast items, Keke's also serves burgers, paninis, salads, and sandwiches. Approximately 48% of Keke's total weekly sales occur on the weekends, and off-premises sales, including sales for delivery, represented approximately 16% of total sales in 2024.

As of December 25, 2024, the Keke's brand consisted of 69 franchised and company restaurants in the United States, of which 55, representing 80% of total Keke's restaurants, were franchised and 14 were company restaurants.

#### **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. Keke's is presented as a component of Other in our segment disclosures. Additional information about our segments can be found in Note 20, "Segment Information" to our consolidated financial statements in Part II, Item 8 of this report.

References to the "Company," "we," "us," and "our" in this Form 10-K are references to Denny's Corporation and its subsidiaries. Reference to "Denny's" or "Keke's" are references to the specific brand. Financial information about our operations, including our revenues and net income for the fiscal years ended December 25, 2024, December 27, 2023, and December 28, 2022, and our total assets as of December 25, 2024 and December 27, 2023, is included in our consolidated financial statements.



## **Franchising and Development**

### ***Franchising***

Our criteria to become a Denny's franchisee include minimum liquidity and net worth requirements and appropriate operational experience. We believe that Denny's is an attractive financial proposition for current and potential franchisees and that our fee structure is competitive with other full-service brands. Our current traditional twenty-year Denny's franchise agreements have an initial fee of up to \$30,000 and a royalty payment of up to 4.50% of gross sales. Additionally, our franchisees are currently contributing up to 3.25% of gross sales for marketing and may make additional advertising contributions as part of a local marketing co-operative. Approximately 90% of our Denny's domestic franchised restaurants were operating under this traditional agreement as of December 25, 2024. License agreements for nontraditional domestic locations, such as university campuses, may contain higher royalty and lower advertising contribution rates than the traditional franchise agreements. Our Denny's domestic contractual royalty rate averaged approximately 4.36% during 2024.

We work closely with our franchisees to plan and execute many aspects of the business. The Denny's Franchise Association ("DFA") was created to promote communication among our franchisees and between the Company and our franchise community. Members of the DFA's board and Company management primarily work together through Brand Advisory Councils relating to Development, Marketing, Operations and Technology matters, as well as through a Supply Chain Oversight Committee for procurement and distribution matters.

### ***Domestic Development***

To accelerate the growth of the Denny's brand in specific under-penetrated markets, we offer certain incentive programs. These programs provide incentives for franchisees to develop locations in areas where Denny's has opportunities to grow market share. The benefits to franchisees can include reduced franchise fees, upfront cash payments, lower royalties and advertising contributions for a limited time period and credits toward certain development services, such as training fees.

In addition to these incentive programs, we increased our domestic development commitments through our refranchising and development strategy implemented during 2018 and 2019. These commitments were attached to the sale of 113 company restaurants during 2018 and 2019. At December 25, 2024, we had approximately 64 domestic development commitments.

### ***International Development***

In addition to the development agreements signed for domestic restaurants, as of December 25, 2024, we had potential to develop approximately 116 international franchised Denny's restaurants with our current development partners in various locations including Canada, Central America, Indonesia, Mexico, the Middle East, the Philippines and the United Kingdom. The majority of these restaurants are expected to open over the next ten years. During 2024, we opened three international franchised locations, including one each in Canada, Honduras, and the Philippines.

While we anticipate the majority of the Denny's restaurants related to various domestic and international development agreements will be opened generally as scheduled, from time to time some of our franchisees' ability to grow and meet their development commitments may be hampered by the economy, the lending environment or other circumstances.

### ***Franchise Focused Business Model***

We expect the majority of our future restaurant openings and growth of the Denny's brand to come primarily from the development of franchised restaurants. The table below sets forth information regarding the distribution of single-store and multi-store franchisees as of December 25, 2024:

<b>Number of Denny's Restaurants Owned</b>	<b>Franchisees</b>	<b>Percentage of Franchisees</b>	<b>Restaurants</b>	<b>Percentage of Restaurants</b>
One	78	38.4 %	78	5.4 %
Two to five	65	32.0 %	206	14.3 %
Six to ten	28	13.8 %	218	15.2 %
Eleven to twenty	17	8.4 %	238	16.6 %
Twenty-one to thirty-five	6	3.0 %	170	11.8 %
Thirty-six and over	9	4.4 %	528	36.7 %
Total	203	100.0 %	1,438	100.0 %

### ***Keke's Development***

In 2024, Keke's cafe openings were a combination of company operated cafes and franchised cafes. We anticipate we will continue opening company operated cafes to accelerate the expansion of the brand into new markets with the intent of refranchising company operated cafes to franchisees over time. We anticipate the growth of the Keke's brand to come primarily from the development of franchised cafes. As of December 25, 2024, we had 23 development agreements for 141 Keke's franchised cafes.

### ***Site Selection***

The success of any restaurant is significantly influenced by its location. Our development teams work closely with franchisees and real estate brokers to identify sites that meet specific standards. Sites are evaluated based on a variety of factors, including but not limited to:

- demographics;
- traffic patterns;
- visibility;
- building constraints;
- competition;
- environmental restrictions; and
- proximity to high-traffic consumer activities.

### **Product Development and Marketing**

The Denny's name has been associated with high-quality, reasonably priced entrees, appetizers, desserts, and beverages which have appealed to guests across all generations for over 70 years. As a leading full-service family dining brand, we've developed a craveable, indulgent menu that forges brand loyalty, attracts new generations of fans to Denny's and establishes the framework for our primary marketing strategies.

### ***Menu Offerings***

As "America's Diner," Denny's has created a menu featuring a large selection of craveable items served in a friendly and welcoming atmosphere for all guests. We offer a variety of options for breakfast, lunch, dinner and late-night including classic entrees, handhelds, appetizers, desserts and beverages. Most Denny's restaurants also offer kid's menus and senior specials. Continuous product innovation is essential to meeting the needs of our consumers, including new offerings within our core breakfast platform, adding value across signature bundles, such as Super Slam, and delivering crave-worthy core menu and limited-time-only recipes. Our Denny's menu can be conveniently enjoyed by guests either in our restaurants, via takeout, curbside or delivery through our Denny's on Demand platform and third-party delivery providers.

Denny's online ordering platform enables our guests to order whatever they want, whenever they want. Guests can also order from Dennys.com or the Denny's mobile app, which provides a personalized online ordering experience. Both the mobile app

and website make it easy for guests to order their favorite Denny's items for takeout or delivery. Denny's Rewards members can access their digital wallets to receive rewards and promotions, both in-restaurant, online and via the Denny's mobile app.

### ***Product Development***

Denny's, a consumer-driven brand focused on craveable food and hospitality, provides a variety of menu choices for any time of day in a warm and comfortable atmosphere. Our Product Development team innovates menu items that delight our guests. This team leverages insight from the most up-to-date trend data, primary and secondary qualitative and quantitative research, franchise expertise, vendor innovation and operator experiences. These insights come together to form the strategic foundation for menu architecture, pricing, promotion and advertising.

Before introducing a new menu item to market, we test the idea with consumers. We ensure that our culinary standards, food science and technology efficiencies, nutritional analysis, financials and operational execution all meet the business requirements. This testing process ensures that new menu items are not only appealing, competitive, profitable and marketable, but can be prepared and delivered with excellence in our restaurants.

We continually evolve our menu with new innovations and improvements to meet the ever-changing consumer needs.

### ***Product Sources and Availability***

Most food products, paper and packaging supplies, and equipment used in all company and franchised restaurant operations are distributed to individual restaurants by third-party distribution companies. Our centralized purchasing programs are designed to ensure uniform product quality as well as to minimize food, beverage and supply costs. The size of our brands provide significant purchasing power, which often enables us to obtain products at favorable prices from nationally recognized suppliers.

In the United States, the majority of Denny's products are purchased and distributed through McLane Company, Inc. under a long-term distribution contract. Outside the United States, we and our International Denny's franchisees primarily use decentralized sourcing and distribution systems involving many different global, regional and local suppliers and distributors. Our international franchisees generally select and manage their own third-party suppliers and distributors, subject to our internal standards. All suppliers and distributors are expected to provide products and/or services that comply with all applicable laws, rules and regulations in the state and/or country in which they operate as well as comply with our internal standards.

We believe that satisfactory alternative sources of supplies are generally available for all of the items regularly used by our restaurants. We have not experienced any material shortages of food, equipment, or other products which are necessary to our restaurant operations.

### ***Marketing and Advertising***

We deploy national, local and co-operative marketing strategies to promote and amplify Denny's brand strengths as "America's Diner." Through integrated marketing strategies, we promote our various premium breakfast, lunch, and dinner entrees alongside our value platform and limited time offer promotions. We also support messaging our off-premises business.

The Denny's Marketing Team anticipates consumer and market trends to fully leverage consumer insights to determine strategies for brand communication and demand generation. We participate in comprehensive, integrated marketing activities, including broadcast, radio, digital and social advertising; multicultural marketing; public relations and brand reputation; customer relationship management; field marketing; and national and local promotions.

## **Restaurant Operations**

### ***Management & Operations***

We believe that the consistent and reliable execution of basic restaurant operations in each of our restaurants, whether it is company or franchised, is critical to our success. We expect both our company and franchised restaurants to maintain the same high brand standards. Our standards are, and have been, critical to Denny's success. They include best in class quality and preparation of food, meeting and exceeding our guests' expectations for service, cleanliness and value and providing a friendly experience at each restaurant.



## ***Brand Protection, Quality & Regulatory Compliance***

Maintaining brand standards is of the utmost importance for each of our brands. We pride ourselves in serving our guests food that is safe, wholesome and meets our quality standards. Our systems are based on Hazard Analysis and Critical Control Points (“HACCP”) principles. To ensure this basic expectation of our guests, we have systems in place that require solely the use of approved vendors and distributors which can meet and follow our product specifications and food handling procedures. Vendors, distributors and restaurant employees follow regulatory requirements (federal, state and local), industry “best practices” and Brand Standards.

## **Human Capital**

Human capital management considerations are at the core of Our Guiding Principles, the drivers of which include leveraging our culture of belonging and the capability of our people to fuel brand performance and franchise success, as well as recruiting and equipping high quality restaurant operators to deliver great customer experiences. As of December 25, 2024, we had approximately 3,800 employees of whom approximately 3,400 were employees of our company-owned restaurants and approximately 400 were corporate employees at our restaurant support centers or in the field. Our commitments and progress towards executing this strategy in support of employee experience and performance are reflected below.

### ***Be Well***

We focus on the whole person.

We offer comprehensive benefits that support our team members and their families’ overall well-being. We also contribute to programs that provide our team members with financial security, now and in the future. We offer a robust set of benefits and rewards that focus on recognition, career building, health and wellness, and other perks that are designed to make our employees’ experience productive and fun. We assess our culture and listen to our workforce through periodic employee engagement surveys. Numerous policy changes have been made or been influenced by the feedback we receive from our employees.

We are proud to offer Modern Health Mental Wellness benefits to all full-time employees and family members and a full featured Employee Assistance Program to all other employees. This confidential program is available 24/7 for personal or professional consultations. In addition, we provide our employees with access to a safe harbored 401(k) savings plan, tuition reimbursement, life insurance options, and a competitive vacation policy. Our compensation and performance evaluation systems are carefully designed to maintain pay equity by focusing pay decisions on experience and performance to ensure the Company retains a highly productive workforce to operate our business while providing a high level of service to our guests.

### ***Learning and Development***

We invest in team members’ success through education and training. Our Breakthrough Leadership Training and Development program provides our team members with exclusive access to numerous creative and interactive employee engagement curricula, leadership workshops, simulations, mobile learning and educational training videos. This unique program helps develop a wide range of skills, including leadership, people management, guest service, inventory management, food preparation and food safety – skills that help workers successfully operate in the restaurant industry.

### ***Our Corporate Commitment***

We have developed industry-leading initiatives that spotlight differences in all areas in order to build a culture that values, understands, and embraces team members from all walks of life while ensuring alignment with our corporate strategy and core values. It is our mission to use Denny’s culture – wildly diverse, demonstrably inclusive, and unquestionably fair and equal in opportunity for all – to grow shareholder value. As America’s Diner, we aim to be a place that employs all, buys from all, promotes all, serves all, and supports all as a natural extension of who we are.

### ***Inclusion & Community Engagement***

Our investment in people includes creating a culture of belonging that attracts, retains and fosters the growth of the best people and creates high performance in our restaurants. We value and are proud of our community engagement including our investment in causes that are important to our employees, franchisees and communities, such as:

- our education initiatives through our Denny’s Hungry for Education® Scholarship program,

- helping fight childhood hunger through No Kid Hungry,
- our commitment to developing more diverse franchisees,
- increasing our spend with diverse businesses, and
- serving hope to those in need through our Denny's Mobile Relief Diner

### ***Business Resource Groups and Inclusion Council***

Our Business Resource Groups and Inclusion Council, made up of members from all levels of the organization, collaborate on initiatives designed to renew our workplace and create business results that will strengthen the reputation of our brands and increase guest satisfaction and market share. They serve as ambassadors, bridge builders, data collectors, educators, accountability partners and champions of inclusion and community engagement within our brands. Additionally, they help foster a more inclusive work environment, improve communication and provide encouragement and an enhanced sense of belonging through informal mentoring, participation in professional and community events, and access to personal and professional development and growth opportunities.

### ***Diversity by the Numbers***

We believe in accountability that starts with our leadership and extends to all of our team members. Diverse team members make up approximately:

- 75% of our total workforce and 77% of restaurant management
- 64% of our domestic restaurants are owned by diverse franchisees
- 9% of our domestic restaurants are owned by women
- Our Board of Directors consists of nine directors – 56% are from a diverse background and 56% are women
- 5% of our domestic restaurants are owned by individuals who identify as members of the LGBTQ+ community

### **Information Technology**

The mission of our Information Technology department is to align our technology strategy in support of our business strategies. We focus on leveraging technology to drive efficiencies, simplify and standardize operations, and streamline the guest experience. We also deliver solutions that support financial and regulatory needs in addition to necessary business improvements.

We rely on information technology systems in all aspects of our operations. At the restaurant level, systems include point-of-sale platforms along with systems and tools for kitchen operations, labor scheduling, inventory management, cash management and credit card transaction processing. Our technology platform includes industry-standard market solutions as well as proprietary software and integration, yielding tools and information managers need to run efficient and effective restaurants. We invest in new technologies and R&D efforts to improve operations and enhance the guest experience through innovative solutions like online ordering and payment for pick-up and delivery.

At the corporate level, we have a robust Enterprise Resource Planning (“ERP”) platform that supports finance, accounting, human resources and payroll functions. Our ERP is a cloud-based market solution, enabling us to take advantage of continual software improvements aligned with industry best practices. We also have and are continuing to develop systems that consolidate and report on data from our franchised and company restaurants, including transaction-level detail. These systems are collectively supported by an enterprise network that facilitates seamless connectivity for applications and data throughout our business infrastructure.

Our information technology systems have been designed to protect against unauthorized access and data loss. We are continuously focused on enhancing our cybersecurity capabilities. We are required to maintain the highest level of Payment Card Industry (“PCI”) Data Security Standard (“DSS”) compliance. We are also required to protect critical and sensitive data for our employees, customers, and the Company. These standards are set by a consortium of major credit card companies and require certain levels of system security and procedures to protect our customers’ credit card and other personal information. We have deployed payment technologies that are Europay, Mastercard, Visa (“EMV”) certified, and we employ point-to-point encryption to ensure no credit card data is stored within our restaurants. Further, we monitor franchisees’ compliance with PCI standards.

We have augmented our technology infrastructure, primarily within digital and in-restaurant systems, to support the changing dynamics of our industry and guest expectations. These enhancements were introduced through our standard change control

mechanisms and followed prescribed standards for testing and introduction into our environment. There were no material changes introduced into the core of our technology operating systems, and all PCI—DSS compliance standards were followed.

In addition, we continue to invest in technologies that protect consumer data and are compliant with the California Consumer Privacy Act, California Privacy Rights Act, and similar data privacy regulations.

See “Risk Factors” for further information regarding Information Technology and “Cybersecurity” for further information regarding our approach to cybersecurity.

### **Seasonality**

Restaurant sales are generally higher in the second and third calendar quarters (April through September) than in the fourth and first calendar quarters (October through March). Additionally, severe weather, storms and similar conditions may impact sales volumes seasonally in some operating regions.

### **Trademarks and Service Marks**

Through our wholly-owned subsidiaries, we have certain trademarks and service marks registered with the United States Patent and Trademark Office and in international jurisdictions, including, but not limited to, “Denny’s®,” and “Keke’s Breakfast Café®.” We consider our trademarks and service marks important to the identification of our company and franchised restaurants and believe they are of material importance to the conduct of our business. Additionally, we have registered various domain names on the internet incorporating certain trademarks and service marks, which we consider integral to our brand identity. We are committed to protecting the value and integrity of our intellectual property. When unauthorized use or infringement of our trademarks, service marks, or related assets is suspected, we will take appropriate action, including legal measures, when necessary, to enforce our rights. Generally, with appropriate renewal and use, the registration of our service marks and trademarks will continue indefinitely.

### **Competition**

The restaurant industry is highly competitive. Restaurants compete on the basis of name recognition and advertising; the price, quality, variety and perceived value of their food offerings; the quality and speed of their guest service; the location and attractiveness of their facilities; and the convenience of to-go ordering and delivery options.

Our direct competition in the full-service category includes a collection of national and regional chains, as well as thousands of independent operators. We also compete with quick service restaurants as they attempt to upgrade their menus with premium sandwiches, entrée salads, new breakfast offerings and extended hours as well as grocery store chains as they enhance their ready-to-eat offerings to consumers.

We believe we have a number of competitive strengths, including strong brand recognition, well-located restaurants and market penetration. We benefit from economies of scale in a variety of areas, including advertising, purchasing and distribution. Additionally, we believe that we have competitive strengths in the value, variety and quality of our food products, and in the quality and training of our employees. See “Risk Factors” for additional factors relating to our competition in the restaurant industry.

### **Economic, Market and Other Conditions**

The restaurant industry is affected by many factors, including changes in national, regional and local economic conditions affecting consumer spending; the political environment (including acts of war and terrorism); changes in customer travel patterns including changes in the price of gasoline; changes in socio-demographic characteristics of areas where restaurants are located; changes in consumer tastes and preferences; food safety and health concerns; outbreaks of flu or other viruses (such as COVID-19 and avian flu) or other diseases; increases in the number of restaurants; and unfavorable trends affecting restaurant operations, such as rising wage rates, health care costs, utility expenses and unfavorable weather. See “Risk Factors” for additional information.

### **Government Regulations**

We and our franchisees are subject to federal, state, local and international laws and regulations governing various aspects of the restaurant business, such as compliance with various minimum wage, overtime, health care, sanitation, food safety, citizenship, and fair labor standards, as well as laws and regulations relating to safety, fire, zoning, building, consumer



protection, tariffs and taxation. We are subject to a variety of federal, state, and international laws governing franchise sales and the franchise relationship, as well as judicial and administrative interpretations of such laws.

The operation of our franchise system is also subject to regulations enacted by a number of states and rules promulgated by the Federal Trade Commission. Such regulations impose registration and disclosure requirements on franchisors in the offer and sale of franchises and may also apply substantive standards to the relationship between franchisor and franchisee, including limitations on the ability of franchisors to terminate or alter franchise agreements. Due to our international franchising, we are subject to governmental regulations throughout the world impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act.

We believe we are in material compliance with applicable laws and regulations, but we cannot predict the effect on operations of the enactment of additional regulations in the future.

We have implemented applicable aspects of The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act. However, the law or other related requirements may change.

See “Risk Factors” for a discussion of risks related to governmental regulation of our business.

### Information about our Executive Officers

The following table sets forth information with respect to each executive officer as of the filing date of this report:

Name	Age	Positions
Christopher D. Bode	62	President and Chief Operating Officer, Denny’s, Inc.
Stephen C. Dunn	60	Executive Vice President and Chief Global Development Officer
Jay C. Gilmore	55	Senior Vice President, Chief Accounting Officer and Corporate Controller
Minh Le	51	Senior Vice President and Chief Technology Officer
Gail Sharps Myers	55	Executive Vice President, Chief Legal & Administrative Officer and Corporate Secretary
Monigo G. Saygbay-Hallie	51	Executive Vice President and Chief People Officer
David P. Schmidt	54	President, Keke’s, Inc.
Kelli F. Valade	55	Chief Executive Officer
Robert P. Verostek	53	Executive Vice President and Chief Financial Officer

Mr. Bode has been President and Chief Operating Officer of Denny’s, Inc. since September 2024. He previously served as President of Hardees USA from November 2023 to September 2024, as Chief Operating Officer of Hardees USA from September 2022 to November 2023, as Executive Vice President, Chief Operating Officer of Denny’s Corporation from February 2021 to August 2022 and as Senior Vice President and Chief Operating Officer of Denny’s Corporation from October 2014 to February 2021.

Mr. Dunn has been Executive Vice President and Chief Global Development Officer since April 2021. He previously served as Senior Vice President and Chief Global Development Officer from July 2015 to April 2021, as Senior Vice President, Global Development from April 2011 to July 2015 and as Vice President, Company and Franchise Development from September 2005 to April 2011.

Mr. Gilmore has been Senior Vice President, Chief Accounting Officer and Corporate Controller since February 2021. He previously served as Vice President, Chief Accounting Officer and Corporate Controller from May 2007 to February 2021.

Mr. Le has been Senior Vice President and Chief Technology Officer since September 2024. He previously served as Chief Information Officer of Checkers & Rally's Drive-In Restaurants from July 2019 to September 2024 and as Senior Vice President, IT of Corner Bakery Cafe from December 2015 to July 2019.

Ms. Sharps Myers has been Executive Vice President, Chief Legal & Administrative Officer and Corporate Secretary since February 2024. She previously served as Executive Vice President, Chief Legal Officer and Corporate Secretary from August 2023 to February 2024, as Executive Vice President, Chief Legal Officer, Chief People Officer and Corporate Secretary from February 2021 to August 2023 and as Senior Vice President, General Counsel and Corporate Secretary from June 2020 to February 2021. Prior to joining the Company, she served as Executive Vice President, General Counsel, Chief Compliance Officer and Secretary of American Tire Distributors, Inc. from May 2018 to May 2020, as Senior Vice President, General Counsel and Secretary at Snyder's-Lance, Inc. from January 2015 to March 2018 and as Senior Vice President, Deputy General Counsel, Chief Compliance Counsel and Assistant Secretary from 2014 to 2015 at US Foods, Inc. (capping off a 10-year career there).

Ms. Saygbay-Hallie has been Executive Vice President and Chief People Officer since August 2024. She previously served as Senior Vice President, Chief People Officer of Checkers & Rally's Drive-In Restaurants from January 2022 to August 2024 and as Vice President, Human Resources of XPO Logistics, Inc. from July 2019 to October 2021.

Mr. Schmidt has been President of Keke's, Inc. since September 2022. He previously served as Executive Vice President and Chief Financial Officer of Red Lobster from March 2022 to September 2022, as Vice President and Chief Financial Officer of Casual Dining at Bloomin' Brands, Inc. from March 2019 to March 2022 and as President, Bonefish Grill from April 2016 to March 2019.

Ms. Valade has been Chief Executive Officer since September 2022. She joined the Company first serving as Chief Executive Officer and President from June 2022 to September 2022 and became a member of our Board of Directors in July 2022. Prior to joining the Company, she served as Chief Executive Officer of Red Lobster from August 2021 to April 2022, as Chief Executive Officer and President of Black Box Intelligence (the leading data and insights provider of workforce, guest, consumer and financial performance benchmarks for the hospitality industry) from January 2019 to July 2021 and as Chili's Brand President from June 2016 to October 2018.

Mr. Verostek has been Executive Vice President and Chief Financial Officer since February 2021. He previously served as Senior Vice President and Chief Financial Officer from February 2020 to February 2021, as Senior Vice President, Finance from October 2016 to February 2020 and as Vice President, Financial Planning & Analysis and Investor Relations from January 2012 to October 2016.

### **Available Information**

We make available free of charge through our website at [investor.dennys.com](http://investor.dennys.com) (in the SEC Filings section) copies of materials that we file with, or furnish to, the Securities and Exchange Commission ("SEC"), including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. The SEC also maintains an internet website at [www.sec.gov](http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. In addition, we have made available on our website (in the Corporate Governance - Code of Conduct section) our code of ethics entitled "Denny's Code of Conduct" which is applicable to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Corporate Controller, all other executive officers, key financial and accounting personnel and each salaried employee of the Company.

We will post on our website any amendments to, or waivers from, a provision of the Denny's Code of Conduct that applies to the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer and Corporate Controller or persons performing similar functions, and that relates to (i) honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships; (ii) full, fair, accurate, timely, and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications made by us; (iii) compliance with applicable governmental laws, rules and regulations; (iv) the prompt internal reporting of violations of Denny's Code of Conduct to an appropriate person or persons identified in the code; or (v) accountability to adherence to the code.

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

Various risks and uncertainties could affect our business. Any of the risk factors described below or elsewhere in this report or our other filings with the SEC could have a material and adverse impact on our business, financial condition and results of operations. In any such event, the trading price of our common stock could decline. It is not possible to predict or identify all risk factors. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also impair our business operations.

### **Risks Related to Macroeconomic Conditions**

*A decline in general economic conditions could adversely affect our financial results.*

Consumer spending habits, including discretionary spending on dining at restaurants such as ours, are affected by many factors including:

- prevailing economic conditions, including interest rates;
- energy costs, especially gasoline prices;
- levels of employment;
- salaries and wage rates, including tax rates;
- other taxes;
- increased uncertainty related to tariffs;
- impacts on food prices, especially in regards to egg prices, resulting from the most recent outbreak of avian flu; and
- consumer confidence.

Weakness or uncertainty regarding the economy, both domestic and international, as a result of reactions to consumer credit availability, increasing energy prices, inflation, increasing interest rates, unemployment, pandemics such as the COVID-19 pandemic and other outbreaks of illness, such as a higher than average rate of influenza, adverse weather conditions, natural disasters, war, terrorist activity or other unforeseen events could adversely affect consumer spending habits, which may result in lower operating revenue.

### **Risks Related to Restaurant Operations and the Restaurant Industry**

*The restaurant business is highly competitive, and if we are unable to compete effectively, our business will be adversely affected.*

Each of our company and franchised restaurants competes with a wide variety of restaurants ranging from national and regional restaurant chains to locally owned restaurants. The following are important aspects of competition:

- restaurant location;
- advantageous commercial real estate suitable for restaurants;
- number and location of competing restaurants;
- attractiveness and repair and maintenance of facilities;
- ability to develop and support evolving technology to deliver a consistent and compelling guest experience;
- food quality, new product development and value;
- dietary trends, including nutritional content;
- training, courtesy and hospitality standards;
- ability to attract and retain high quality staff;
- quality and speed of service; and
- the effectiveness of marketing and advertising programs, including the effective use of social media platforms and digital marketing initiatives.

If we are unable to compete effectively, we could experience lower demand for our products, downward pressure on prices, reduced margins, a loss of market share, reduced franchisee profitability and an inability to attract qualified franchisees in the future, all of which could lead to an increase in restaurant closures or an inability of current and future franchisees to open new restaurants.



***Our returns and profitability may be negatively impacted by a number of factors, including those described below.***

Food service businesses and the performance of company and franchised restaurants may be materially and adversely affected by factors such as:

- consumer preferences, including nutritional and dietary concerns;
- consumer spending habits;
- global, national, regional and local economic conditions;
- demographic trends;
- traffic patterns;
- the type, number and location of competing restaurants; and
- the ability to renew leased properties on commercially acceptable terms, if at all.

Dependence on frequent deliveries of fresh produce and other food products subjects food service businesses to the risk that shortages or interruptions in supply caused by adverse weather, food safety warnings, animal disease outbreak or other conditions beyond our control could adversely affect the availability, quality and cost of ingredients. Our inability to effectively manage supply chain risk could increase our costs and limit the availability of products critical to restaurant operations.

In addition, the food service industry in general, and our results of operations and financial condition in particular, may be adversely affected by unfavorable trends or developments, such as:

- volatility in certain commodity markets;
- increased food costs;
- health concerns arising from food safety issues and other food-related pandemics, outbreaks of flu or viruses, such as COVID-19, avian flu (such as the outbreak ongoing in early 2025) or other diseases;
- increased energy costs;
- labor and employee benefits costs (including increases in minimum hourly wage, employment tax rates, health care costs and workers' compensation costs);
- regional weather conditions;
- the availability of experienced management and hourly employees; and
- other general inflation impacts.

Operating results that are lower than our current estimates may cause us to incur impairment charges on certain long-lived assets and potentially close certain restaurants.

***The financial performance of our franchisees can negatively impact our business.***

As we are heavily franchised, our financial results are contingent upon the operational and financial success of our franchisees. We receive royalties, advertising contributions and, in some cases, lease payments from our franchisees. While our franchise agreements are designed to require our franchisees to maintain brand consistency, the significant percentage of franchise-operated restaurants may expose us to risks not otherwise encountered if we maintained ownership and control of the restaurants. If our franchisees do not successfully operate their restaurants in a manner consistent with our standards, or if customers have negative experiences due to issues with food quality or operational execution at our franchised locations, our brands could be harmed, which in turn could negatively impact our business. Additional risks include:

- franchisee defaults on their obligations to us arising from financial or other difficulties encountered by them, such as the inability to pay financial obligations including royalties, rent on leases on which we retain contingent liability, and certain loans;
- limitations on enforcement of franchisee obligations due to bankruptcy or insolvency proceedings;
- the inability to participate in business strategy changes due to financial constraints;
- failure to operate restaurants in accordance with required standards, including food quality and safety; and
- impacts of the financial performance of other businesses operated by franchisees on the overall financial performance and condition of the franchisee.

If a significant number of franchisees become financially distressed, it could harm our operating results. For 2024, our ten largest franchisees accounted for approximately 38% of our total franchise and license revenue. The balance of our franchise revenue was derived from the remaining 218 Denny's and Keke's franchisees.

***The locations of company and franchised restaurants may cease to be attractive as demographic patterns change.***

The success of our company and franchised restaurants is significantly influenced by location. Current locations may not continue to be attractive as demographic patterns change. It is possible that economic or other conditions where restaurants are located could decline in the future, potentially resulting in reduced sales at those locations.

***Food safety and quality concerns may negatively impact our business and profitability.***

Incidents or reports of foodborne or waterborne illness, or other food safety issues, food contamination or tampering, employee hygiene and cleanliness failures, improper employee conduct, or presence of communicable disease at our restaurants or suppliers could lead to product liability or other claims. Such incidents or reports could negatively affect our brands and reputation, and a decrease in customer traffic resulting from these reports could negatively impact our revenues and profits. Similar incidents or reports occurring at other restaurant brands unrelated to us could likewise create negative publicity, which could negatively impact consumer behavior towards us. In addition, if a regional or global health pandemic occurs, depending upon its location, duration and severity, our business could be severely affected.

We rely on our domestic and international vendors, as do our franchisees, to provide quality ingredients and to comply with applicable laws and industry standards. A failure of one of our domestic or international vendors to meet our quality standards, or meet domestic or international food industry standards, could result in a disruption in our supply chain and negatively impact our brand and our business and profitability. Our inability to manage an event such as a product recall or product related litigation could also cause our results to suffer.

***Unfavorable publicity, or a failure to respond effectively to adverse publicity, could harm the reputations of our brands.***

Multi-unit food service businesses such as ours can be materially and adversely affected by widespread negative publicity of any type, including food safety, outbreak of flu or viruses or other health concerns, criminal activity, guest discrimination, harassment, employee relations or other operating issues. The increasing use of social media platforms has increased the speed and scope of unfavorable publicity and could hinder our ability to quickly and effectively respond to such reports. Regardless of whether the allegations or complaints are accurate or valid, negative publicity relating to a particular restaurant or a limited number of restaurants could adversely affect public perception of any of our brands.

***A decline in general economic conditions could adversely affect our financial results.***

Consumer spending habits, including discretionary spending on dining at restaurants such as ours, are affected by many factors including:

- prevailing economic conditions, including interest rates;
- energy costs, especially gasoline prices;
- inflationary pressures, including grocery prices;
- levels of employment;
- salaries and wage rates, including tax rates; and
- consumer confidence.

Weakness or uncertainty regarding the economy, both domestic and international, as a result of reactions to consumer credit availability, increasing energy prices, inflation, increasing interest rates, unemployment, war, terrorist activity or other unforeseen events could adversely affect consumer spending habits, which may result in lower operating revenue.

***If we fail to recruit, develop and retain talented employees, our business could suffer.***

Our future success significantly depends on the continued services and performance of our key management personnel. Our future performance will depend on our ability to attract, motivate and retain these and other key officers and key team members, particularly regional and area managers and restaurant general managers. Competition for these employees is intense.

If we fail to attract or retain key officers and team members, our succession planning and operations could be materially and adversely affected. We continue to recruit, retain and motivate management and other employees sufficiently to maintain our current business and support our projected growth. We have experienced and may continue to experience challenges in recruiting and retaining team members in various locations.

## **Risks Related to Development Strategies**

***Our growth strategy depends on our ability and that of our franchisees to open new restaurants.***

The development of new restaurants may be adversely affected by risks such as:

- inability to identify suitable franchisees;
- costs and availability of capital for the Company and/or franchisees;
- competition for restaurant sites;
- negotiation of favorable purchase or lease terms for restaurant sites;
- inability to obtain all required governmental approvals and permits;
- delays in completion of construction;
- cost of materials;
- challenge of identifying, recruiting and training qualified restaurant managers;
- restaurants not achieving the expected revenue or cash flow once opened;
- expansion of the Keke's brand outside of the state of Florida due to lower customer awareness in a highly competitive category;
- challenges specific to the growth of international operations that are different from domestic development; and
- general economic conditions.

Delays or failures in opening new restaurants could adversely affect our planned growth and operating results.

***The expansion of the Denny's brand into international markets may present increased risks due to lower customer awareness of our brand, our unfamiliarity with those markets and other factors.***

The international markets in which our franchisees currently operate, and any additional markets our franchisees may enter outside of the United States, have many differences compared to our domestic markets. There may be lower consumer familiarity with the Denny's brand in these markets, as well as different competitive conditions, consumer tastes and economic, political and health conditions. Additionally, there are risks associated with sourcing quality ingredients and other commodities in a cost-effective and timely manner. As a result, franchised international restaurants may take longer to reach expected sales and profit levels, or may never do so, thereby affecting the brand's overall growth and profitability. Building brand awareness may take longer than expected, which could negatively impact our profitability in those markets.

We are subject to governmental regulations in our international markets impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our results of operations and financial condition.

## **Legal and Regulatory Risks**

***Litigation may adversely affect our business, financial condition and results of operations.***

We are subject to the risk of, or are involved in from time to time, complaints or litigation brought by former, current or prospective employees, customers, franchisees, vendors, landlords, regulatory agencies, shareholders or others. We assess contingencies to determine the degree of probability and range of possible loss for potential accrual in our financial statements. An estimated loss contingency is accrued if it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. Because lawsuits are inherently unpredictable and unfavorable resolutions could occur, assessing contingencies is highly subjective and requires judgments about future events. We regularly review contingencies to determine the adequacy of the accruals and related disclosures. However, the amount of ultimate loss may differ from these estimates. A judgment that is not covered by insurance or that is significantly in excess of our insurance coverage for any claims could materially adversely affect our financial condition or results of operations. In addition, regardless of whether any claims against us are valid or whether we are found to be liable, claims may be expensive to defend, and may divert management's attention away from operations and hurt our performance. Further, adverse publicity resulting from claims may harm our business or that of our franchisees.



***Our amended and restated by-laws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.***

Our amended and restated by-laws provide that consistent with the applicable provisions of the Delaware General Corporation Law (the "DGCL"), unless our Board of Directors, acting on behalf of the Company, consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for any and all internal corporate claims, including but not limited to:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of fiduciary duty owed by any stockholder, director, officer, other employee or stockholder of the Company to us or our stockholders;
- any action arising pursuant to any provision of the DGCL or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware; and
- any action asserting a claim against us that is governed by the internal affairs doctrine.

These provisions would not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended (the "Exchange Act") or any claim for which the federal district courts of the United States of America have exclusive jurisdiction. Furthermore, Section 22 of the Securities Act of 1933, as amended (the "Securities Act") creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims.

Our stockholders cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of, and consented to, the provisions of our amended and restated by-laws described in the preceding sentences.

While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than that designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated by-laws. This may require significant additional costs associated with resolving such action in other jurisdictions, and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

This choice of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees. If any other court of competent jurisdiction were to find the exclusive-forum provision in our amended and restated by-laws to be inapplicable or unenforceable, we may incur additional costs associated with resolving the dispute in other jurisdictions.

***Numerous government regulations impact our business, and our failure to comply with them could adversely affect our business.***

We are subject to federal, state, local and international laws and regulations governing, among other things:

- preparation, labeling, advertising and sale of food;
- sanitation;
- health and fire safety;
- land use, sign restrictions and environmental matters, including those associated with efforts to address climate change;
- employee health care requirements;
- management and protection of the personnel data of our guests, employees and franchisees;
- payment card regulation and related industry rules;
- the sale of alcoholic beverages;
- hiring and employment practices, including minimum wage and tip credit laws and fair labor standards; and
- Americans with Disabilities Act.

A substantial number of our employees are paid the minimum wage. Accordingly, increases in the minimum wage or decreases in the allowable tip credit (which reduces wages deemed to be paid to tipped employees in certain states) increase our labor costs. We have attempted to offset increases in the minimum wage through pricing and various cost control efforts; however, there can be no assurance that we will be successful in these efforts in the future.

The operation of our franchisee system is also subject to regulations enacted by a number of states and rules promulgated by the Federal Trade Commission. Due to our international franchising, we are subject to governmental regulations throughout the world impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Additionally, given our significant concentration of restaurants in California, changes in regulations in that state could have a disproportionate impact on our operations. If we or our franchisees fail to comply with these laws and regulations, we or our franchisees could be subjected to restaurant closure, fines, penalties and litigation, which may be costly and could adversely affect our results of operations and financial condition. In addition, the future enactment of additional legislation regulating the franchise relationship could adversely affect our operations.

We have implemented applicable aspects of The Patient Protection and Affordable Care Act and the Health Care and Education Affordability Reconciliation Act. However, the law or other related requirements may change.

We are also subject to federal, state, local and international laws regulating the offer and sale of franchises. Such laws impose registration and disclosure requirements on franchisors in the offer and sale of franchises, and may contain provisions that supersede the terms of franchise agreements, including limitations on the ability of franchisors to terminate franchises and alter franchise arrangements.

***Existing and changing legal and regulatory requirements, as well as an increasing focus on environmental, social and governance issues, could adversely affect our brand, business, results of operations and financial condition.***

There has been increasing public focus by investors, environmental activists, the media and governmental and nongovernmental organizations on social and environmental sustainability matters, including packaging and waste, animal health and welfare, human rights, climate change, greenhouse gases and land, energy and water use. As a result, not only have we experienced increased pressure from our shareholders but they now have a heightened level of expectation for us to provide expanded disclosure and make commitments, establish goals or set targets with respect to various environmental and social issues and to take the actions necessary to meet those commitments, goals and targets. If we are not effective in addressing social and environmental sustainability matters, consumer trust in our brand may suffer. In addition, the actions needed to achieve our commitments, goals and targets could result in market, operational, execution and other costs, which could have a material adverse effect on our results of operations and financial condition. Our results of operations and financial condition could be adversely impacted if we are unable to effectively manage the risks or costs to us, our franchisees and our supply chain associated with social and environmental sustainability matters.

***Being liable as a joint employer could adversely affect our business***

Joint employer status is a developing area of franchise and labor and employment law that could be subject to changes in legislation, administrative agency interpretation or jurisprudential developments that may increase franchisor liability in the future. Following the federal court's invalidation of the National Labor Relations Board's 2023 rule, the legal standards around joint employment continue to evolve as the likelihood of the National Labor Relations Board addressing joint employer liability in a new rulemaking or through adjudication remains. As the joint employer standard reverts to the 2020 rule, and with the looming possibility of the establishment of a new standard through rulemaking or case adjudication, we face challenges in accurately assessing potential impacts, which could include liability for unfair labor practices and other violations by franchisees or we could be required to conduct collective bargaining negotiations regarding employees of franchisees, who are independent employers. In such event, our operating costs may increase as a result of required modifications to business practices, increased litigation, governmental investigations or proceedings, administrative enforcement actions, fines and civil liability. Employee claims that are brought against us as a result of joint employer standards and status may also, in addition to legal and financial liability, create negative publicity that could adversely affect our brands and divert financial and management resources. A significant increase in the number of these claims, or an increase in the number of successful claims, could adversely impact the reputation of our brands, which may cause significant harm.

***If our internal controls are ineffective, we may not be able to accurately report our financial results or prevent fraud.***

Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with accounting principles generally accepted in the United States. We maintain a documented system of internal controls which is reviewed and tested by the Company's full time Internal Audit department. The Internal Audit department reports directly to the Audit and Finance Committee of the Board of Directors. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that we would prevent or detect a misstatement of our financial statements or fraud. Any failure to maintain an effective system of internal control over

financial reporting could limit our ability to report our financial results accurately and timely or to detect and prevent fraud. A significant financial reporting failure or material weakness in internal control over financial reporting could cause a loss of investor confidence and decline in the market price of our common stock.

***Changes to existing accounting rules or the questioning of current accounting practices may adversely affect our reported financial results.***

A change in accounting standards can have a significant effect on our reported financial results. New pronouncements and varying interpretations of pronouncements have occurred and may occur in the future. Additionally, generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations are highly complex and involve many subjective assumptions, estimates and judgments by us. Changes in these principles or their interpretations or changes in underlying assumptions, estimates and judgments by us could significantly change our reported or expected financial performance.

## **Information Technology Risks**

***Failure of computer systems, information technology, or the ability to provide a continuously secure network, or cyber attacks against our computer systems, could result in material harm to our reputation and business.***

We and our franchisees rely heavily on computer systems and information technology to conduct business and operate efficiently. We have instituted monitoring controls intended to protect our computer systems, our point-of-sale systems and our information technology platforms and networks against external threats. Those controls include an annual proactive risk assessment, advanced comprehensive analysis of data threats, identification of business email compromise and proper security awareness education. The Audit & Finance Committee of our Board of Directors has oversight responsibility related to our cybersecurity risk management programs and periodically reviews reports on cybersecurity metrics, data privacy and other information technology risks.

We receive and maintain certain personal information about our guests, employees and franchisees. Our use of this information is subject to international, federal and state regulations, as well as conditions included in certain third-party contracts. If our cybersecurity is compromised and this information is obtained by unauthorized persons or used inappropriately, it could adversely affect our reputation, operations, results of operations and financial condition, and could result in litigation against us or the imposition of penalties. As privacy and information security laws and regulations change or cyber risks evolve, we may incur additional costs to ensure we remain compliant.

A material system failure or interruption, a breach in the security of our information technology systems caused by a cyber attack, or other failure to maintain a secure cyber network could result in reduced efficiency in our operations, loss or misappropriation of data, business interruptions, or could impact delivery of food to restaurants or financial functions such as vendor payment or employee payroll. We have disaster recovery and business continuity plans that are designed to anticipate and mitigate such failures, but it is possible that significant capital investment could be required to rectify these problems, or more likely that cash flows could be impacted, in the shorter term.

***We rely on third parties for certain business processes and services. Failure or inability of such third-party vendors to perform subjects us to risks, including business disruption and increased costs.***

We depend on suppliers and other third parties for the operation of certain aspects of our business. Some third-party business processes we utilize include information technology, payment processing, gift card authorization and processing, employee benefits, third-party delivery and other business services. We conduct third-party due diligence and seek to obtain contractual assurance that our vendors will maintain adequate controls, such as adequate security against data breaches. However, the failure of our suppliers to maintain adequate controls or comply with our expectations and standards could have a material adverse effect on our business, financial condition and operating results.

## **Risks Related to Indebtedness**

***Our indebtedness could have an adverse effect on our financial condition and operations.***

As of December 25, 2024, we had total indebtedness of \$271.9 million, including finance leases. Although we believe that our existing cash balances, funds from operations and amounts available under our credit facility will be adequate to cover our cash flow and liquidity needs, we could seek additional sources of funds, including incurring additional debt or through the sale of real estate, to maintain sufficient cash flow to fund our ongoing operating needs, pay interest and scheduled debt amortization and fund anticipated capital expenditures. We have no material debt maturities scheduled until August 2026. The credit agreement governing most of our indebtedness contains various covenants that could have an adverse effect on our business by limiting our ability to take advantage of financing, merger, acquisition or other corporate opportunities and to fund our operations. Restrictions under our credit agreement could also restrict our ability to repurchase shares in the future. If we incur additional debt in the future, covenant limitations on our activities and risks associated with such increased debt levels generally could increase. If we are unable to satisfy or refinance our current debt as it comes due, we may default on our debt obligations and lenders could elect to declare all amounts outstanding to be immediately due and payable and terminate all commitments to extend further credit. For additional information concerning our indebtedness see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.”

## **Risks Related to our Common Stock**

*Many factors, including those over which we have no control, affect the trading price of our common stock.*

Factors such as reports on the economy or the price of commodities, as well as negative or positive announcements by competitors, regardless of whether the report directly relates to our business, could have an impact on the trading price of our common stock. In addition to investor expectations about our prospects, trading activity in our common stock can reflect the portfolio strategies and investment allocation changes of institutional holders, as well as non-operating initiatives such as our share repurchase programs. Evolving business strategies or any failure to meet market expectations whether for same-restaurant sales, restaurant unit growth, earnings per share, or other metrics could cause our share price to decline.

### **Item 1B. *Unresolved Staff Comments***

None.

### **Item 1C. *Cybersecurity***

#### **Risk Management and Strategy**

Denny’s recognizes that cybersecurity is a critical aspect of our business operations and that the protection of sensitive data and information systems is of paramount importance.

We have implemented cybersecurity measures and processes to address and mitigate material risks from cybersecurity threats. On an annual basis, we perform a cybersecurity risk assessment to identify and evaluate risks and potential vulnerabilities that could impact our business. Cybersecurity is also assessed as part of our compliance program. In addition, we have preventative and detective monitoring controls that include robust access controls, privileged access management, vulnerability scanning, penetration testing of our online systems and internal networks, annual employee-wide awareness education, data encryption and incident response plans. These controls help to ensure our cybersecurity program reduces the cyber risk for our environment.

We utilize third-party providers and acknowledge that these providers and partners may pose cybersecurity risks. We have implemented due diligence and oversight processes to ensure our third-party providers adhere to our cybersecurity standards when handling our data and accessing our systems. This includes a risk assessment before acceptance as a provider and continued monitoring through our third-party risk management program.

Denny’s faces various risks associated with cybersecurity threats that could materially affect our business. In the event of a material cybersecurity incident, we are committed to promptly informing our shareholders, customers, and regulatory authorities, as required by applicable law and regulations.

We have not identified any risks from cybersecurity threats (including as a result of any previous cybersecurity incidents) that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition.



## **Governance**

Our Senior Vice President and Chief Technology Officer leads our cybersecurity efforts with periodic updates that include certain metrics, data privacy, and other information technology risks, provided to the Audit and Finance Committee of our Board of Directors. Cybersecurity is a top priority for our Audit and Finance Committee.

In addition, the Company has a Compliance Committee comprised of members of management from our IT Security & Compliance, Legal and Internal Audit teams who work cross-functionally to assess and manage enterprise-wide risks, including cybersecurity. Our Senior Vice President and Chief Technology Officer leads a team of qualified individuals with decades of combined experience in cybersecurity risk management and compliance.

Our cybersecurity program and leadership strive to appropriately protect our brands, employees and guests.

## **Item 2. *Properties***

Most Denny's restaurants are free-standing facilities with property sizes averaging approximately one acre. The restaurant buildings average between 3,800 - 5,000 square feet, allowing them to accommodate an average of 110 - 170 guests. Most Keke's restaurants are attached to shopping centers. The restaurant buildings average between 4,000 - 5,000 square feet, allowing them to accommodate an average of 135 - 170 guests.

The number and location of our restaurants as of December 25, 2024 are presented below:

<b>United States - Denny's</b>	<b>Company</b>	<b>Franchised / Licensed</b>	<b>Total</b>
Alabama	—	5	5
Alaska	—	1	1
Arizona	1	79	80
Arkansas	—	8	8
California	22	332	354
Colorado	—	18	18
Connecticut	—	5	5
Delaware	—	1	1
District of Columbia	—	2	2
Florida	9	108	117
Georgia	—	10	10
Hawaii	2	3	5
Idaho	—	7	7
Illinois	—	43	43
Indiana	—	30	30
Iowa	—	3	3
Kansas	—	4	4
Kentucky	—	10	10
Louisiana	—	6	6
Maine	—	2	2
Maryland	—	23	23
Massachusetts	1	3	4
Michigan	—	12	12
Minnesota	—	13	13
Mississippi	—	4	4
Missouri	—	26	26
Montana	—	2	2
Nebraska	—	3	3
Nevada	7	33	40
New Hampshire	2	—	2
New Jersey	—	6	6
New Mexico	—	29	29
New York	—	33	33
North Carolina	—	17	17
North Dakota	—	3	3
Ohio	—	26	26
Oklahoma	—	7	7
Oregon	—	18	18
Pennsylvania	—	33	33
Rhode Island	—	2	2
South Carolina	—	9	9
South Dakota	—	1	1
Tennessee	—	4	4
Texas	14	180	194
Utah	—	21	21
Vermont	1	—	1
Virginia	2	18	20
Washington	—	41	41
West Virginia	—	2	2
Wisconsin	—	23	23
Wyoming	—	4	4
<b>Total Domestic - Denny's</b>	<b>61</b>	<b>1,273</b>	<b>1,334</b>

<b>International - Denny's</b>	<b>Company</b>	<b>Franchised / Licensed</b>	<b>Total</b>
Canada	—	86	86
Costa Rica	—	3	3
Curacao N.V.	—	1	1
El Salvador	—	3	3
Guam	—	2	2
Guatemala	—	4	4
Honduras	—	7	7
Indonesia	—	2	2
Mexico	—	15	15
New Zealand	—	7	7
Philippines	—	14	14
Puerto Rico	—	15	15
United Arab Emirates	—	5	5
United Kingdom	—	1	1
Total International - Denny's	—	165	165
Total Domestic - Denny's	61	1,273	1,334
Total - Denny's	61	1,438	1,499

<b>United States - Keke's</b>	<b>Company</b>	<b>Franchised / Licensed</b>	<b>Total</b>
California	—	1	1
Colorado	—	1	1
Florida	9	52	61
Tennessee	3	—	3
Texas	2	—	2
Nevada	—	1	1
Total Domestic - Keke's	14	55	69
<b>Total</b>	<b>75</b>	<b>1,493</b>	<b>1,568</b>

Of our total 1,568 restaurants, our interest in restaurant properties consists of the following:

	<b>Company Restaurants</b>	<b>Franchised Restaurants</b>	<b>Total</b>
Owned properties	17	60	77
Leased properties	58	131	189
	<b>75</b>	<b>191</b>	<b>266</b>

We have generally been able to renew our restaurant leases as they expire at then-current market rates. The remaining terms of leases range from less than one to approximately 38 years, including optional renewal periods.

Our corporate offices include an owned building in Spartanburg, South Carolina and leased buildings in Irving, Texas and in Orlando, Florida. The Spartanburg office is an 18-story, 187,000 square foot office building where we occupy 17 floors with a portion of the building leased to others.

See Note 10 to our consolidated financial statements for information concerning encumbrances on substantially all of our properties.

### **Item 3. 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 the Company's consolidated results of operations or financial position.

#### **Item 4. *Mine Safety Disclosures***

Not applicable.

## **PART II**

#### **Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

##### **Market Information**

Our common stock is listed under the symbol "DENN" and trades on the Nasdaq Capital Market ("Nasdaq"). As of February 20, 2025, there were 51,611,066 shares of our common stock outstanding and approximately 36,000 record and beneficial holders of our common stock.

##### **Dividends and Share Repurchases**

Our credit facility allows for the payment of cash dividends and/or the repurchase of our common stock, subject to certain limitations and continued maintenance of all relevant covenants before and after any such payment of any dividend or stock purchase. An annual aggregate amount is available for such dividends or share repurchases as follows:

- an amount not to exceed \$50.0 million if the Consolidated Leverage Ratio (as defined in the credit agreement, as amended) is 3.5x or greater and an unlimited amount if the Consolidated Leverage Ratio is below 3.5x, provided that, in each case, at least \$20.0 million of availability is maintained under the revolving credit facility after such payment; and
- an additional aggregate amount equal to \$0.05 times the number of outstanding shares of our common stock, as of August 16, 2021, plus each additional share of our common stock that is issued after such date.

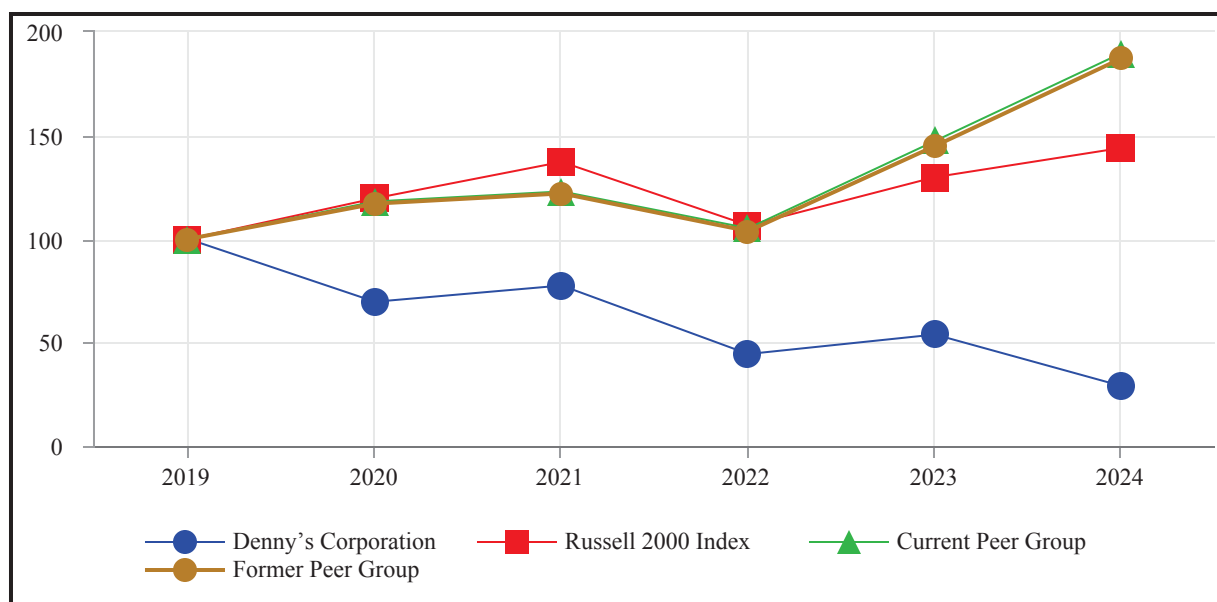
Though we have not historically paid cash dividends and currently do not expect to do so in the foreseeable future, we have in recent years undertaken share repurchases. On December 2, 2019, we announced that our Board of Directors approved a new share repurchase program, authorizing us to repurchase up to an additional \$250 million of our common stock (in addition to prior authorizations). Such repurchases may take place from time to time on 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. However, we did not repurchase any shares of our common stock during the quarter ended December 25, 2024.



## Performance Graph

The following graph compares the cumulative total shareholder return on our common stock for the five fiscal years ended December 25, 2024 (December 25, 2019 to December 25, 2024) against the cumulative total return of the Russell 2000® Index and a peer group, selected by us, of companies that we believe compose a representative sampling of public companies in our industry comparable to us in size and composition. We revised this peer group in 2024 to more closely reflect a representative sampling of comparative companies in our industry. As required by SEC regulations, the following graph also shows the cumulative return of the former peer group. The graph and table assume that \$100 was invested on December 25, 2019 (the last day of fiscal year 2019) in each of the Company's common stock, the Russell 2000® Index and the current and former peer groups and that all dividends were reinvested.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL SHAREHOLDER RETURN  
ASSUMES \$100 INVESTED ON DECEMBER 25, 2019  
ASSUMES DIVIDENDS REINVESTED  
FISCAL YEAR ENDED DECEMBER 25, 2024



	Russell 2000® Index (1)	Current Peer Group (2)	Former Peer Group (3)	Denny's Corporation
December 25, 2019	\$ 100.00	\$ 100.00	\$ 100.00	\$ 100.00
December 30, 2020	\$ 119.67	\$ 118.14	\$ 117.09	\$ 69.68
December 29, 2021	\$ 137.25	\$ 122.99	\$ 122.02	\$ 77.53
December 28, 2022	\$ 106.56	\$ 105.20	\$ 103.82	\$ 44.44
December 27, 2023	\$ 129.89	\$ 147.36	\$ 144.93	\$ 53.86
December 25, 2024	\$ 144.02	\$ 189.83	\$ 187.29	\$ 28.98

- (1) The Russell 2000 Index is a broad equity market index of 2,000 companies that measures the performance of the small-cap segment of the U.S. equity universe. As of December 25, 2024, the weighted average market capitalization of companies within the index was approximately \$3.6 billion with the median market capitalization being approximately \$1.0 billion.
- (2) The current peer group consists of 13 public companies that operate in the restaurant industry. BJ's Restaurants, Inc. (BJRI), Bloomin' Brands, Inc. (BLMN), Brinker International, Inc. (EAT), Cracker Barrel Old Country Store, Inc. (CBRL), Dine Brands Global, Inc. (DIN), El Pollo Loco Holdings, Inc. (LOCO), Jack in the Box Inc. (JACK), Noodles & Company (NDLS), PotBelly Corporation (PBPB), Shake Shack, Inc. (SHAK), Texas Roadhouse, Inc. (TXRH), The Cheesecake Factory Incorporated (CAKE), and Wingstop Inc. (WING). Former peer group members Fiesta Group Restaurant, Inc. and Ruth's Hospitality Group, Inc. were no longer public companies in 2024.

- (3) The former peer group consists of 14 public companies that operate in the restaurant industry. The peer group includes the following companies: BJ's Restaurants, Inc. (BJRI), Bloomin' Brands, Inc. (BLMN), Brinker International, Inc. (EAT), Cracker Barrel Old Country Store, Inc. (CBRL), Dine Brands Global, Inc. (DIN), El Pollo Loco Holdings, Inc. (LOCO), Fiesta Restaurant Group, Inc. (FRGI), Jack in the Box Inc. (JACK), Noodles & Company (NDLS), Ruth's Hospitality Group, Inc. (RUTH), Shake Shack, Inc. (SHAK), Texas Roadhouse, Inc. (TXRH), The Cheesecake Factory Incorporated (CAKE), and Wingstop Inc. (WING).

**Item 6. *Reserved***

**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion should be read in conjunction with our consolidated financial statements and the notes thereto.

**Overview**

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.

Denny's restaurants are operated in 50 states, the District of Columbia, two U.S. territories and 12 foreign countries with principal concentrations in California (24% of total restaurants), Texas (13%) and Florida (8%). At December 25, 2024, the Denny's brand consisted of 1,499 franchised, licensed and company restaurants. Of this amount, 1,438 of Denny's restaurants were franchised or licensed, representing 96% of the total restaurants, and 61 were company restaurants.

We acquired Keke's on July 20, 2022. Total revenues at Keke's for the year ended December 25, 2024 represented less than 10% of total consolidated revenues, therefore, the Keke's operating segment is included in Other for segment reporting purposes. Our Keke's operating segment includes the results of all company and franchised Keke's restaurants. As of December 25, 2024, the Keke's brand consisted of 69 franchised and company restaurants in six states with principal concentration in Florida (88% of total restaurants). Of this amount, 55 Keke's restaurants were franchised, representing 80% of total Keke's restaurants, and 14 were company restaurants.

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. Sales and customer traffic at both company and franchised restaurants are affected by the success of our marketing campaigns, new product introductions, product quality enhancements, customer service, availability of off-premises dining options, and menu pricing, as well as external factors including competition, economic conditions affecting consumer spending and changes in guests' tastes and preferences. Sales at company restaurants and royalty, advertising and fee income from franchised restaurants are also impacted by the opening of new restaurants, the closing of existing restaurants, the sale of company restaurants to franchisees and the acquisition of restaurants from franchisees.

Costs of company restaurant sales are exposed to volatility in two main areas: payroll and benefit costs and product costs. The volatility of payroll and benefit costs results primarily from changes in wage rates and increases in labor related expenses, such as medical benefit costs and workers' compensation costs. Additionally, changes in guest counts and investments in store-level labor impact payroll and benefit costs as a percentage of sales. Many of the products sold in our restaurants are affected by commodity pricing and are, therefore, subject to price volatility. This volatility is caused by factors that are fundamentally outside of our control and are often unpredictable. In general, we purchase food products based on market prices or we set firm prices in purchase agreements with our vendors. In an inflationary commodity environment, our ability to lock in prices on certain key commodities is imperative to controlling food costs. In addition, our continued success with menu management helps us offer menu items that provide a compelling value to our customers while maintaining attractive product costs and profitability. Packaging costs (included as a component of product costs) and delivery fees (included as a component of other operating expenses) also fluctuate with changes in delivery and off-premises sales.

Our fiscal year ends on the last Wednesday in December. As a result, a fifty-third week is added to a fiscal year every five or six years. Fiscal 2024, 2023 and 2022 each included 52 weeks of operations. Our next 53-week year will be fiscal 2025.

## Factors Impacting Comparability

For 2024, 2023 and 2022, the following items impacted the comparability of our results:

- Company restaurant sales increased from \$199.8 million in 2022 to \$215.5 million in 2023, primarily due to the acquisition of Keke's in 2022, and decreased to \$211.8 million in 2024, primarily due to a decrease in same-restaurant sales in 2024.
- Royalty income, which is included as a component of franchise and license revenue, increased from \$113.9 million in 2022 to \$120.1 million in 2023, primarily due to the acquisition of Keke's in 2022, and decreased to \$118.7 million in 2024, primarily due to a decrease in Denny's equivalent units and same-restaurant sales in 2024.
- Initial and other fees, which is included as a component of franchise and license revenue, decreased from \$28.3 million in 2022 to \$13.9 million in 2023 and \$8.7 million in 2024. This decrease was the result of completion in 2023 of the kitchen modernization program that began in early 2022. We billed our franchisees and recognized revenue when the related equipment was installed with a like amount recorded as a component of other direct costs.
- Occupancy revenues, included as a component of franchise and license revenue, result from leasing or subleasing restaurants to franchisees. When restaurants are sold and leased or subleased to franchisees, the occupancy costs related to these restaurants move from costs of company restaurant sales to costs of franchise and license revenue to match the related occupancy revenue. Additionally, as leases or subleases with franchisees expire, franchise occupancy revenue and costs could decrease if franchisees enter into direct leases with landlords. Occupancy revenue has decreased from \$38.6 million in 2022 to \$35.9 million in 2023 and \$33.2 million in 2024 primarily as a result of lease expirations. At the end of 2024, we had 191 franchised restaurants that were leased or subleased from Denny's, compared to 214 at the end of 2022.
- We closed 89, 57 and 66 restaurants in 2024, 2023 and 2022, respectively. As a result of our recently announced plan to strategically accelerate the closure of lower volume restaurants, we expect to close between 70 and 90 restaurants in 2025.

Information discussed in this Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations relates to the Denny's brand unless otherwise noted.

## Statements of Income

	Fiscal Year Ended					
	December 25, 2024		December 27, 2023		December 28, 2022	
	(Dollars in thousands)					
Revenue:						
Company restaurant sales	\$ 211,781	46.8 %	\$ 215,532	46.5 %	\$ 199,753	43.8 %
Franchise and license revenue	240,553	53.2 %	248,390	53.5 %	256,676	56.2 %
Total operating revenue	452,334	100.0 %	463,922	100.0 %	456,429	100.0 %
Costs of company restaurant sales, excluding depreciation and amortization (a)(b):						
Product costs	53,931	25.5 %	55,789	25.9 %	53,617	26.8 %
Payroll and benefits	80,605	38.1 %	80,666	37.4 %	76,412	38.3 %
Occupancy	18,129	8.6 %	16,809	7.8 %	15,154	7.6 %
Other operating expenses	37,079	17.5 %	34,335	15.9 %	34,275	17.2 %
Total costs of company restaurant sales, excluding depreciation and amortization	189,744	89.6 %	187,599	87.0 %	179,458	89.8 %
Costs of franchise and license revenue (a)	120,226	50.0 %	122,452	49.3 %	135,327	52.7 %
General and administrative expenses	80,197	17.7 %	77,770	16.8 %	67,173	14.7 %
Depreciation and amortization	14,857	3.3 %	14,385	3.1 %	14,862	3.3 %
Goodwill impairment charges	20	0.0 %	6,363	1.4 %	—	— %
Operating (gains), losses and other charges, net	1,974	0.4 %	2,530	0.5 %	(1,005)	(0.2)%
Total operating costs and expenses, net	407,018	90.0 %	411,099	88.6 %	395,815	86.7 %
Operating income	45,316	10.0 %	52,823	11.4 %	60,614	13.3 %
Interest expense, net	17,974	4.0 %	17,597	3.8 %	13,769	3.0 %
Other nonoperating (income) expense, net	(1,907)	(0.4)%	8,288	1.8 %	(52,585)	(11.5)%
Net income before income taxes	29,249	6.5 %	26,938	5.8 %	99,430	21.8 %
Provision for income taxes	7,678	1.7 %	6,993	1.5 %	24,718	5.4 %
Net income	\$ 21,571	4.8 %	\$ 19,945	4.3 %	\$ 74,712	16.4 %

(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.

(b) Certain reclassifications have been made in the 2023 presentation to conform to the 2024 presentation. These reclassifications did not affect total revenues or net income.



## Statistical Data

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(Dollars in thousands)		
Denny's			
Company average unit sales	\$3,086	\$3,073	\$2,985
Franchise average unit sales	\$1,875	\$1,843	\$1,729
Company equivalent units (a)	62	65	65
Franchise equivalent units (a)	1,478	1,522	1,561
Company same-restaurant sales increase vs. prior year (b)(c)	(1.5)%	2.7%	10.4%
Domestic franchised same-restaurant sales increase vs. prior year (b)(c)	(0.1)%	3.6%	6.0%
Keke's (d)			
Company average unit sales	\$1,728	\$1,796	\$772
Franchise average unit sales	\$1,829	\$1,828	\$802
Company equivalent units (a)	11	8	4
Franchise equivalent units (a)	50	48	20
Company same-restaurant sales decrease (b)	(2.7)%	(1.1)%	N/A
Franchise same-restaurant sales decrease (b)	(1.6)%	(4.4)%	N/A

- (a) Equivalent units are calculated as the weighted average number of units outstanding during a defined time period.
- (b) Same-restaurant sales include sales from company restaurants or non-consolidated franchised and licensed restaurants that were open the same period in the prior year. While we do not record franchise and licensed sales as revenue in our consolidated financial statements, we believe domestic franchised same-restaurant sales information is useful to investors in understanding our financial performance, as our sales-based royalties are calculated based on a percentage of franchise sales. Accordingly, domestic franchised same-restaurant sales should be considered as a supplement to, not a substitute for, our results as reported under GAAP.
- (c) Prior year amounts have not been restated for 2024 comparable restaurants.
- (d) Effective July 20, 2022, the Company acquired Keke's. As a result, data presented for the year ended December 28, 2022 only represent post-acquisition results.

## Unit Activity

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
<b>Denny's</b>			
Company restaurants, beginning of period	65	66	65
Units acquired from franchisees	—	—	1
Units sold to franchisees	(3)	—	—
Units closed	(1)	(1)	—
End of period	61	65	66
<b>Franchised and licensed restaurants</b>			
Franchised and licensed restaurants, beginning of period	1,508	1,536	1,575
Units opened	14	28	28
Units purchased from Company	3	—	—
Units acquired by Company	—	—	(1)
Units closed	(87)	(56)	(66)
End of period	1,438	1,508	1,536
Total restaurants, end of period	1,499	1,573	1,602

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
<b>Keke's</b>			
Company restaurants, beginning of period	8	8	—
Units opened	7	—	—
Units acquired	—	—	8
Units sold to franchisees	(1)	—	—
End of period	14	8	8
Franchised and licensed restaurants, beginning of period	50	46	—
Units opened	5	4	2
Units purchased from Company	1	—	—
Units acquired	—	—	44
Units closed	(1)	—	—
End of period	55	50	46
Total restaurants, end of period	69	58	54

### Company Restaurant Operations

Company restaurant sales for 2024 decreased \$3.8 million, or 1.7%, primarily driven by a 1.5% decrease in Denny's company same-restaurant sales and three less Denny's equivalent units. The decrease in company restaurant sales was partially offset by three additional Keke's equivalent units. Company restaurant sales for 2023 increased \$15.8 million, or 7.9%, primarily driven by a 2.7% increase in Denny's company same-restaurant sales and the operation of Keke's for a full year in 2023. The increase in Denny's company same-restaurant sales primarily resulted from price increases to partially offset inflationary pressures. Company restaurant sales from Keke's increased \$8.2 million in 2023.

Total costs of company restaurant sales as a percentage of company restaurant sales were 89.6% in 2024, 87.0% in 2023 and 89.8% in 2022 consisting of the following:

Product costs as a percentage of company restaurant sales were 25.5% in 2024, 25.9% in 2023 and 26.8% in 2022. For 2024 and 2023, the decreases as a percentage of sales were primarily due to increased pricing to offset a portion of higher commodity costs.

Payroll and benefits as a percentage of company restaurant sales were 38.1% in 2024, 37.4% in 2023 and 38.3% in 2022. The 2024 increase as a percentage of sales was primarily due to a 0.2 percentage point increase in group insurance costs, 0.2 percentage point increase in management labor, 0.1 percentage point increase in incentive compensation and a 0.1 percentage point increase in payroll taxes and fringe benefits. The 2023 decrease as a percentage of sales was primarily due to a 0.4 percentage point decrease in team labor costs, 0.5 percentage point decrease in incentive compensation and a 0.2 percentage point decrease in payroll taxes and fringe benefits. Team labor costs decreased due to the leveraging effect of higher sales and efficiency gains. The 2023 decrease was partially offset by a 0.5 percentage point increase in workers' compensation costs.

Occupancy costs as a percentage of company restaurant sales were 8.6% in 2024, 7.8% in 2023 and 7.6% in 2022. The 2024 increase as a percentage of sales was primarily due to a 0.4 percentage point increase in rent and property taxes related to new restaurants and a 0.4 percentage point increase in general liability insurance costs resulting from negative claims development in the current year. The 2023 increase as a percentage of sales was primarily due to an increase in rent and property taxes.

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

	Fiscal Year Ended					
	December 25, 2024		December 27, 2023		December 28, 2022	
	(Dollars in thousands)					
Utilities	\$ 6,954	3.3 %	\$ 7,848	3.6 %	\$ 7,273	3.6 %
Repairs and maintenance	4,023	1.9 %	3,661	1.7 %	3,874	1.9 %
Marketing	7,850	3.7 %	5,603	2.6 %	5,294	2.7 %
Legal settlements	1,700	0.8 %	2,302	1.1 %	4,224	2.1 %
Pre-opening costs	1,548	0.7 %	288	0.1 %	—	— %
Other direct costs	15,004	7.1 %	14,633	6.8 %	13,610	6.8 %
Other operating expenses	\$ 37,079	17.5 %	\$ 34,335	15.9 %	\$ 34,275	17.2 %

For 2024, the increase in other operating expenses was primarily due to increased marketing and increased pre-opening costs. For 2023, the increase in other operating expenses was primarily due to increased marketing and other direct costs, partially offset by decreased legal settlement costs related to unfavorable developments in certain claims during the prior year.

### 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:

	Fiscal Year Ended					
	December 25, 2024		December 27, 2023		December 28, 2022	
	(Dollars in thousands)					
Royalties	\$ 118,705	49.3 %	\$ 120,131	48.4 %	\$ 113,891	44.4 %
Advertising revenue	79,973	33.2 %	78,494	31.6 %	75,926	29.6 %
Initial and other fees	8,711	3.6 %	13,882	5.6 %	28,262	11.0 %
Occupancy revenue	33,164	13.8 %	35,883	14.4 %	38,597	15.0 %
Franchise and license revenue	<u>\$ 240,553</u>	<u>100.0 %</u>	<u>\$ 248,390</u>	<u>100.0 %</u>	<u>\$ 256,676</u>	<u>100.0 %</u>
Advertising costs	\$ 79,973	33.2 %	\$ 78,494	31.6 %	\$ 75,926	29.6 %
Occupancy costs	20,539	8.5 %	22,160	8.9 %	24,090	9.4 %
Other direct costs	19,714	8.2 %	21,798	8.8 %	35,311	13.8 %
Costs of franchise and license revenue	<u>\$ 120,226</u>	<u>50.0 %</u>	<u>\$ 122,452</u>	<u>49.3 %</u>	<u>\$ 135,327</u>	<u>52.7 %</u>

Royalties decreased by \$1.4 million, or 1.2%, in 2024 primarily resulting from a decrease of 44 Denny's equivalent units, partially offset by an increase of two Keke's equivalent units. In 2023, royalties increased by \$6.2 million, or 5.5%, primarily resulting from a 3.6% increase in Denny's domestic franchise same-restaurant sales as compared to the prior year. Royalties from Keke's franchise restaurants increased \$3.0 million as a result of operating for a full year in 2023. The 2023 increase was partially offset by a decrease of 39 Denny's franchise equivalent units. The average domestic contractual royalty rate was 4.40%, 4.42% and 4.39% for 2024, 2023 and 2022, respectively.

Advertising revenue increased \$1.5 million, or 1.9%, in 2024 primarily resulting from a \$1.6 million increase in local advertising co-op contributions, partially offset by the impact from a 0.1% decrease in domestic franchise same-restaurant sales and a decrease of 44 Denny's equivalent units. Advertising revenue increased \$2.6 million, or 3.4%, in 2023 primarily resulting from the increase in Denny's domestic franchise same-restaurant sales. The increase also includes \$0.6 million collected from Keke's franchised restaurants. The 2023 increase was partially offset by a decrease of 39 Denny's franchise equivalent units.

Initial and other fees decreased \$5.2 million, or 37.2%, in 2024 primarily resulting from a \$4.0 million decrease in revenue from the sale of equipment to franchisees, as our kitchen modernization program was completed in 2023. Initial and other fees decreased \$14.4 million, or 50.9%, in 2023 primarily resulting from a decrease in revenue from the sale of equipment to franchisees, as our kitchen modernization program was completed in 2023.

Occupancy revenue decreased \$2.7 million, or 7.6%, in 2024 and \$2.7 million, or 7.0%, in 2023 primarily due to lease terminations.

Costs of franchise and license revenue decreased \$2.2 million, or 1.8%, in 2024. Advertising costs increased \$1.5 million, or 1.9%, which corresponds to the related advertising revenue increases noted above. Occupancy costs decreased \$1.6 million, or 7.3%, in 2024, primarily related to lease terminations. Other direct costs decreased \$2.1 million, or 9.6%, primarily due to the completion of our kitchen modernization program at franchise restaurants as mentioned above. As a result, costs of franchise and license revenue as a percentage of franchise and license revenue increased to 50.0% for 2024 from 49.3% in 2023.

Costs of franchise and license revenue decreased \$12.9 million, or 9.5%, in 2023. Advertising costs increased \$2.6 million, or 3.4%, which corresponds to the related advertising revenue increases noted above. Occupancy costs decreased \$1.9 million, or 8.0%, in 2023, primarily related to lease terminations. Other direct costs decreased \$13.5 million, or 38.3%, primarily due to the completion of our kitchen modernization program at franchise restaurants as mentioned above. As a result, costs of franchise and license revenue as a percentage of franchise and license revenue decreased to 49.3% for 2023 from 52.7% in 2022.

### 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:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Corporate administrative expenses	\$ 62,347	\$ 60,339	\$ 52,115
Share-based compensation	10,678	8,880	11,400
Incentive compensation	5,459	6,640	5,811
Deferred compensation valuation adjustments	1,713	1,911	(2,153)
Total general and administrative expenses	<u>\$ 80,197</u>	<u>\$ 77,770</u>	<u>\$ 67,173</u>

Total general and administrative expenses increased by \$2.4 million, or 3.1%, in 2024 and increased by \$10.6 million, or 15.8%, in 2023.

Corporate administrative expenses increased by \$2.0 million in 2024 and increased by \$8.2 million in 2023. The 2024 increase was primarily due to compensation increases and software subscription costs. The 2023 increase was primarily due to compensation increases and administrative costs related to Keke's.

Share-based compensation increased by \$1.8 million in 2024 and decreased by \$2.5 million in 2023. The 2024 increase was primarily due to our performance against plan metrics and prior year forfeitures. The 2023 decrease was primarily due to forfeitures and our performance against plan metrics. Incentive compensation decreased by \$1.2 million in 2024 and increased by \$0.8 million in 2023. The changes in incentive compensation for both periods primarily resulted from our performance against plan metrics. Changes in deferred compensation valuation adjustments have offsetting gains or losses on the underlying nonqualified deferred plan investments included as a component of other nonoperating expense (income), net, for the corresponding periods.

**Depreciation and amortization** consisted of the following:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Depreciation of property and equipment	\$ 11,260	\$ 10,720	\$ 11,118
Amortization of finance right-of-use assets	1,349	1,451	1,704
Amortization of intangible and other assets	2,248	2,214	2,040
Total depreciation and amortization expense	<u>\$ 14,857</u>	<u>\$ 14,385</u>	<u>\$ 14,862</u>

The increase in total depreciation and amortization expense during 2024 was primarily related to new Keke's units. The 2023 decrease was primarily due to certain assets becoming fully depreciated.

**Goodwill impairment charges** were less than \$0.1 million in 2024 related to assets eventually sold by Denny's. We performed an annual impairment test of goodwill and other intangible assets with indefinite lives as of December 27, 2023 and determined that a portion of the goodwill related to Keke's was impaired. As a result, we recorded \$6.4 million of goodwill impairment charges in 2023. See Note 6.

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

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Gains on sales of assets and other, net	\$ (137)	\$ (2,220)	\$ (3,378)
Impairment charges <sup>(1)</sup>	792	2,214	963
Restructuring and exit costs	1,319	2,536	1,410
Operating (gains), losses and other charges, net	<u>\$ 1,974</u>	<u>\$ 2,530</u>	<u>\$ (1,005)</u>

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

Gains on sales of assets and other, net for 2024, 2023, and 2022 were primarily related to the sales of real estate and restaurants.

Impairment charges of \$0.8 million, \$2.2 million and \$1.0 million for 2024, 2023 and 2022, respectively, primarily related to assets held for sale and resulting from our assessments of underperforming and closed restaurants.

**Restructuring charges and exit costs** consisted of the following:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Exit costs	\$ 307	\$ 190	\$ 86
Severance and other restructuring charges	1,012	2,346	1,324
Total restructuring and exit costs	<u>\$ 1,319</u>	<u>\$ 2,536</u>	<u>\$ 1,410</u>

Total restructuring and exit costs for 2024, 2023 and 2022 primarily consisted of severance costs.

**Operating income** was \$45.3 million in 2024, \$52.8 million in 2023 and \$60.6 million in 2022.

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

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Interest on credit facilities	\$ 20,124	\$ 18,929	\$ 8,478
Interest on interest rate swaps	(5,916)	(5,028)	1,310
Interest on finance lease liabilities	1,990	2,139	2,350
Letters of credit and other fees	619	738	1,053
Interest income	(241)	(171)	(87)
Total cash interest	16,576	16,607	13,104
Amortization of deferred financing costs	636	635	634
Amortization of interest rate swap losses	760	353	29
Interest accretion on other liabilities	2	2	2
Total interest expense, net	<u>\$ 17,974</u>	<u>\$ 17,597</u>	<u>\$ 13,769</u>



Interest expense, net increased during 2024 and 2023 primarily due to increased average borrowings and higher average interest rates, partially offset by receipts from our interest rate swaps.

**Other nonoperating expense (income), net** was income of \$1.9 million, expense of \$8.3 million and income of \$52.6 million for 2024, 2023 and 2022, respectively. Nonoperating income for 2024 includes \$1.7 million of gains on deferred compensation investments. Nonoperating expense for 2023 includes \$10.6 million of losses related to valuation adjustments for dedesignated interest rate hedges, partially offset by gains of \$2.1 million on deferred compensation plan investments. Nonoperating income for 2022 includes \$55.0 million of gains related to dedesignated interest rate swap valuation adjustments, partially offset by losses of \$2.2 million on deferred compensation plan investments. For additional details related to the interest rate swaps, see Note 10 to our consolidated financial statements.

The **provision for income taxes** was \$7.7 million for 2024, \$7.0 million for 2023 and \$24.7 million for 2022. The effective tax rate was 26.3% for 2024, 26.0% for 2023 and 24.9% for 2022.

For 2024, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state and foreign taxes, partially offset by the generation of employment and foreign tax credits. The 2024 rate was also impacted by \$1.8 million of disallowed compensation deductions.

For 2023, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state and foreign taxes, partially offset by the generation of employment and foreign tax credits. The 2023 rate was also impacted by \$1.9 million of disallowed compensation deductions.

For 2022, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state and foreign taxes, partially offset by the generation of employment and foreign tax credits.

For additional details related to the provision for income taxes as well as changes in the effective tax rate, see Note 15 to our consolidated financial statements.

**Net income** was \$21.6 million for 2024, \$19.9 million for 2023 and \$74.7 million for 2022.

## Liquidity and Capital Resources

### *Summary of Cash Flows*

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, acquisitions and 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:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Net cash provided by operating activities	\$ 29,487	\$ 72,125	\$ 39,452
Net cash used in investing activities	(26,673)	(7,564)	(86,596)
Net cash (used in) provided by financing activities	(6,009)	(63,191)	20,043
Increase (decrease) in cash and cash equivalents	<u>\$ (3,195)</u>	<u>\$ 1,370</u>	<u>\$ (27,101)</u>

Net cash flows provided by operating activities were \$29.5 million for the year ended December 25, 2024 compared to net cash flows provided by operating activities of \$72.1 million for the year ended December 27, 2023. The decrease in cash flows provided by operating activities was primarily due to decreases in operating income, accounts payable, and other accrued liabilities. Net cash flows provided by operating activities were \$72.1 million for the year ended December 27, 2023 compared to net cash flows provided by operating activities of \$39.5 million for the year ended December 28, 2022. The increase in cash flows provided by operating activities was primarily due to the timing of inventory purchases, receivables collections, and accrual payments related to our franchise kitchen equipment project during 2022 and 2023. We believe that our estimated cash flows from operations for 2025, combined with our capacity for additional borrowings under our credit facility, will enable us to meet our anticipated cash requirements and fund capital expenditures over the next twelve months.

Net cash flows used in investing activities were \$26.7 million for the year ended December 25, 2024. These cash flows included capital expenditures of \$28.6 million and investment purchases of \$1.5 million, partially offset by net proceeds from the sale of real estate and restaurants for \$1.4 million and net investment proceeds of \$1.8 million. Net cash flows used in investing activities were \$7.6 million for the year ended December 27, 2023. These cash flows included capital expenditures of \$10.0 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 \$3.2 million and net investment proceeds of \$1.9 million. Net cash flows used in investing activities were \$86.6 million for the year ended December 28, 2022. These cash flows included \$82.5 million for the acquisition of Keke's and capital expenditures of \$11.8 million, partially offset by proceeds from the sale of real estate and other assets of \$4.1 million and the collection of a real estate acquisition deposit of \$3.6 million.

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

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Facilities	\$ 7,471	\$ 4,378	\$ 4,596
New construction	14,970	3,782	91
Remodeling	3,420	394	3,846
Information technology	1,700	827	2,638
Other	1,008	597	673
Capital expenditures (excluding acquisitions)	\$ 28,569	\$ 9,978	\$ 11,844

Cash flows used in financing activities were \$6.0 million for the year ended December 25, 2024, which included cash payments for stock repurchases of \$11.7 million and payments of tax withholding on share-based compensation of \$1.9 million, partially offset by net debt borrowings of \$4.4 million and net bank overdrafts of \$3.2 million. Cash flows used in financing activities were \$63.2 million for the year ended December 27, 2023, which included cash payments for stock repurchases of \$52.1 million, net debt payments of \$7.8 million and payments of tax withholding on share-based compensation of \$3.0 million. Cash flows provided by financing activities were \$20.0 million for the year ended December 28, 2022, which included net debt borrowings of \$89.5 million, partially offset by cash payments for stock repurchases of \$65.0 million and payments of tax withholding on share-based compensation of \$4.8 million.

Our working capital deficit was \$55.6 million at December 25, 2024 compared with \$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. 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 a limited investment in inventories and (3) accounts payable for food, beverages and supplies usually become 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 revolver 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 contains certain financial covenants, including a maximum consolidated leverage ratio of 4.0 times and a minimum consolidated fixed charge coverage ratio of 1.5 times. As of December 25, 2024, our consolidated leverage ratio was 3.85 times and our consolidated fixed charge coverage ratio was 2.18 times. We were in compliance with all financial covenants as of December 25, 2024, and we expect to remain in compliance throughout 2025.

As of December 25, 2024, we had outstanding revolver loans of \$261.3 million and outstanding letters of credit under the credit facility of \$16.1 million. These balances resulted in unused commitments of \$122.6 million as of December 25, 2024 under the credit facility.

As of December 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 6.98% and 7.41% as of December 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 5.01% and 5.04% as of December 25, 2024 and December 27, 2023, respectively.

### ***Interest Rate Hedges***

We have interest rate swaps to hedge a portion of the forecasted cash flows of our floating rate debt. See Part II Item 7A. Quantitative and Qualitative Disclosures About Market Risk for details on our interest rate swaps.

### ***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 through 2026.

### ***Contractual Obligations***

Our future contractual obligations and commitments at December 25, 2024 consisted of the following:

	Payments Due by Period				
	Total	Less than 1 Year	1-2 Years	3-4 Years	5 Years and Thereafter
	(In thousands)				
Long-term debt (a)	\$ 261,300	\$ —	\$ 261,300	\$ —	\$ —
Finance lease obligations (b)(c)	22,211	3,077	5,624	3,704	9,806
Operating lease obligations (b)	179,876	23,243	44,442	37,433	74,758
Interest obligations (c)	23,004	13,724	9,280	—	—
Defined benefit plan obligations (d)	590	105	185	184	116
Purchase obligations (e)	195,923	195,923	—	—	—
Unrecognized tax benefits (f)	458	—	—	—	—
Total	<u>\$ 683,362</u>	<u>\$ 236,072</u>	<u>\$ 320,831</u>	<u>\$ 41,321</u>	<u>\$ 84,680</u>

- (a) Refer to Note 10 to our consolidated financial statements for a further discussion of our long-term debt and timing of expected payments.
- (b) Refer to Note 9 to our consolidated financial statements for a further discussion of our lease obligations and timing of expected payments.
- (c) Interest obligations represent payments related to our long-term debt outstanding at December 25, 2024. For long-term debt with variable rates, we have used the rate applicable at December 25, 2024 to project interest over the periods presented in the table above, taking into consideration the impact of the interest rate swaps that are designated as cash flow hedges for the applicable periods. The finance lease obligation amounts above are inclusive of interest.
- (d) Refer to Note 12 to our consolidated financial statements for a further discussion of our defined benefit plan obligations and timing of expected payments.
- (e) Refer to Note 18 to our consolidated financial statements for a further discussion of our purchase obligations and timing of expected payments.
- (f) Unrecognized tax benefits are related to uncertain tax positions. As we are not able to reasonably estimate the timing or amount of these payments, the related balances have not been reflected in this table.

## Critical Accounting Policies and Estimates

Our reported results are impacted by the application of certain accounting policies that require us to make subjective or complex judgments. These judgments involve estimations of the effect of matters that are inherently uncertain and may significantly impact our quarterly or annual results of operations or financial condition. Changes in the estimates and judgments could significantly affect our results of operations and financial condition and cash flows in future years.

Our significant accounting policies are discussed in Note 2 to our consolidated financial statements. We consider financial reporting and disclosure practices and accounting policies quarterly to ensure that they provide accurate and transparent information relative to the current economic and business environment. We have not made any material changes to the accounting methodologies used to assess the areas discussed below, unless noted otherwise. Descriptions of what we consider to be our most significant critical accounting policies are as follows:

*Self-insurance liabilities.* We are self-insured for a portion of our losses related to certain medical plans, workers' compensation, general, product and automobile insurance liability. In estimating these liabilities, we utilize independent actuarial estimates of expected losses, which are based on statistical analysis of historical data, including certain actuarial assumptions regarding the frequency and severity of claims and claim development history and settlement practices.

We have not made any material changes in the methodology used to establish our insurance liabilities during the past three years and do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate the insurance reserves. However, our estimates of expected losses are adjusted over time based on changes to the actual costs of the underlying claims, which could result in additional expense or reversal of expense previously recorded. Additionally, the change in the number of company restaurants impacts the balance of liabilities over time.

Total workers' compensation, general, product and automobile insurance liabilities were \$9.3 million and \$9.7 million at December 25, 2024 and December 27, 2023, respectively.

See Note 2 to our consolidated financial statements for a further discussion of our policies regarding self-insurance liabilities.

*Impairment of long-lived assets.* We evaluate our long-lived assets for impairment at the restaurant level on a quarterly basis, when assets are identified as held for sale or whenever changes or events indicate that the carrying value may not be recoverable. For assets identified as held for sale, we use the market approach and consider proceeds from similar asset sales. We assess impairment of restaurant-level assets based on the operating cash flows of the restaurant, expected proceeds from the sale of assets and our plans for restaurant closings. For underperforming assets, we use the income approach to determine both the recoverability and estimated fair value of the assets. To estimate future cash flows, we make certain assumptions about expected future operating performance, such as revenue growth, operating margins, risk-adjusted discount rates, and future economic and market conditions. If the long-lived assets of a restaurant are not recoverable based upon estimated future, undiscounted cash flows, we write the assets down to their fair value.

We have not made any material changes in our methodology for assessing impairments during the past three years and we do not believe that there is a reasonable likelihood that there will be a material change in the estimates or assumptions used by us to assess impairment of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used in estimating future cash flows and fair values of long-lived assets, we may be exposed to losses that could be material.

Impairment charges of \$0.8 million, \$2.2 million and \$1.0 million for the years ended December 25, 2024, December 27, 2023 and December 28, 2022, respectively, primarily related to assets held for sale and resulting from our assessments of underperforming restaurants and closed restaurants.

See Note 2 and Note 14 to our consolidated financial statements for further discussion of our policies regarding impairment of long-lived assets.

*Impairment of Goodwill.* We perform our annual goodwill impairment test as of the end of each fiscal year, or more frequently if events and circumstances indicate that the asset might be impaired, at the reporting unit level. The fair value of each reporting unit will generally be calculated using either the income approach or the market approach or a blend of both those approaches. An impairment loss is recognized to the extent that the carrying amount exceeds the fair value of the reporting unit.

The income approach involves the use of estimates and assumptions including forecasted future revenues and operating margins, including projected growth in restaurant unit counts and average unit volumes, royalty rate, and discount rates. Inputs used are generally obtained from historical data supplemented by current and anticipated market conditions and growth rates.

The market approach involves the selection and application of cash flows multiples of a group of similar companies to the projected cash flows of the reporting unit.

Considerable management judgment is necessary in determining the inputs to these approaches. Changes in our assumptions or estimates could materially affect the estimation of the fair value of a reporting unit and, therefore, could reduce the excess of fair value over the carrying value of a reporting unit entirely and could result in goodwill impairment. Events and conditions that could indicate impairment include a sustained drop in the market price of our common stock, increased competition or loss of market share, changes to restaurant development strategies, or changes in general economic conditions.

We performed an annual impairment test as of December 25, 2024 and determined that the fair value of the reporting units substantially exceeded their respective carrying values. No impairment charges related to goodwill or other intangible assets with indefinite lives were recorded. For the year ended December 27, 2023, we recorded goodwill impairment charges related to Keke's of \$6.4 million. No impairment charges related to goodwill were recorded for the year ended December 28, 2022. The fair value of the reporting unit's goodwill is sensitive to differences between estimated and actual cash flows, including changes in the projected revenue, projected operating margins, discount rate and the selection of market multiples used to evaluate the fair value of the reporting unit. In 2023, for example, if the discount rate increased by 0.5%, the impairment would have increased by approximately \$1.5 million. Although we believe our estimate of fair value is reasonable, the reporting unit's future financial performance is dependent on our ability to execute our business plan and to successfully implement certain strategic actions which we expect will improve our long-term operating margin and cash flows. We cannot guarantee that we will not record a material impairment charge in the future. At December 25, 2024 and December 27, 2023, the carrying value of Keke's goodwill totaled approximately \$28.9 million and \$28.4 million, respectively.

See Note 2, Note 6 and Note 8 to our consolidated financial statements for further discussion of our policies regarding impairment of goodwill.

## Recent Accounting Pronouncements

See the "Accounting Standards to be Adopted" section of Note 2 to our consolidated financial statements for further details of recent accounting pronouncements.

## Item 7A. 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 December 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 December 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	\$ 618	2.34 %
October 1, 2015	March 29, 2018	March 31, 2026	\$ 50,000	\$ 1,087	2.37 %
February 15, 2018	March 31, 2020	December 31, 2033	\$ 68,000 (1)	\$ 19,136	3.09 %
<b>Total</b>			<b>\$ 238,000</b>	<b>\$ 20,841</b>	

- (1) The notional amounts of the swaps entered into on February 15, 2018 will increase by \$120 million on March 31, 2025 when the swaps entered into on March 20, 2015 expire and will increase periodically until they reach the maximum notional amount of \$335 million on August 31, 2033.



As of December 25, 2024, our swaps effectively increase our ratio of fixed rate debt from 4% of total debt to 91% of total debt. Based on the levels of borrowings under the credit facility as of December 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 December 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 Notes 8, 10 and 17 to our consolidated financial statements.

### **Commodity Price Risk**

We purchase certain food products, such as beef, poultry, pork, eggs and coffee, and utilities such as gas and electricity, that are affected by commodity pricing and are, therefore, subject to price volatility caused by weather, production problems, delivery difficulties, impacts on animals, including avian flu, tariffs and uncertainty regarding future tariffs, and other factors that are outside our control and which are generally unpredictable.

Changes in commodity prices affect us and our competitors, generally and often simultaneously. In general, we purchase food products and utilities based upon market prices established with vendors. Although many of the items purchased are subject to changes in commodity prices, the majority of our purchasing arrangements are structured to contain features that minimize price volatility by establishing fixed pricing and/or price ceilings and floors. We use these types of purchase arrangements to control costs as an alternative to using financial instruments to hedge commodity prices. However, these arrangements can be impacted in extreme situations.

In many cases, we believe we will be able to address commodity cost increases which are significant and appear to be long-term in nature by adjusting our menu pricing or managing the menu. Because of the often short-term nature of commodity pricing aberrations and our ability to change menu pricing or manage the menu in response to commodity price increases, we believe that, in most cases, the impact of commodity price risk is not significant. However, extreme situations and competitive circumstances could limit such actions and, in those circumstances, increases in commodity prices could lower our margins and impact the profitability of our franchisees.

We have established a process to identify, control and manage market risks which may arise from changes in interest rates, commodity prices and other relevant rates and prices. We do not use derivative instruments for trading purposes.

### **Item 8. *Financial Statements and Supplementary Data***

See Index to consolidated financial statements which appears on page F-1 herein.

### **Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

### **Item 9A. *Controls and Procedures***

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive and financial officers, including the Chief Executive Officer (the “CEO”) and Chief Financial Officer (the “CFO”), evaluated the effectiveness of our design and operation of our disclosure controls and procedures pursuant to and as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report.

Based on their assessment as of December 25, 2024, our CEO and CFO have concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

## **Changes in Internal Control over Financial Reporting**

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 last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control system is designed to provide reasonable assurance to our management and Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 25, 2024 based on the framework in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting was effective as of December 25, 2024.

The effectiveness of our internal control over financial reporting as of December 25, 2024 has also been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that appears herein.

## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and Board of Directors  
Denny's Corporation:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Denny's Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 25, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 25, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 25, 2024 and December 27, 2023, the related consolidated statements of income, comprehensive income, shareholders' deficit, and cash flows for each of the years in the three-year period ended December 25, 2024, and the related notes (collectively, the consolidated financial statements), and our report dated February 24, 2025 expressed an unqualified opinion on those consolidated financial statements.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

Charlotte, North Carolina  
February 24, 2025

**Item 9B. Other Information**

During the quarter ended December 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 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

Information required by this item with respect to our executive officers and directors; compliance by our directors, executive officers and certain beneficial owners of our common stock with Section 16(a) of the Exchange Act; the committees of our Board of Directors; our Audit Committee Financial Expert; and our Code of Ethics is furnished by incorporation by reference to information under the captions entitled "General-Equity Security Ownership," "Election of Directors," "Executive Compensation," "Related Party Transactions" and "Code of Ethics" in the proxy statement (to be filed hereafter) in connection with Denny's Corporation's 2025 Annual Meeting of Stockholders (the "proxy statement") and possibly elsewhere in the proxy statement (or will be filed by amendment to this report). Additional information required by this item related to our executive officers appears in Item 1 of Part I of this report under the caption "Information about our Executive Officers."

Our Amended and Restated Insider Trading Policy governs transactions in our securities by our directors, officers and employees and is designed to promote compliance with applicable insider trading laws, rules and regulations. A copy of our Amended and Restated Insider Trading Policy is filed with this Annual Report on Form 10-K as Exhibit 19.

**Item 11. Executive Compensation**

The information required by this item is furnished by incorporation by reference to information under the captions entitled "Executive Compensation" and "Election of Directors" in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The security ownership of certain beneficial owners information required by this item is furnished by incorporation by reference to information under the caption "Equity Security Ownership" in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

**Securities Authorized for Issuance Under Equity Compensation Plans**

The following table sets forth information as of December 25, 2024 with respect to our compensation plans under which equity securities of Denny's Corporation are authorized for issuance.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights		Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	4,264,089	(1)	\$ —	894,301 (2)
Equity compensation plans not approved by security holders	—		—	—
Total	4,264,089		\$ —	894,301

(1) Includes maximum shares issuable in connection with our outstanding performance share awards and restricted stock units awards.

- (2) Includes shares of our common stock available for issuance as awards of stock options, restricted stock, restricted stock units, deferred stock units and performance share units under the Denny's Corporation 2021 Omnibus Incentive Plan.

**Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information required by this item is furnished by incorporation by reference to information under the captions "Related Party Transactions" and "Election of Directors" in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

**Item 14. *Principal Accountant Fees and Services***

The information required by this item is furnished by incorporation by reference to information under the caption entitled "Selection of Independent Registered Public Accounting Firm" in the proxy statement and possibly elsewhere in the proxy statement (or will be filed by amendment to this report).

**PART IV**

**Item 15. *Exhibits and Financial Statement Schedules***

(a)(1) *Financial Statements*: See the Index to consolidated financial statements which appears on page F-1 hereof.

(a)(2) *Financial Statement Schedules*: No schedules are filed herewith because of the absence of conditions under which they are required or because the information called for is in our consolidated financial statements or notes thereto appearing elsewhere herein.

(a)(3) *Exhibits*: Certain of the exhibits to this Report, indicated by an asterisk, are hereby incorporated by reference from other documents on file with the Commission with which they are electronically filed, under File No. 001-18051, to be a part hereof as of their respective dates.



**Exhibit No. Description**

- \*2.1 [Asset Purchase Agreement, dated as of May 3, 2022, by and between the Denny's Corporation, as purchaser, and the sellers and principals party thereto \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Denny's Corporation filed with the Securities and Exchange Commission on May 3, 2022\).](#)
- \*2.2 [First Amendment to Asset Purchase Agreement, dated as of July 11, 2022, by and between the Denny's Corporation, as purchaser, and the sellers and principals party thereto \(incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of Denny's Corporation filed with the Securities and Exchange Commission on July 14, 2022\).](#)
- \*3.1 [Restated Certificate of Incorporation of Denny's Corporation dated March 3, 2003, as amended by Certificate of Amendment to Restated Certificate of Incorporation to Increase Authorized Capitalization dated August 25, 2004 \(incorporated by reference to Exhibit 3.1 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December 29, 2004\).](#)
- 3.2 [Amended and Restated By-laws of Denny's Corporation, effective as of February 5, 2025.](#)
- \*4.1 [Description of Common Stock of Denny's Corporation \(incorporated by reference to Exhibit 4.1 to the Annual Report on Form 10-K of Denny's Corporation for the year ended December 25, 2019\).](#)
- +\*10.1 [Employment Letter Agreement, dated as of April 28, 2022, by and between Denny's Corporation and Kelli Valade \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Denny's Corporation filed with the Securities and Exchange Commission on May 3, 2022\).](#)
- \*10.2 [Fourth Amended and Restated Credit Agreement dated as of August 26, 2021 among Denny's, Inc., as the Borrower, Denny's Corporation, as Parent, and Certain Subsidiaries of Parent, as Guarantors, Wells Fargo Bank, National Association, as Administrative Agent and L/C Issuer, Truist Bank, Bank of the West, and Regions Bank, as Co-Syndication Agents, Cadence Bank N.A. and Fifth Third Bank, National Association as Co-Documentation Agents, and The Other Lenders Party Hereto, Wells Fargo Securities, LLC, Truist Securities, Inc., Bank of the West, and Regions Capital Markets, A Division of Regions Bank, as Joint Lead Arrangers and Joint Bookrunners \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Denny's Corporation filed with the Securities and Exchange Commission on August 26, 2021\).](#)
- \*10.3 [Fourth Amended and Restated Guarantee and Collateral Agreement dated as of August 26, 2021 among Denny's Inc., Denny's Realty, LLC, Denny's Corporation, DFO, LLC, the other Subsidiaries of Parent from time to time party hereto, and Wells Fargo Bank, National Association, as Administrative Agent \(incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of Denny's Corporation filed with the Securities and Exchange Commission on August 26, 2021\).](#)
- \*10.4 [First Amendment to Fourth Amended and Restated Credit Agreement, dated as of March 31, 2023, among Denny's, Inc., as the Borrower, Denny's Corporation, as Parent, and certain subsidiaries of Parent, as Guarantors, Wells Fargo Bank, National Association, as Administrative Agent on behalf of the Lenders under the Credit Agreement, and the Lenders \(incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 29, 2023\).](#)
- +\*10.5 [Denny's Corporation Executive Severance Pay Plan, effective August 30, 2023 \(incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of Denny's Corporation filed with the Securities and Exchange Commission on September 1, 2023\).](#)
- +\*10.6 [Denny's Inc. Deferred Compensation Plan, as amended and restated effective March 1, 2017 \(incorporated by reference to Exhibit 99.1 to the Registration Statement on Form S-8 of Denny's Corporation \(Commission File No. 333-216655\) filed with the Securities and Exchange Commission on March 13, 2017\).](#)
- +\*10.7 [Denny's Corporation 2021 Omnibus Incentive Plan \(incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed with the Securities and Exchange Commission on May 19, 2021\).](#)
- +\*10.8 [2022 Long-Term Incentive Program Performance Share Unit Award Certificate \(incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 30, 2022\).](#)

+*10.9	<a href="#"><u>2022 Long-Term Incentive Program Restricted Stock Unit Award Certificate (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 30, 2022).</u></a>
+*10.10	<a href="#"><u>Form of 2023 Long-Term Incentive Program Performance Share Unit Award Certificate (incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 29, 2023).</u></a>
+*10.11	<a href="#"><u>Form of 2023 Long-Term Incentive Program Restricted Stock Unit Award Certificate (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 29, 2023).</u></a>
+*10.12	<a href="#"><u>Form of 2024 Long-Term Incentive Program Restricted Share Unit Award Certificate (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 27, 2024).</u></a>
+*10.13	<a href="#"><u>Form of 2024 Long-Term Incentive Program Performance Share Unit Award Certificate (incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended March 27, 2024).</u></a>
+*10.14	<a href="#"><u>Summary of Non-Employee Director Compensation as of May 19, 2021 (incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of Denny's Corporation for the quarter ended June 30, 2021).</u></a>
19.1	<a href="#"><u>Denny's Corporation Amended and Restated Insider Trading Policy (as of August 28, 2024).</u></a>
21.1	<a href="#"><u>Subsidiaries of Denny's Corporation.</u></a>
23.1	<a href="#"><u>Consent of KPMG LLP.</u></a>
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>Statement 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>
*97.1	<a href="#"><u>Denny's Corporation Dodd-Frank Clawback Policy, effective October 2, 2023 (incorporated by reference to Exhibit 97.1 to the Annual Report of Form 10-K of Denny's Corporation for the year ended December 27, 2023).</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

- + Denotes management contracts or compensatory plans or arrangements.
- \* Incorporated by reference.

**Item 16. *Form 10-K Summary***

None.

**DENNY'S CORPORATION AND SUBSIDIARIES**  
**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Denny's Corporation:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Denny's Corporation and subsidiaries (the Company) as of December 25, 2024 and December 27, 2023, the related consolidated statements of income, comprehensive income, shareholders' deficit, and cash flows for each of the years in the three-year period ended December 25, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 25, 2024 and December 27, 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 25, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 25, 2024, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2025 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Evaluation of assumptions underlying self-insurance liabilities*

As discussed in Note 2 to the consolidated financial statements, the Company's self-insurance liabilities related to workers' compensation, general, product and automobile insurance as of December 25, 2024 were \$9.3 million. The liabilities represent estimated incurred losses. These estimates include assumptions regarding frequency and severity of claims as well as changes in the Company's business environment, medical costs and the regulatory environment that could impact the overall self-insurance costs.

We identified the evaluation of assumptions underlying self-insurance liabilities as a critical audit matter. Specifically, inherent uncertainty in the frequency and severity of claims assumptions that are used to actuarially estimate the self-insurance liabilities involved especially subjective auditor judgment. It also required professionals with specialized skills and knowledge to evaluate these key assumptions and the impact of these assumptions on the self-insurance liabilities.



The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's self-insurance process, including controls related to the underlying claims data used to develop the frequency and severity of historical claims. We evaluated the Company's ability to accurately estimate claims expense by comparing the prior estimated claim payments to actual claim payments. We also assessed the Company's estimate of the self-insurance liabilities by evaluating facts and circumstances related to incurred claims received after year-end but before the consolidated financial statements were issued, to identify the presence of trends not considered by the Company when it developed its assumptions. We involved actuarial professionals with specialized skills and knowledge, who assisted with:

- performing an independent assessment of the frequency and severity of the claims used by the Company to estimate the self-insurance liabilities
- developing an independent acceptable range for the self-insurance liabilities using the Company's underlying historical claims data, which involved assessing the frequency and severity of the Company's claims assumptions.

/s/ KPMG LLP

We have served as the Company's auditor since 2003.

Charlotte, North Carolina  
February 24, 2025

**Denny's Corporation and Subsidiaries**  
**Consolidated Balance Sheets**

	December 25, 2024	December 27, 2023
	(In thousands, except per share amounts)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,698	\$ 4,893
Investments	1,106	1,281
Receivables, net	24,433	21,391
Inventories	1,747	2,175
Assets held for sale	381	1,455
Prepaid and other current assets	10,628	12,855
Total current assets	39,993	44,050
Property, net of accumulated depreciation of \$159,588 and \$159,879, respectively	111,417	93,494
Financing lease right-of-use assets, net of accumulated amortization of \$6,783 and \$8,220, respectively	6,200	6,098
Operating lease right-of-use assets, net	124,738	116,795
Goodwill	66,357	65,908
Intangible assets, net	91,739	93,428
Deferred financing costs, net	1,066	1,702
Other noncurrent assets	54,764	43,343
Total assets	\$ 496,274	\$ 464,818
<b>Liabilities</b>		
Current liabilities:		
Current finance lease liabilities	\$ 1,284	\$ 1,383
Current operating lease liabilities	15,487	14,779
Accounts payable	19,985	24,070
Other current liabilities	58,842	63,068
Total current liabilities	95,598	103,300
Long-term liabilities:		
Long-term debt	261,300	255,500
Noncurrent finance lease liabilities	9,284	9,150
Noncurrent operating lease liabilities	120,841	114,451
Liability for insurance claims, less current portion	5,866	6,929
Deferred income taxes, net	9,964	6,582
Other noncurrent liabilities	27,446	31,592
Total long-term liabilities	434,701	424,204
Total liabilities	530,299	527,504
Commitments and contingencies (Note 18)		
<b>Shareholders' deficit</b>		
Common stock \$0.01 par value; shares authorized - 135,000; December 25, 2024: 51,329 shares issued and outstanding; December 27, 2023: 52,906 shares issued and 52,239 shares outstanding	513	529
Paid-in capital	—	6,688
Deficit	(2,499)	(21,784)
Accumulated other comprehensive loss, net	(32,039)	(41,659)
Treasury stock, at cost, 0 and 667 shares, respectively	—	(6,460)
Total shareholders' deficit	(34,025)	(62,686)
Total liabilities and shareholders' deficit	\$ 496,274	\$ 464,818

See accompanying notes to consolidated financial statements.

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Income**

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
(In thousands, except per share amounts)			
Revenue:			
Company restaurant sales	\$ 211,781	\$ 215,532	\$ 199,753
Franchise and license revenue	240,553	248,390	256,676
Total operating revenue	452,334	463,922	456,429
Costs of company restaurant sales, excluding depreciation and amortization:			
Product costs	53,931	55,789	53,617
Payroll and benefits	80,605	80,666	76,412
Occupancy	18,129	16,809	15,154
Other operating expenses	37,079	34,335	34,275
Total costs of company restaurant sales, excluding depreciation and amortization	189,744	187,599	179,458
Costs of franchise and license revenue	120,226	122,452	135,327
General and administrative expenses	80,197	77,770	67,173
Depreciation and amortization	14,857	14,385	14,862
Goodwill impairment charges	20	6,363	—
Operating (gains), losses and other charges, net	1,974	2,530	(1,005)
Total operating costs and expenses, net	407,018	411,099	395,815
Operating income	45,316	52,823	60,614
Interest expense, net	17,974	17,597	13,769
Other nonoperating (income) expense, net	(1,907)	8,288	(52,585)
Net income before income taxes	29,249	26,938	99,430
Provision for income taxes	7,678	6,993	24,718
Net income	\$ 21,571	\$ 19,945	\$ 74,712
Net income per share - basic	\$ 0.41	\$ 0.36	\$ 1.23
Net income per share - diluted	\$ 0.41	\$ 0.35	\$ 1.23
Basic weighted average shares outstanding	52,499	55,984	60,771
Diluted weighted average shares outstanding	52,614	56,196	60,879

See accompanying notes to consolidated financial statements.

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income**

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Net income	\$ 21,571	\$ 19,945	\$ 74,712
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment, net of tax of \$44, \$(151) and \$113, respectively	128	218	345
Changes in the fair value of cash flow derivatives, net of tax of \$4,523, \$1,927 and \$3,214, respectively	13,346	4,335	10,405
Reclassification of cash flow derivatives to interest expense, net of tax of \$(1,494), \$(1,247) and \$309, respectively	(4,422)	(3,781)	1,001
Amortization of unrealized losses related to dedesignated derivatives to interest expense, net of tax of \$192, \$87 and \$7, respectively	568	266	22
Other comprehensive income	9,620	1,038	11,773
Total comprehensive income	\$ 31,191	\$ 20,983	\$ 86,485

See accompanying notes to consolidated financial statements.

**Denny's Corporation and Subsidiaries**  
**Consolidated Statements of Shareholders' Deficit**

	Common Stock		Treasury Stock		Paid-in Capital		Accumulated Other Comprehensive Loss, Net	Total Shareholders' Deficit
	Shares	Amount	Shares	Amount	(In thousands)	(Deficit)		
Balance, December 29, 2021	64,200	\$ 642	(1,990)	\$ (30,592)	\$ 135,596	\$ (116,441)	\$ (54,470)	\$ (65,265)
Net income	—	—	—	—	—	74,712	—	74,712
Other comprehensive income	—	—	—	—	—	—	11,773	11,773
Share-based compensation on equity classified awards, net of withholding tax	—	—	—	—	6,548	—	—	6,548
Purchase of treasury stock	—	—	(6,280)	(64,884)	—	—	—	(64,884)
Issuance of common stock for share-based compensation	798	8	—	—	(8)	—	—	—
Balance, December 28, 2022	64,998	\$ 650	(8,270)	\$ (95,476)	\$ 142,136	\$ (41,729)	\$ (42,697)	\$ (37,116)
Net income	—	—	—	—	—	19,945	—	19,945
Other comprehensive income	—	—	—	—	—	—	1,038	1,038
Share-based compensation on equity classified awards, net of withholding tax	—	—	—	—	5,546	—	—	5,546
Purchase of treasury stock, including excise tax	—	—	(5,202)	(52,099)	—	—	—	(52,099)
Retirement of treasury stock	(12,805)	(128)	12,805	141,115	(140,987)	—	—	—
Issuance of common stock for share-based compensation	713	7	—	—	(7)	—	—	—
Balance, December 27, 2023	52,906	\$ 529	(667)	\$ (6,460)	\$ 6,688	\$ (21,784)	\$ (41,659)	\$ (62,686)
Net income	—	—	—	—	—	21,571	—	21,571
Other comprehensive income	—	—	—	—	—	—	9,620	9,620
Share-based compensation on equity classified awards, net of withholding tax	—	—	—	—	8,701	—	—	8,701
Purchase of treasury stock, including excise tax	—	—	(1,349)	(11,231)	—	—	—	(11,231)
Retirement of treasury stock	(2,016)	(20)	2,016	17,691	(15,385)	(2,286)	—	—
Issuance of common stock for share-based compensation	439	4	—	—	(4)	—	—	—
Balance, December 25, 2024	51,329	\$ 513	—	\$ —	\$ —	\$ (2,499)	\$ (32,039)	\$ (34,025)

See accompanying notes to consolidated financial statements.

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

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Cash flows from operating activities:			
Net income	\$ 21,571	\$ 19,945	\$ 74,712
Adjustments to reconcile net income to cash flows provided by operating activities:			
Depreciation and amortization	14,857	14,385	14,862
Goodwill impairment charges	20	6,363	—
Operating (gains), losses and other charges, net	1,974	2,530	(1,005)
Losses (gains) and amortization on interest rate swap derivatives, net	760	10,959	(54,989)
Amortization of deferred financing costs	636	635	634
(Gains) losses on investments	(100)	(85)	305
Losses (gains) on early termination of debt and leases	24	17	(37)
Deferred income tax (benefit) expense	(267)	(1,703)	14,732
Increase of tax valuation allowance	464	205	546
Share-based compensation expense	10,678	8,880	11,400
Changes in assets and liabilities, excluding acquisitions and dispositions:			
Receivables	(3,287)	3,904	(5,892)
Inventories	428	3,362	(460)
Prepays and other current assets	2,226	(325)	(1,138)
Other assets	(483)	(2,509)	(2,129)
Operating lease assets and liabilities	(596)	(628)	(696)
Accounts payable	(9,506)	4,032	3,918
Other accrued liabilities	(5,094)	3,356	(8,798)
Other noncurrent liabilities	(4,818)	(1,198)	(6,513)
Net cash flows provided by operating activities	29,487	72,125	39,452
Cash flows from investing activities:			
Capital expenditures	(28,569)	(9,978)	(11,844)
Acquisitions of restaurant and real estate	—	(1,227)	(750)
Acquisition of Keke's Breakfast Cafe	—	—	(82,500)
Collection of real estate acquisition deposit	—	—	3,624
Initial operating lease direct costs	—	(400)	—
Proceeds from sales of real estate, restaurants and other assets	1,375	3,211	4,144
Investment purchases	(1,500)	(1,300)	(1,200)
Proceeds from sale of investments	1,775	1,850	1,700
Collections on notes receivable	576	573	246
Issuance of notes receivable	(330)	(293)	(16)
Net cash flows used in investing activities	(26,673)	(7,564)	(86,596)
Cash flows from financing activities:			
Revolver borrowings	115,200	148,300	175,325
Revolver payments	(109,400)	(154,300)	(83,825)
Long-term debt payments	(1,411)	(1,786)	(2,020)
Tax withholding on share-based payments	(1,893)	(3,007)	(4,781)
Purchase of treasury stock	(11,721)	(52,079)	(64,975)
Net bank overdrafts	3,216	(319)	319
Net cash flows (used in) provided by financing activities	(6,009)	(63,191)	20,043
Increase (decrease) in cash and cash equivalents	(3,195)	1,370	(27,101)
Cash and cash equivalents at beginning of period	4,893	3,523	30,624
Cash and cash equivalents at end of period	\$ 1,698	\$ 4,893	\$ 3,523

See accompanying notes to consolidated financial statements.



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

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

Denny's Corporation, or the Company, is one of America's largest franchised full-service restaurant chains based on number of restaurants. As of December 25, 2024, the Company consisted of 1,568 restaurants, 1,493 of which were franchised/licensed restaurants and 75 of which were company operated. The Company consists of the Denny's brand ("Denny's") and the Keke's Breakfast Café brand ("Keke's"). Keke's was acquired on July 20, 2022. See Note 3 for details.

At December 25, 2024, the Denny's brand consisted of 1,499 restaurants, 1,438 of which were franchised or licensed restaurants and 61 of which were company operated. Denny's restaurants are operated in 50 states, the District of Columbia, two U.S. territories and 12 foreign countries with principal concentrations in California (24% of total restaurants), Texas (13%) and Florida (8%).

At December 25, 2024, the Keke's brand consisted of 69 restaurants, 55 of which were franchised restaurants and 14 of which were company operated. Keke's restaurants are operated in six states with principal concentration in Florida (88% of total restaurants).

Certain reclassifications have been made in the 2023 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**

The following accounting policies significantly affect the preparation of our consolidated financial statements:

**Use of Estimates.** In preparing our consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP), management is required to make certain assumptions and estimates that affect reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingencies. In making these assumptions and estimates, management may from time to time seek advice and consider information provided by actuaries and other experts in a particular area. Actual amounts could differ materially from these estimates.

**Consolidation Policy.** Our consolidated financial statements include the financial statements of Denny's Corporation and its wholly-owned subsidiaries: Denny's, Inc., DFO, LLC, Denny's Realty, LLC, Keke's Inc., Keke's Franchise Organization and East Main Insurance Company. All significant intercompany balances and transactions have been eliminated in consolidation.

**Fiscal Year.** Our fiscal year ends on the last Wednesday in December. As a result, a fifty-third week is added to a fiscal year every five or six years. Fiscal 2024, 2023 and 2022 each included 52 weeks of operations. Our next 53-week year will be fiscal 2025.

**Cash and Cash Equivalents.** Our policy is to invest cash in excess of operating requirements in short-term highly liquid investments with an original maturity of three months or less, which we consider to be cash equivalents. Cash and cash equivalents include short-term investments of \$0.1 million at December 25, 2024 and December 27, 2023, respectively.

**Receivables.** Receivables, which are recorded at net realizable value, primarily consist of trade accounts receivables and financing receivables from franchisees, vendor receivables and credit card receivables. Trade accounts receivables from franchisees consist of royalties, advertising and rent. Financing receivables from franchisees primarily consist of notes from franchisees related to the roll-out of restaurant equipment. We accrue interest on notes receivable based on the contractual terms. The allowance for doubtful accounts is based on management's estimates of expected credit losses based on the Company's historical loss experience, adjusted for current and reasonable and supportable forecasts of economic conditions and other pertinent factors affecting the Company's customers such as known credit risk or industry trends. Receivables that are ultimately deemed to be uncollectible, and for which collection efforts have been exhausted, are written off against the allowance for doubtful accounts.

**Inventories.** Inventories consist primarily of food, beverages and, in some periods, equipment and are valued at the lower of first-in, first-out cost or net realizable value.

**Property and Depreciation.** Owned property is stated at cost. Property under finance leases is stated at the lesser of its fair value or the net present value of the related minimum lease payments at the lease inception. Maintenance and repairs are expensed as incurred. We depreciate owned property over its estimated useful life using the straight-line method. We amortize property held under finance leases (at capitalized value) over the lesser of its estimated useful life or the lease term. Building assets are assigned estimated useful lives that range from five to 30 years. Other property and equipment assets are assigned lives that range from two to ten years. Leasehold improvements are generally assigned lives between five and 15 years limited by the expected lease term.

**Goodwill.** Amounts recorded as goodwill primarily represent excess reorganization value recognized as a result of our 1998 bankruptcy and from our acquisition of Keke's in 2022. We also record goodwill in connection with the acquisition of restaurants from franchisees. Likewise, upon the sale of restaurant operations to franchisees, goodwill is decremented. We test goodwill for impairment at each fiscal year end and more frequently if circumstances indicate impairment may exist. Such indicators include, but are not limited to, a significant decline in our expected future cash flows, a significant adverse decline in our stock price, significantly adverse legal developments or a significant change in the business climate.

**Intangible Assets.** Intangible assets consist primarily of trade names, franchise agreements and reacquired franchise rights. Trade names are considered indefinite-lived intangible assets and are not amortized. Franchise agreements are amortized using the straight-line basis over the term of the related franchise agreement. Reacquired franchise rights are amortized using the straight-line basis over the term of the related franchise agreement. Franchise agreements and reacquired franchise rights resulting from acquisitions are accounted for using the purchase method of accounting and are estimated by management based on the fair value of the assets received.

We test trade name assets for impairment at each fiscal year end, and more frequently if circumstances indicate impairment may exist. We assess impairment of reacquired franchise rights and franchise agreements whenever changes or events indicate that the carrying values may not be recoverable. Costs incurred to renew or extend the term of recognized intangible assets are recorded in general and administrative expenses in our Consolidated Statements of Income.

**Marketable Securities.** Marketable securities included in investments consist of available for sale equity instruments and are recorded at fair market value in our Consolidated Balance Sheets. The aggregate cost and fair value of these marketable securities was \$1.1 million and \$1.1 million, respectively, at December 25, 2024 and \$1.2 million and \$1.3 million, respectively, at December 27, 2023. Unrealized gains (losses) included in fair value were gains of less than \$0.1 million, gains of \$0.1 million and losses of \$0.2 million at December 25, 2024, December 27, 2023 and December 28, 2022, respectively.

Marketable securities included in other noncurrent assets consist of trading debt and equity mutual funds and are recorded at fair market value in our Consolidated Balance Sheets. These securities represent the plan assets of our nonqualified deferred compensation plan (the "plan assets"). The plan assets are held in a rabbi trust. Each plan participant's account consists of their contribution, our matching contribution (made prior to 2016) and each participant's share of earnings or losses in the plan. We have recorded offsetting deferred compensation liabilities as a component of other noncurrent liabilities in our Consolidated Balance Sheets.

The realized and unrealized holding gains and losses related to marketable securities are recorded in other nonoperating income with an offsetting amount recorded in general and administrative expenses related to deferred compensation plan liabilities. During 2024, 2023 and 2022, we incurred a net gain of \$1.7 million, a net gain of \$2.1 million and a net loss of \$2.2 million, respectively, related to marketable securities.

**Deferred Financing Costs.** Costs related to the issuance of debt are deferred and amortized as a component of interest expense using the effective interest method over the terms of the respective debt issuances.

**Self-insurance Liabilities.** We record liabilities for insurance claims during periods in which we have been insured under large deductible programs or have been self-insured for our medical claims and workers' compensation, general, product and automobile insurance liabilities. The liabilities represent estimated incurred losses. These estimates include assumptions regarding claims frequency and severity as well as changes in our business environment, medical costs and the regulatory environment that could impact our overall self-insurance costs.

Total workers' compensation, general, product and automobile insurance liabilities were \$9.3 million and \$9.7 million at December 25, 2024 and December 27, 2023, respectively.

**Income Taxes.** We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. All deferred taxes are reported as noncurrent in our Consolidated Balance Sheets. A valuation allowance reduces our net deferred tax asset to the amount that is more likely than not to be realized. We make certain estimates and judgments in the calculation of our provision for incomes taxes, in the resulting tax liabilities, and in the recoverability of deferred tax assets.

We recognize positions taken or expected to be taken in a tax return in the consolidated financial statements when it is more-likely-than-not that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit with greater than 50% likelihood of being realized upon ultimate settlement. We recognize any interest and penalties related to unrecognized tax benefits in income tax expense. Assessment of uncertain tax positions requires judgments relating to the amounts, timing and likelihood of resolution.

#### ***Leases and Subleases.***

##### ***Lessee***

We lease certain real estate and equipment for our restaurants and support facilities. At contract inception, we determine whether a contract is, or contains, a lease by determining whether it conveys the right to control the use of the identified asset for a period of time. We recognize a lease liability and a right-of-use ("ROU") asset at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases, and is subsequently measured at amortized cost using the effective interest method.

Operating lease ROU assets are initially and subsequently measured throughout the lease term at the carrying amount of the lease liability adjusted for initial direct costs, prepayments, accrued payments and lease incentives, if any. Lease cost is recognized on a straight-line basis over the lease term. Operating lease payments are classified as cash flows for operating activities with ROU asset amortization and the change in the lease liability combined as "Operating lease assets/liabilities" in the reconciliation of net income to net cash flows provided by operating activities in the Consolidated Statement of Cash Flows. Finance lease ROU assets are initially measured at cost and subsequently amortized on a straight-line basis over the lesser of the useful life or the lease term. Finance lease principal payments are classified as cash flows used in financing activities in the Consolidated Statement of Cash Flows. Operating and finance lease ROU assets are assessed for impairment using long-lived assets impairment guidance.

We use a consistent lease term for calculating the depreciation period for the related assets, classifying the lease and computing periodic rent expense where the lease terms include escalations in rent over the lease term.

The lease guidance provides for certain practical expedients and accounting elections. We elected the practical expedient to not separate nonlease components (such as common area maintenance) from lease components in regard to all leases and the portfolio approach in applying the discount rate to our leases.

Key estimates and judgments include how we determine (1) lease payments, (2) lease term and (3) the discount rate used to discount the unpaid lease payments to present value.

We have certain lease agreements structured with both a fixed base rent and a contingent rent based on a percentage of sales over contractual levels, others with only contingent rent based on a percentage of sales and some with a fixed base rent adjusted periodically for inflation or changes in the fair market rent rate. Contingent rent is recognized as sales occur. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The exercise of lease renewal options is at our sole discretion, except in certain sublease situations in which we have determined that it is reasonably certain that one or more options will be exercised, including where the exercise of a sublease option compels us to exercise the renewal option of the underlying master lease. Renewal option periods are included in the measurement of the lease ROU asset and lease liability where the exercise is reasonably certain to occur.

The discount rate used to determine the present value of the lease payments is our estimated collateralized incremental borrowing rate, based on the yield curve for the respective lease terms, as we generally cannot determine the interest rate implicit in the lease.

Deferrals in rents received from landlords as a result of the COVID-19 pandemic are recognized as reductions in variable lease payments.

#### *Lessor*

We lease or sublease certain restaurant properties to our franchisees and occasionally to third parties. The lease descriptions, terms, variable lease payments and renewal options are the same as the lessee leases described above. Contingent rental income is recognized when earned. Similar to our lessee accounting, we elected the lessor practical expedient to not separate nonlease components from lease components in regard to all leases.

**Employee Benefit Plans.** Each year we measure and recognize the funded status of our defined benefit plans in our Consolidated Balance Sheets as of December 31. That date represents the month-end that is closest to our fiscal year-end. The funded status is adjusted for any contributions or significant events (such as a plan amendment, settlement, or curtailment that calls for a remeasurement) that occurs between our fiscal year-end and December 31.

**Derivative Instruments.** We use derivative financial instruments to manage our exposure to interest rate risk. We do not enter into derivative instruments for trading or speculative purposes. All derivatives are recognized on our Consolidated Balance Sheets at fair value. Changes in the fair values of derivatives are recorded in earnings or other comprehensive income (“OCI”), based on whether the instrument is designated as a hedge transaction. Gains or losses on derivative instruments reported in OCI are classified to earnings in the period the hedged item affects earnings. If the underlying hedge transaction ceases to exist, any associated amounts reported in OCI are reclassified to earnings. By entering into derivative instruments, we are exposed to counterparty credit risk. When the fair value of a derivative instrument is in an asset position, the counterparty has a liability to us, which creates credit risk for us. We manage our exposure to this risk by selecting counterparties with investment grade credit ratings and regularly monitoring our market position with each counterparty.

**Contingencies and Litigation.** We are subject to legal proceedings involving ordinary and routine claims incidental to our business, as well as legal proceedings that are nonroutine and include compensatory or punitive damage claims. Settlement costs are accrued when they are deemed estimable and probable. Our ultimate legal and financial liability with respect to such matters cannot be estimated with certainty and requires the use of estimates in recording liabilities for potential litigation settlements. When the reasonable estimate is a range, the recorded loss will be the best estimate within the range. We record legal settlement costs as other operating expenses in our Consolidated Statements of Income as those costs are incurred.

**Comprehensive Income.** Comprehensive income includes net income and OCI items that are excluded from net income under U.S. GAAP. OCI items include additional minimum pension liability adjustments, the effective unrealized portion of changes in the fair value of cash flow hedges, and the reclassification and amortization of loss related to the dedesignation of cash flow derivatives.

#### **Revenues.**

**Company Restaurant Revenue.** Company restaurant revenue is recognized at the point in time when food and beverage products are sold at company restaurants. We present company restaurant sales net of sales-related taxes collected from customers and remitted to governmental taxing authorities.

**Franchise Revenue.** Franchise and license revenues consist primarily of royalties, advertising revenue, initial and other fees and occupancy revenue.

Under franchise agreements we provide franchisees with a license of our respective brands’ symbolic intellectual property, administration of advertising programs (including local co-operatives), and other ongoing support functions. These services are highly interrelated, so we do not consider them to be individually distinct performance obligations, and therefore account for them as a single performance obligation.

Royalty and advertising revenues represent sales-based royalties that are recognized in the period in which the sales occur. Sales-based royalties are variable consideration related to our performance obligation to our franchisees to maintain the intellectual property being licensed. Under our franchise agreements, franchisee advertising contributions must be spent on marketing and related activities. Advertising revenues and expenditures are recorded on a gross basis within the Consolidated Statements of Income.

Initial and other fees include initial, successor and assignment franchise fees (“initial franchise fees”). Initial franchise fees are billed and received upon the signing of the franchise agreement. Recognition of these fees is deferred until the commencement

date of the agreement and occurs over time based on the term of the underlying franchise agreement. Acquired initial franchise fees are recognized from the acquisition date over time based on the term of the underlying franchise agreement. In the event a franchise agreement is terminated, any remaining deferred fees are recognized in the period of termination.

Initial and other fees also include revenue that are distinct from the franchise agreement and are separate performance obligations. Training and other franchise services fees are billed and recognized at a point in time as services are rendered. Equipment revenues are billed and recognized as the equipment is installed. Similar to advertising revenue, equipment revenues and other franchise services fees are recorded on a gross basis within the Consolidated Statements of Income.

We record contract assets related to incentives and subsidies provided to franchisees related to new unit openings and/or equipment upgrades. These contract assets are presented within prepaid and other current assets and other noncurrent assets in our Consolidated Balance Sheets. These assets are amortized as a reduction to franchise and license revenue within our Consolidated Statements of Income over the remaining term of the underlying franchise agreement.

Occupancy revenue results from leasing or subleasing restaurants to franchisees and is recognized over the term of the lease agreement.

With the exception of initial and other franchise fees, revenues are typically billed and collected on a weekly basis. Our ten largest franchisees accounted for 38%, 38% and 37% of our franchise revenues for 2024, 2023 and 2022, respectively.

*Gift cards.* Company restaurants, franchised restaurants and certain third party retailers sell gift cards which have no stated expiration dates. We recognize revenue when a gift card is redeemed in one of our company restaurants. We maintain a gift card liability for cards sold in our company restaurants and for cards sold by third parties. Gift card breakage is recognized proportionally as redemptions occur. Our gift card breakage primarily relates to cards sold by third parties and is recorded as advertising revenue (included as a component of franchise and license revenue).

**Advertising Costs.** We expense production costs for radio and television advertising in the year in which the commercials are initially aired and other advertising costs as incurred. Advertising costs for company restaurants are recorded as a component of other operating expenses in our Consolidated Statements of Income and were \$7.9 million, \$5.6 million and \$5.3 million for 2024, 2023 and 2022, respectively. Advertising costs related to franchised restaurants are recorded as a component of franchise and license costs and were \$80.0 million, \$78.5 million and \$75.9 million in 2024, 2023 and 2022, respectively. Under our franchise agreements, advertising contributions received from franchisees must be spent on marketing and related activities. As the Company is contractually required to spend these contributions on advertising costs, the obligations are accrued and advertising costs expensed when the related revenues are recognized.

**Restructuring and Exit Costs.** Restructuring and exit costs are included as a component of operating (gains), losses and other charges, net in our Consolidated Statements of Income. Restructuring costs consist primarily of severance and other restructuring charges for terminated employees. Amounts recorded as exit costs include period costs related to closed units.

**Disposal or Impairment of Long-lived Assets.** We evaluate our long-lived assets for impairment at the restaurant level on a quarterly basis, when assets are identified as held for sale or whenever changes or events indicate that the carrying value may not be recoverable. For assets identified as held for sale, we use the market approach and consider proceeds from similar asset sales. We assess impairment of restaurant-level assets based on the operating cash flows of the restaurant, expected proceeds from the sale of assets and our plans for restaurant closings. For underperforming assets, we use the income approach to determine both the recoverability and estimated fair value of the assets. To estimate future cash flows, we make certain assumptions about expected future operating performance, such as revenue growth, operating margins, risk-adjusted discount rates, and future economic and market conditions. If the long-lived assets of a restaurant are not recoverable based upon estimated future, undiscounted cash flows, we write the assets down to their fair value. If these estimates or their related assumptions change in the future, we may be required to record additional impairment charges. These charges are included as a component of operating (gains), losses and other charges, net in our Consolidated Statements of Income.

Assets held for sale consist of real estate properties and/or restaurant operations that we expect to sell within the next year. The assets are reported at the lower of carrying amount or fair value less costs to sell. Fair value is based upon Level 2 inputs, which include sales agreements. We cease recording depreciation on assets that are classified as held for sale. If the determination is made that we no longer expect to sell an asset within the next year, the asset is reclassified out of held for sale.



**Discontinued Operations.** We evaluate restaurant closures and assets reclassified to assets held for sale for potential disclosure as discontinued operations. Only disposals resulting in a strategic shift that will have a major effect on our operations and financial results are reported as discontinued operations. There have been no such disposals, nor any disposals of individually significant components. The gains and losses related to restaurant closures and assets reclassified to assets held for sale are included as a component of operating (gains), losses and other charges, net in our Consolidated Statements of Income.

**Gains and Losses on Sales of Restaurant Operations to Franchisees, Real Estate and Other Assets.** Generally, gains and losses on sales of restaurant operations to franchisees (which may include real estate), real estate properties and other assets are recognized when the sales are consummated and certain other gain recognition criteria are met. Total gains and losses are included as a component of operating (gains), losses and other charges, net in our Consolidated Statements of Income.

**Share-based Compensation.** Share-based compensation cost is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the requisite service period. Share-based compensation expense is included as a component of general and administrative expenses in our Consolidated Statements of Income. We account for forfeitures as they occur. Excess tax benefits recognized related to share-based compensation are included as a component of provision for income taxes in our Consolidated Statements of Income and are classified as operating activities in our Consolidated Statements of Cash Flows.

Generally, compensation expense related to performance share units and restricted stock units is based on the number of units granted, the period over which they are expected to vest and the fair market value of our common stock on the date of the grant. For restricted stock units and performance share units that contain a market condition, compensation expense is based on the Monte Carlo valuation method, which utilizes multiple input variables to determine the probability of the Company achieving the market condition and the fair value of the award. The key assumptions used include expected volatility and risk-free interest rates over the term of the award.

We generally recognize compensation cost associated with performance share units over the entire performance period on a straight-line basis. For performance share units awarded to certain retirement eligible individuals with accelerated vesting terms, compensation cost is recognized on a graded-vesting basis. We generally recognize compensation cost associated with restricted stock units on a straight-line basis over the entire performance period of the award.

Subsequent to the vesting period, earned stock-settled restricted stock units and performance share units (both of which are equity classified) are paid to the holder in shares of our common stock, provided the holder was still employed with the Company or an affiliate as of the vesting date or eligible for retirement at their termination date.

**Earnings Per Share.** Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period.

**Business Combinations.** We account for acquisitions using the acquisition method of accounting. Accordingly, assets acquired and liabilities assumed are recorded at their estimated fair values at the acquisition date. The excess of purchase price over fair value of net assets acquired, including the amount assigned to identifiable intangible assets, is recorded as goodwill.

#### ***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.



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). The Company adopted ASU 2023-07 during the year ended December 25, 2024. The adoption of this guidance did not have a material effect on our consolidated financial statements. See Note 20 for further detail.

Additional new accounting guidance became effective for us as of December 25, 2024 that we reviewed and concluded was either not applicable to our operations or had no material effect on our consolidated financial statements and related disclosures.

### ***Accounting Standards to be Adopted***

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.

In November 2024, the FASB issued ASU 2024-03, “Disaggregation of Income Statement Expenses (Subtopic 220-40)”. The new guidance requires disaggregation of certain relevant expenses included in the consolidated statements of income. ASU 2024-03 is effective for annual periods beginning after December 15, 2026 (our fiscal 2027) and interim periods beginning after December 15, 2027 (our fiscal 2028). 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. Acquisition of Keke’s Breakfast Cafe**

On July 20, 2022, the Company completed its acquisition of Keke's pursuant to that certain Asset Purchase Agreement (the "Purchase Agreement"), dated May 3, 2022, which was subsequently amended by the First Amendment to Asset Purchase Agreement (the "First Amendment"), dated July 11, 2022, by and between the Company, as purchaser, and K2 Restaurants, Inc. together with the other sellers and principals party thereto, for the acquisition of certain assets and assumption of certain liabilities of the franchise business, consisting of 44 franchised restaurants, and eight company owned and operated restaurants.

Pursuant to the Purchase Agreement, we agreed to purchase Keke's for a purchase price of \$82.5 million. The purchase price was funded by utilizing cash on hand as well as funds from the Company's revolving credit facility.

The acquisition was accounted for as a business combination using the acquisition method of accounting. The allocation of the purchase price is based on management's analysis, including work performed by third party valuation specialists.

The components of the purchase price allocation were as follows:

	(In thousands)
Total consideration paid	\$ 82,500
<b>Assets:</b>	
Property	2,015
Operating lease ROU assets	7,908
Franchise agreements	10,700
Trade name	35,600
<b>Liabilities:</b>	
Operating lease liabilities	7,908
Deferred franchise revenue	992
Other liabilities	36
<b>Net assets acquired, excluding goodwill</b>	<b>47,287</b>
<b>Goodwill</b>	<b>\$ 35,213</b>

The Keke's trade name has been assigned an indefinite life, and therefore, will not be amortized, but rather tested annually for impairment. At the acquisition date, franchise agreements had a weighted average useful life of approximately 15 years. Goodwill attributable to the Keke's acquisition will be deductible and amortized for tax purposes. Goodwill is considered to represent the value associated with the workforce and synergies anticipated to be realized as a combined company.

Acquisition transaction costs totaling approximately \$0.6 million during the year ended December 28, 2022 were recorded in general and administrative expenses in the accompanying Consolidated Statements of Income. Keke's results are included in the Other segment results beginning with the fiscal 2022 third quarter.

Results of operations starting from the date of acquisition of Keke's have been included in our consolidated financial statements for the year ended December 28, 2022. The Keke's acquisition is not material to our consolidated financial statements, and therefore, supplemental pro forma financial information for the year ended December 28, 2022 related to the acquisition is not included herein.

#### Note 4. Receivables

Receivables, net consisted of the following:

	<u>December 25, 2024</u>	<u>December 27, 2023</u>
	<u>(In thousands)</u>	
Receivables, net:		
Trade accounts receivable from franchisees	\$ 15,798	\$ 14,092
Notes and loan receivables from franchisees	490	584
Vendor receivables	3,632	4,059
Credit card receivables	1,815	995
Other	3,140	1,862
Allowance for doubtful accounts	(442)	(201)
Total receivables, net	<u>\$ 24,433</u>	<u>\$ 21,391</u>

During 2024, we recorded credit losses of \$0.2 million, and during 2023 and 2022, we recorded reversals of credit losses of \$0.1 million, respectively, based on actual and expected losses on franchise-related receivables.

#### Note 5. Property

Property, net consisted of the following:

	<u>December 25, 2024</u>	<u>December 27, 2023</u>
	<u>(In thousands)</u>	
Land	\$ 43,196	\$ 43,577
Buildings and leasehold improvements	182,560	169,005
Other property and equipment	45,249	40,791
Total property	271,005	253,373
Less accumulated depreciation	159,588	159,879
Property, net	<u>\$ 111,417</u>	<u>\$ 93,494</u>

The following table reflects the property assets, included in the table above, and buildings with finance leases which were leased to franchisees:

	<b>December 25, 2024</b>	<b>December 27, 2023</b>
	<b>(In thousands)</b>	
Land	\$ 23,166	\$ 23,825
Buildings and leasehold improvements	63,338	66,763
Total property owned, leased to franchisees	86,504	90,588
Less accumulated depreciation	55,699	58,006
Property owned, leased to franchisees, net	30,805	32,582
Buildings held under finance leases, leased to franchisees	5,233	5,505
Less accumulated amortization	3,024	3,218
Property held under finance leases, leased to franchisees, net	2,209	2,287
Total property leased to franchisees, net	\$ 33,014	\$ 34,869

Depreciation expense, including amortization of property under finance leases, for 2024, 2023 and 2022 was \$12.6 million, \$12.2 million and \$12.8 million, respectively. Substantially all owned property is pledged as collateral for our Credit Facility. See Note 10.

#### **Note 6. Goodwill and Intangible Assets**

The following table reflects the changes in carrying amounts of goodwill and goodwill by segment:

	<b>December 25, 2024</b>	<b>December 27, 2023</b>
	<b>(In thousands)</b>	
Balance, beginning of year	\$ 65,908	\$ 72,740
Reclassifications from (to) assets held for sale	469	(469)
Impairment charges	\$ (20)	\$ (6,363)
Balance, end of year <sup>(1)</sup>	\$ 66,357	\$ 65,908
Goodwill by segment		
Denny's	\$ 37,507	\$ 37,527
Other	28,850	28,381
Total goodwill	\$ 66,357	\$ 65,908

(1) Net of accumulated impairment losses of \$6.4 million.

Intangible assets consist of the following:

	December 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	6,188	9,470	5,614
Franchise agreements	10,603	1,618	10,700	935
Intangible assets, net	<u>\$ 99,545</u>	<u>\$ 7,806</u>	<u>\$ 99,977</u>	<u>\$ 6,549</u>

The weighted-average life of reacquired franchise rights is five years. The weighted-average life of franchise agreements is 13 years. The amortization expense for definite-lived intangibles and other assets for 2024, 2023 and 2022 was \$2.2 million, \$2.2 million and \$2.0 million, respectively. Estimated amortization expense for intangible assets with definite lives in the next five years is as follows:

	(In thousands)
2025	\$ 1,442
2026	1,274
2027	1,235
2028	1,085
2029	1,017

We performed an annual impairment test as of December 25, 2024 and determined that the fair value of the reporting units substantially exceeded their respective carrying values. No impairment charges related to goodwill or other intangible assets with indefinite lives were recorded. However, we recorded \$0.1 million of impairment related to reacquired franchise rights and \$0.1 million of impairment related to franchise agreements during the year ended December 25, 2024. See Note 14.

We performed an annual impairment test of goodwill and other intangible assets with indefinite lives as of December 27, 2023 and determined that a portion of the goodwill related to Keke's was impaired as a result of lower than forecasted sales and cash flows. Near-term sales and cash flows in 2023 were impacted by reduced tourism in Florida as well as a slower pace of restaurant development than originally anticipated. In addition, investments in general and administrative expenses to support the growth of the brand and an extended development cycle have also impacted near-term cash flow projections. Accordingly, we recognized \$6.4 million of impairment charges related to the Keke's goodwill. See Note 8. The balance of this goodwill is included in the Other segment. As it relates to the remainder of goodwill and other intangible assets with indefinite lives, we concluded that the fair value of these assets substantially exceeded their carrying values. However, we recorded less than \$0.1 million of impairment related to reacquired franchise rights during the year ended December 27, 2023. See Note 14.

**Note 7. Other Current Liabilities**

Other current liabilities consisted of the following:

	December 25, 2024	December 27, 2023
	(In thousands)	
Accrued payroll	\$ 15,434	\$ 16,400
Accrued insurance, primarily current portion of liability for insurance claims	4,494	3,758
Accrued taxes	4,432	4,699
Accrued advertising	11,785	10,664
Gift cards	8,382	7,838
Accrued legal settlements	4,114	7,488
Accrued interest	4,368	4,530
Other	5,833	7,691
Other current liabilities	<u>\$ 58,842</u>	<u>\$ 63,068</u>

**Note 8. Fair Value of Financial Instruments*****Fair Value of Assets and Liabilities Measured on a Recurring and Nonrecurring Basis***

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 December 25, 2024:				
Deferred compensation plan investments <sup>(1)</sup>	\$ 10,400	\$ 10,400	\$ —	\$ —
Interest rate swaps <sup>(2)</sup>	20,841	—	20,841	—
Investments <sup>(3)</sup>	1,106	—	1,106	—
Total	<u>\$ 32,347</u>	<u>\$ 10,400</u>	<u>\$ 21,947</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 10.
- (3) The fair value of investments is 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 nonrecurring basis are summarized below:

	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Impairment Charges</b>
Fair value measurements as of December 27, 2023:		
Assets held and used, including other intangible assets <sup>(1)</sup>	\$ —	\$ 375
Goodwill <sup>(2)</sup>	\$ 28,381	\$ 6,363

- (1) As of December 27, 2023, 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.
- (2) As of December 27, 2023, impaired Keke's goodwill was written down to fair value. To determine fair value, we used an income approach and market approach, with equal weighting given to each approach, to value the goodwill subject to the impairment. These fair value measurements require significant judgment using Level 3 inputs. The income approach involves the use of estimates and assumptions including forecasted future revenues and operating margins, including projected growth in restaurant unit counts and average unit volumes, royalty rate, and discount rates. Inputs used are generally obtained from historical data supplemented by current and anticipated market conditions and growth rates. The market approach involves the selection and application of cash flows multiples of a group of similar companies to the projected cash flows of the operating segment.

Assets that are measured at fair value on a non-recurring basis include property, operating right-of-use assets, finance right-of-use assets, goodwill and reacquired franchise rights. During the year ended December 25, 2024 and December 27, 2023, we recognized impairment charges of \$0.8 million and \$8.6 million, respectively, related to certain of these assets. See Note 6 and Note 14.

The carrying amounts of cash and cash equivalents, accounts receivables, 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). The determinations of fair values of certain tangible and intangible assets for purposes of the application of the acquisition method of accounting to the acquisition of Keke's were based on Level 3 inputs.

## **Note 9. Leases**

### *Lessee*

Our operations utilize property, facilities and equipment leased from others. Buildings and facilities are primarily used for restaurants and support facilities. Many of our restaurants are operated under lease arrangements which generally provide for a fixed base rent, and, in many instances, contingent rent based on a percentage of gross revenues. Initial terms of land and restaurant building leases generally range from 10 to 20 years, exclusive of options to renew, which are typically for five year periods. Leases of equipment consist primarily of restaurant equipment, computer equipment and vehicles. Initial terms of equipment leases generally range from three to five years.

### *Lessor*

We lease or sublease certain restaurant properties to our franchisees and occasionally to third parties. The lease descriptions, terms, variable lease payments and renewal options are generally the same as the lessee leases described above.



The components of lease costs were as follows:

		Fiscal Year Ended		
	Classification	December 25, 2024	December 27, 2023	December 28, 2022
(In thousands)				
Lease costs				
Finance lease costs:				
Amortization of right-of-use assets	Depreciation and amortization	\$ 1,350	\$ 1,451	\$ 1,704
Interest on lease liabilities	Interest expense, net	1,990	2,139	2,350
Operating lease costs:				
Operating lease costs	Occupancy	8,828	8,584	7,624
Operating lease costs	Costs of franchise and license revenue	12,702	14,022	15,541
Operating lease costs	General and administrative expenses	739	629	564
Operating lease costs	Other operating expenses	459	257	—
Operating lease costs	Restructuring charges and exit costs	125	175	201
Variable lease costs:				
Variable lease costs	Occupancy	4,716	4,789	3,988
Variable lease costs	Costs of franchise and license revenue	5,979	6,232	6,596
Variable lease costs	General and administrative expenses	333	271	255
Variable lease costs	Other operating expenses	6	14	—
Variable lease costs	Restructuring charges and exit costs	65	46	34
Sublease income:				
Sublease income	Franchise and license revenue	(22,817)	(24,966)	(27,445)
Sublease income	Restructuring charges and exit costs	(192)	(166)	(229)
Total lease costs		\$ 14,283	\$ 13,477	\$ 11,183

Lease terms and discount rates were as follows:

	December 25, 2024	December 27, 2023
Weighted-average remaining lease term (in years):		
Finance leases	8.7	8.0
Operating leases	9.0	8.8
Weighted-average discount rate:		
Finance leases	21.4 %	23.1 %
Operating leases	6.1 %	6.0 %

The components of lease income were as follows:

Classification		Fiscal Year Ended		
		December 25, 2024	December 27, 2023	December 28, 2022
(In thousands)				
Lease income				
Operating lease income	Franchise and license revenue	\$ 24,269	\$ 26,353	\$ 28,473
Operating lease income	Restructuring charges and exit costs	130	119	183
Operating lease income	General and administrative expenses	71	118	140
Variable lease income	Franchise and license revenue	8,895	9,530	10,124
Variable lease income	Restructuring charges and exit costs	61	47	46
Total lease income		\$ 33,426	\$ 36,167	\$ 38,966

Cash and supplemental noncash amounts were as follows:

		Fiscal Year Ended		
	<u>December 25, 2024</u>	<u>December 27, 2023</u>	<u>December 28, 2022</u>	
		(In thousands)		
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from finance leases	\$ 1,990	\$ 2,139	\$ 2,350	
Operating cash flows from operating leases	\$ 23,055	\$ 24,310	\$ 24,626	
Financing cash flows from finance leases	\$ 1,411	\$ 1,786	\$ 2,020	
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 1,783	\$ 1,071	\$ 537	
Right-of-use assets obtained in exchange for new operating lease liabilities <sup>(1)</sup>	\$ 25,283	\$ 7,047	\$ 16,040	

(1) Right-of-use assets obtained in 2022 includes \$7.9 million from the acquisition of Keke's. See Note 3.

Maturities of lease liabilities and receipts as of December 25, 2024 were as follows:

	Lease Liabilities		Lease Receipts
	Finance	Operating	Operating
(In thousands)			
2025	\$ 3,077	\$ 23,243	\$ 23,271
2026	2,985	23,114	22,962
2027	2,639	21,328	21,413
2028	1,953	19,479	19,691
2029	1,751	17,954	19,034
Thereafter	9,806	74,758	96,131
Total undiscounted cash flows	22,211	179,876	<u>\$ 202,502</u>
Less: interest	11,643	43,548	
Present value of lease liabilities	10,568	136,328	
Less: current lease liabilities	1,284	15,487	
Long-term lease liabilities	<u>\$ 9,284</u>	<u>\$ 120,841</u>	

## Note 10. Long-Term Debt

Long-term debt consisted of the following:

	December 25, 2024	December 27, 2023
	(In thousands)	
Revolving loans	\$ 261,300	\$ 255,500
Finance lease obligations	10,568	10,533
Total long-term debt	271,868	266,033
Less current maturities of finance lease obligations	1,284	1,383
Noncurrent portion of long-term debt	<u>\$ 270,584</u>	<u>\$ 264,650</u>

There are no scheduled maturities of our revolving loans due in 2025. The \$261.3 million of revolving loans are due August 26, 2026.

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 revolver 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 contains certain financial covenants, including a maximum consolidated leverage ratio of 4.0 times and a minimum consolidated fixed charge coverage ratio of 1.5 times. As of December 25, 2024, our consolidated leverage ratio was 3.85 times and our consolidated fixed charge coverage ratio was 2.18 times. We were in compliance with all financial covenants as of December 25, 2024, and we expect to remain in compliance throughout 2025.

As of December 25, 2024, we had outstanding revolver loans of \$261.3 million and outstanding letters of credit under the credit facility of \$16.1 million. These balances resulted in unused commitments of \$122.6 million as of December 25, 2024 under the credit facility.

As of December 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 6.98% and 7.41% as of December 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 5.01% and 5.04% as of December 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 December 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	\$ 618	2.34 %
October 1, 2015	March 29, 2018	March 31, 2026	\$ 50,000	\$ 1,087	2.37 %
February 15, 2018	March 31, 2020	December 31, 2033	\$ 68,000 (1)	\$ 19,136	3.09 %
<b>Total</b>			<b>\$ 238,000</b>	<b>\$ 20,841</b>	

(1) The notional amounts of the swaps entered into on February 15, 2018 will increase by \$120 million on March 31, 2025 when the swaps entered into on March 20, 2015 expire and will 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. As a result, we expect our total swaps to approximate 80% of our outstanding debt prospectively. 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 ended December 27, 2023.

In addition, during the year ended December 27, 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 December 25, 2024, the fair value of swaps designated as cash flow hedges was an asset of \$20.8 million and was 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 17 for the amounts recorded in accumulated other comprehensive loss related to the interest rate swaps. During the year ended December 25, 2024, we reclassified \$5.9 million from accumulated other comprehensive loss, net as a reduction to interest expense, net. We expect to reclassify approximately \$4.5 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 twelve 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 expense (income), net in our Consolidated Statements of Income. For the year ended December 27, 2023, we recorded expense of \$10.6 million, and for the year ended December 28, 2022, we recorded income of \$55.0 million, respectively, 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 December 25, 2024, we had a total of \$63.4 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. We reclassified unrealized losses of \$0.8 million, \$0.4 million, and less than \$0.1 million to interest expense, net related to the 2018 Swaps, for the years ended December 25, 2024, December 27, 2023, and December 28, 2022, respectively. We expect to amortize approximately \$3.1 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 twelve months.

### **Note 11. Revenues**

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

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Company restaurant sales	\$ 211,781	\$ 215,532	\$ 199,753
Franchise and license revenue:			
Royalties	118,705	120,131	113,891
Advertising revenue	79,973	78,494	75,926
Initial and other fees	8,711	13,882	28,262
Occupancy revenue	33,164	35,883	38,597
Franchise and license revenue	240,553	248,390	256,676
Total operating revenue	\$ 452,334	\$ 463,922	\$ 456,429

Balances related to contracts with customers consist of receivables, contract assets, deferred franchise revenue and deferred gift card revenue. See Note 4 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	1,080
Revenue recognized, net <sup>(1)</sup>	(3,262)
Balance, December 25, 2024	16,968
Less current portion included in other current liabilities	2,073
Deferred franchise revenue included in other noncurrent liabilities	\$ 14,895

(1) Of this amount \$2.8 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	1,417
Contract asset amortization	(1,319)
Balance, December 25, 2024	6,706
Less current portion included in other current assets	976
Contract assets included in other noncurrent assets	\$ 5,730

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 \$0.7 million, \$4.8 million and \$19.3 million of revenue related to the sale of equipment to franchisees during the years ended December 25, 2024, December 27, 2023 and December 28, 2022, respectively. As of December 25, 2024, we had \$0.2 million in inventory and \$0.4 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 December 25, 2024, deferred franchise revenue, net of contract asset amortization, expected to be recognized in the future is as follows:

	(In thousands)
2025	\$ 1,097
2026	1,072
2027	1,041
2028	917
2029	813
Thereafter	5,322
Deferred franchise revenue, net	\$ 10,262

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 customers. The balance of deferred gift card liabilities as of December 25, 2024 and December 27, 2023 was \$8.4 million and \$7.8 million, respectively. During the year ended December 25, 2024, we recognized revenue of \$0.6 million from gift card redemptions at company restaurants.

## **Note 12. Employee Benefit Plans**

We maintain defined contribution plans and defined benefit plans which cover a substantial number of employees.

### ***Defined Contribution Plans***

Eligible employees can elect to contribute up to 25% of their compensation to our 401(k) plan. Effective January 1, 2016, the plan was amended and restated to incorporate Safe Harbor Plan design features which included changes to participant eligibility, company contribution amounts and vesting. As a result, we match up to a maximum of 4% of compensation deferred by the participant.

In addition, a non-qualified deferred compensation plan is offered to certain employees. This plan allows participants to defer up to 50% of annual salary and up to 75% of bonuses and incentive compensation awards, on a pre-tax basis. There are no matching contributions made under this plan.

We made total contributions of \$2.0 million, \$1.8 million and \$1.7 million for 2024, 2023 and 2022, respectively, under these plans.



## Defined Benefit Plans

Benefits under our defined benefit plans are based upon each employee's years of service and average salary. The following table provides a reconciliation of the changes in the benefit obligations, plan assets, and funded status of our defined benefit plans:

	December 25, 2024	December 27, 2023
	(In thousands)	
<b>Change in Benefit Obligation:</b>		
Benefit obligation at beginning of year	\$ 1,078	\$ 1,606
Interest cost	31	53
Actuarial gain	(83)	(29)
Benefits paid	(106)	(131)
Settlements	(430)	(421)
Benefit obligation at end of year	\$ 490	\$ 1,078
Accumulated benefit obligation	\$ 490	\$ 1,078
<b>Change in Plan Assets:</b>		
Fair value of plan assets at beginning of year	\$ —	\$ —
Employer contributions	536	552
Benefits paid	(106)	(131)
Settlements	(430)	(421)
Fair value of plan assets at end of year	\$ —	\$ —
<b>Unfunded status at end of year</b>	<b>\$ (490)</b>	<b>\$ (1,078)</b>
<b>Amounts recognized on the balance sheet:</b>		
Other current liabilities	\$ (105)	\$ (582)
Other noncurrent liabilities	(385)	(496)
Net amount recognized	\$ (490)	\$ (1,078)
<b>Amounts in accumulated other comprehensive loss not yet reflected in net period benefit cost:</b>		
Unamortized actuarial losses, net	\$ (277)	\$ (449)
<b>Other changes in plan assets and benefit obligations recognized in accumulated other comprehensive loss, net:</b>		
Benefit obligation actuarial gain (loss)	\$ 83	\$ (98)
Amortization of net loss	63	56
Settlement loss recognized	26	35
Plan closure loss	—	74
Other comprehensive income	\$ 172	\$ 67

The components of net periodic benefit cost, which are included in general and administrative expenses in our Consolidated Statements of Income, were as follows:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Interest cost	\$ 31	\$ 53	\$ 36
Amortization of net loss	63	56	123
Settlement loss recognized	26	35	74
Plan experience gain	—	(53)	—
Net periodic benefit cost	\$ 120	\$ 91	\$ 233

### ***Assumptions***

The discount rates used to determine the benefit obligations as of December 25, 2024 and December 27, 2023 were 5.08% and 4.93%, respectively. The discount rates used to determine net period pension costs for 2024, 2023 and 2022 were 4.93%, 5.26% and 1.99%, respectively.

In determining the discount rates, we have considered long-term bond indices of bonds having similar timing and amounts of cash flows as our estimated defined benefit payments. We use a yield curve based on high quality, long-term corporate bonds to calculate the single equivalent discount rate that results in the same present value as the sum of each of the plan's estimated benefit payments discounted at their respective spot rates.

### ***Contributions and Expected Future Benefit Payments***

We made contributions of \$0.5 million and \$0.6 million to our defined benefit plans during the years ended December 25, 2024 and December 27, 2023, respectively. We expect to contribute \$0.1 million to our defined benefit plans during 2025.

Benefits expected to be paid for each of the next five years and in the aggregate for the five fiscal years from 2030 through 2034 are as follows:

	<b>Defined Benefit Plans</b>	
	<b>(In thousands)</b>	
2025	\$	105
2026		107
2027		78
2028		67
2029		117
2030 through 2034		116

### **Note 13. Share-Based Compensation**

#### ***Share-Based Compensation Plans***

The Denny's Corporation 2021 Omnibus Incentive Plan (the "2021 Omnibus Plan") is used to grant share-based compensation to selected employees, officers and directors of Denny's and its affiliates. However, we reserve the right to pay discretionary bonuses, or other types of compensation, outside of this plan. At December 25, 2024, there were 0.9 million shares available for grant under the 2021 Omnibus Plan.

#### ***Share-Based Compensation Expense***

Total share-based compensation expense included as a component of net income was as follows:

	<b>Fiscal Year Ended</b>		
	<b>December 25, 2024</b>	<b>December 27, 2023</b>	<b>December 28, 2022</b>
	<b>(In thousands)</b>		
Employee share awards	\$ 9,792	\$ 7,991	\$ 10,470
Restricted stock units for board members	886	889	930
Total share-based compensation	<u>\$ 10,678</u>	<u>\$ 8,880</u>	<u>\$ 11,400</u>

The income tax benefits recognized as a component of the provision for income taxes in our Consolidated Statements of Income related to share-based compensation expense were \$2.8 million, \$2.3 million and \$2.9 million during the years ended December 25, 2024, December 27, 2023 and December 28, 2022, respectively.

## Employee Share Awards

Employee share awards consist of performance share units ("PSUs") and restricted stock units ("RSUs") (which are equity classified). The number of shares that are ultimately issued is dependent upon the level of attainment of the market and performance conditions. The following table summarizes the employee share awards activity during the year ended December 25, 2024:

	Units	Weighted Average Grant Date Fair Value
	(In thousands)	
Outstanding, beginning of year	1,990	\$ 15.90
Granted	1,432	\$ 12.55
Converted	(524)	\$ 17.57
Performance shares adjustment	(478)	\$ 18.35
Forfeited	(307)	\$ 13.59
Outstanding, end of year	2,113	\$ 13.00
Convertible, end of year	461	\$ 11.76

During the year ended December 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 percentage will be applied to the vested units (from 0% to 200% of the target award).

We also granted certain employees 0.8 million restricted stock units ("RSUs") with a weighted average grant date fair value of \$10.13 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.

For 2024, 2023 and 2022, the weighted average grant date fair value of awards granted was \$12.55, \$13.43 and \$16.22, respectively.

The following table presents the weighted-average assumptions used in the Monte Carlo simulations to determine the fair value of PSU awards at the grant date, along with the related weighted-average grant date fair value of PSU awards:

	December 25, 2024	December 27, 2023	December 28, 2022
Risk-free interest rate	4.14%	3.75%	1.96%
Expected term (in years)	3.0	3.0	2.8
Expected volatility	39.2%	69.7%	66.0%
Expected dividend yield	0.0%	0.0%	0.0%
Grant date fair value per unit	\$15.48	\$18.39	\$21.05

The risk-free interest rate was based on U.S. Treasury bond yield with a term equal to the expected life assumed at the date of grant. The expected term represents the period of time the awards are expected to be outstanding. Expected volatility was based on historical volatility of the Company. The expected dividend yield is based on the Company's history and expectations of dividend payouts at the time of grant.

We made payments of \$0.3 million, \$0.1 million and \$0.4 million during 2024, 2023 and 2022, respectively, related to converted performance and restricted share units. Payments relate to the payment of payroll taxes. The fair value of units converted was \$5.7 million, \$8.6 million and \$13.8 million during 2024, 2023 and 2022, respectively. As of December 25, 2024, we had \$13.9 million of unrecognized compensation cost related to unvested employee share awards, which is expected to be recognized over a weighted average of 1.8 years.

### ***Restricted Stock Units for Board Members***

During the year ended December 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 into shares of common stock 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 ended December 25, 2024, 0.1 million restricted stock units were converted into shares of common stock.

There were 0.7 million RSUs outstanding as of December 25, 2024 and December 27, 2023, respectively. As of December 25, 2024, we had \$0.4 million of unrecognized compensation cost related to all unvested RSU awards outstanding, which is expected to be recognized over a weighted average of 0.4 years.

### **Note 14. Operating (Gains), Losses and Other Charges, Net**

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

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Gains on sales of assets and other, net	\$ (137)	\$ (2,220)	\$ (3,378)
Impairment charges <sup>(1)</sup>	792	2,214	963
Restructuring charges and exit costs	1,319	2,536	1,410
Operating (gains), losses and other charges, net	<u>\$ 1,974</u>	<u>\$ 2,530</u>	<u>\$ (1,005)</u>

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

Gains on sales of assets and other, net for the years ended December 25, 2024, December 27, 2023, and December 28, 2022, were primarily related to the sales of restaurants and real estate.

We recorded impairment charges of \$0.8 million for the year ended December 25, 2024 primarily related to assets held for sale and resulting from our assessments of underperforming and closed units. The \$0.8 million included \$0.6 million related to property, \$0.1 million related to reacquired franchise rights, and \$0.1 million related to a franchise agreement. We recorded impairment charges of \$2.2 million for the year ended December 27, 2023 primarily resulting from underperforming units. The \$2.2 million included \$1.3 million related to property and \$0.9 million related to operating lease right-of-use assets, less than \$0.1 million related to finance lease right-of-use assets, and less than \$0.1 million related to reacquired franchise rights. We recorded impairment charges of \$1.0 million for the year ended December 28, 2022 primarily resulting from underperforming units. The \$1.0 million included \$0.6 million related to property, \$0.3 million related to operating lease right-of-use assets, and less than \$0.1 million related to finance lease right-of-use assets.

Restructuring charges and exit costs consists of the following:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Exit costs	\$ 307	\$ 190	\$ 86
Severance and other restructuring charges	1,012	2,346	1,324
Total restructuring charges and exit costs	<u>\$ 1,319</u>	<u>\$ 2,536</u>	<u>\$ 1,410</u>

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. See Note 9.

Severance and other restructuring charges primarily consist of severance costs for the years ended December 25, 2024, December 27, 2023, and December 28, 2022. As of December 25, 2024 and December 27, 2023, we had accrued severance and other restructuring charges of \$0.3 million and \$1.4 million, respectively. The balance as of December 25, 2024 is expected to be paid during the next 12 months.

## Note 15. Income Taxes

The provisions for (benefits from) income taxes were as follows:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Current:			
Federal	\$ 4,925	\$ 4,649	\$ 6,128
State and local	1,078	2,409	2,160
Foreign	1,478	1,433	1,152
Deferred:			
Federal	(1,079)	(1,876)	11,043
State and local	812	173	3,689
Increase (decrease) of valuation allowance	464	205	546
Total provision for income taxes	<u>\$ 7,678</u>	<u>\$ 6,993</u>	<u>\$ 24,718</u>

The reconciliation of income taxes at the U.S. federal statutory tax rate to our effective tax rate was as follows:

	December 25, 2024	December 27, 2023	December 28, 2022
Statutory provision rate	21 %	21 %	21 %
State and local taxes, net of federal income tax benefit	7	6	5
Foreign taxes	5	5	1
Change in state valuation allowance	2	1	—
General business credits generated	(6)	(5)	(1)
Foreign tax credits generated	(5)	(5)	(1)
Section 162(m) and share-based compensation	6	7	—
Insurance premiums	(2)	(2)	—
Other	(2)	(2)	—
Effective tax rate	<u>26 %</u>	<u>26 %</u>	<u>25 %</u>

For 2024, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state and foreign taxes, partially offset by the generation of employment and foreign tax credits. The 2024 rate was also impacted by \$1.8 million of disallowed compensation deductions.

For 2023, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state and foreign taxes, partially offset by the generation of employment and foreign tax credits. The 2023 rate was also impacted by \$1.9 million of disallowed compensation deductions.

For 2022, the difference in the overall effective rate from the U.S. statutory rate was primarily due to state and foreign taxes, partially offset by the generation of employment and foreign tax credits.

The following table represents the approximate tax effect of each significant type of temporary difference that resulted in deferred income tax assets or liabilities.

	<b>December 25, 2024</b>	<b>December 27, 2023</b>
	<b>(In thousands)</b>	
Deferred tax assets:		
Self-insurance accruals	\$ 2,398	\$ 2,536
Finance lease liabilities	1,102	1,119
Operating lease liabilities	34,468	30,445
Accrued exit costs	—	5
Pension, other retirement and compensation plans	5,922	7,127
Deferred income	3,868	4,617
Other accruals	1,824	478
General business and foreign tax credit carryforwards - state and federal	3,612	3,472
Net operating loss carryforwards - state	534	848
Total deferred tax assets before valuation allowance	53,728	50,647
Less: valuation allowance	(3,407)	(2,943)
Total deferred tax assets	50,321	47,704
Deferred tax liabilities:		
Intangible assets	(16,140)	(15,044)
Contract assets	(1,212)	(1,460)
Deferred finance costs	—	(181)
Operating lease right-of-use assets	(31,544)	(27,307)
Fixed assets	(6,135)	(8,074)
Interest rate swaps	(5,254)	(2,220)
Total deferred tax liabilities	(60,285)	(54,286)
Net deferred tax liabilities	<u>\$ (9,964)</u>	<u>\$ (6,582)</u>

The Company's state net operating loss tax asset of \$0.5 million includes \$0.3 million related to Louisiana, Pennsylvania, Tennessee and South Carolina.

Of the \$3.4 million valuation allowance, \$0.2 million relates to Pennsylvania and South Carolina net operating loss carryforwards, \$1.1 million relates to California enterprise zone credits and \$2.1 million relates to foreign tax credit carryforwards, all of which may never be utilized, prior to their expiration.

It is more likely than not that we will be able to utilize all of our existing temporary differences and most of our remaining state tax net operating losses and state credit tax carryforwards, net of existing valuation allowance, prior to their expiration.

The following table provides a reconciliation of the beginning and ending amount of unrecognized tax benefits:

	<b>December 25, 2024</b>	<b>December 27, 2023</b>
	<b>(In thousands)</b>	
Balance, beginning of year	\$ 445	\$ 869
Increase (decrease) related to prior year tax positions	13	(424)
Balance, end of year	<u>\$ 458</u>	<u>\$ 445</u>

There was less than \$0.1 million of interest expense for the year ended December 25, 2024 and no interest expense for the year ended December 27, 2023 associated with unrecognized tax benefits.

We file income tax returns in the U.S. federal jurisdictions and various state jurisdictions. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2021. We remain subject to examination for U.S. federal taxes from 2021 onward, and in the following major state jurisdictions: California (2019 onward), Florida (2021 onward) and Texas (2020 onward).



## Note 16. Net Income Per Share

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

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands, except per share amounts)		
Net income	\$ 21,571	\$ 19,945	\$ 74,712
Weighted average shares outstanding - basic	52,499	55,984	60,771
Effect of dilutive share-based compensation awards	115	212	108
Weighted average shares outstanding - diluted	52,614	56,196	60,879
Net income per share - basic	\$ 0.41	\$ 0.36	\$ 1.23
Net income per share - diluted	\$ 0.41	\$ 0.35	\$ 1.23
Anti-dilutive share-based compensation awards	713	726	709

## Note 17. Shareholders' Equity

### Share Repurchases

Our credit facility permits the repurchase of Denny'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.

The following table summarizes share repurchase activity:

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Amount repurchased <sup>(1)</sup>	\$ 11,231	\$ 52,099	\$ 64,884
Total number of shares repurchased	1,349	5,202	6,280

(1) Amount repurchased includes excise taxes of \$0.1 million and \$0.4 million for the years ended December 25, 2024 and December 27, 2023, respectively.

Repurchased shares are included as treasury stock in our Consolidated Balance Sheets and our Consolidated Statements of Shareholders' Deficit.

### Retirement of Treasury Stock

In the fourth quarter of fiscal 2024, the Board of Directors approved the retirement of 2.0 million shares of treasury stock at a weighted average share price of \$8.78, including excise taxes. As of the year ended December 25, 2024, no shares remained in treasury.

In the fourth quarter of fiscal 2023, the Board of Directors 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 the year ended December 27, 2023, 0.7 million shares remained in treasury.

## Accumulated Other Comprehensive Loss

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

	Pensions	Derivatives	Accumulated Other Comprehensive Loss
	(In thousands)		
Balance as of December 29, 2021	\$ (900)	\$ (53,570)	\$ (54,470)
Benefit obligation actuarial gain	261	—	261
Amortization of net loss <sup>(1)</sup>	123	—	123
Settlement loss recognized	74	—	74
Changes in the fair value of cash flow derivatives	—	13,619	13,619
Reclassification of cash flow derivatives to interest expense, net <sup>(2)</sup>	—	1,310	1,310
Amortization of unrealized losses related to dedesignated derivatives to interest expense, net	—	29	29
Income tax expense	(113)	(3,530)	(3,643)
Balance as of December 28, 2022	\$ (555)	\$ (42,142)	\$ (42,697)
Benefit obligation actuarial loss	(98)	—	(98)
Amortization of net loss <sup>(1)</sup>	56	—	56
Settlement loss recognized	35	—	35
Plan closure loss	74	—	74
Changes in the fair value of cash flow derivatives	—	6,262	6,262
Reclassification of cash flow derivatives to interest expense, net <sup>(2)</sup>	—	(5,028)	(5,028)
Amortization of unrealized losses related to dedesignated derivatives to interest expense, net	—	353	353
Income tax benefit (expense)	151	(767)	(616)
Balance as of December 27, 2023	\$ (337)	\$ (41,322)	\$ (41,659)
Benefit obligation actuarial gain	83	—	83
Amortization of net loss <sup>(1)</sup>	63	—	63
Settlement loss recognized	26	—	26
Changes in the fair value of cash flow derivatives	—	17,869	17,869
Reclassification of cash flow derivatives to interest expense, net <sup>(2)</sup>	—	(5,916)	(5,916)
Amortization of unrealized losses related to dedesignated derivatives to interest expense, net	—	760	760
Income tax expense	(44)	(3,221)	(3,265)
Balance as of December 25, 2024	\$ (209)	\$ (31,830)	\$ (32,039)

- (1) Before-tax amount that was reclassified from accumulated other comprehensive loss and included as a component of pension expense within general and administrative expenses in our Consolidated Statements of Income. See Note 12 for additional details.
- (2) Amounts reclassified from accumulated other comprehensive loss into income represent payments made to (received from) the counterparty for the effective portions of the interest rate swaps. These amounts are included as a component of interest expense, net in our Consolidated Statements of Income. We expect to receive payments from the counterparty and reclassify \$4.5 million from accumulated other comprehensive loss related to our interest rate swaps during the next twelve months. See Note 10 for additional details.

**Note 18. 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 the Company's consolidated results of operations or financial position.

***Purchase Obligations***

We have commitments related to company and franchised restaurants under purchase contracts for food and non-food products. Many of these agreements do not obligate us to purchase any specific volumes and include provisions that would allow us to cancel such agreements with appropriate notice. Our future purchase obligation payments due by period for both company and franchised restaurants at December 25, 2024 consist of the following:

	(In thousands)
Less than 1 year	\$ 195,923
1-2 years	—
3-4 years	—
5 years and thereafter	—
Total	<u>\$ 195,923</u>

For agreements with cancellation provisions, the amounts included in the table above represent our estimate of purchase obligations during the periods presented if we were to cancel these contracts with appropriate notice.

**Note 19. Supplemental Cash Flow Information**

	Fiscal Year Ended		
	December 25, 2024	December 27, 2023	December 28, 2022
	(In thousands)		
Income taxes paid, net	<u>\$ 6,178</u>	<u>\$ 9,195</u>	<u>\$ 9,296</u>
Interest paid	<u>\$ 16,978</u>	<u>\$ 13,390</u>	<u>\$ 12,939</u>
Noncash investing and financing activities:			
Receipt of real estate receivable	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,000</u>
Accrued purchase of property	<u>\$ 2,961</u>	<u>\$ 756</u>	<u>\$ 283</u>
Issuance of common stock, pursuant to share-based compensation plans	<u>\$ 3,830</u>	<u>\$ 5,638</u>	<u>\$ 9,547</u>
Execution of finance leases	<u>\$ 1,783</u>	<u>\$ 1,071</u>	<u>\$ 537</u>
Treasury stock payable	<u>\$ —</u>	<u>\$ 109</u>	<u>\$ 542</u>
Treasury stock excise tax payable	<u>\$ 73</u>	<u>\$ 454</u>	<u>\$ —</u>

## **Note 20. 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 franchise 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 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 goodwill impairment charges and operating (gains), losses and other charges, net, to provide a clearer perspective of its ongoing operating performance and a more relevant comparison to prior period results. The Company's chief operating decision maker ("CODM") is our Chief Executive Officer. Restaurant-level operating margin is used by our CODM to evaluate restaurant-level operating efficiency and performance and make key operating decisions.

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

	Fiscal Year Ended December 25, 2024		
	Denny's	Other	Total
	(In thousands)		
<b>Revenues</b>			
Company restaurant sales	\$ 193,572	\$ 18,209	\$ 211,781
Franchise and license revenue:			
Royalties	113,804	4,901	118,705
Advertising revenue	78,192	1,781	79,973
Initial and other fees	8,351	360	8,711
Occupancy revenue	33,075	89	33,164
Total franchise and license revenue	233,422	7,131	240,553
Total operating revenue	426,994	25,340	452,334
<b>Costs and expenses</b>			
Costs of company restaurant sales, excluding depreciation and amortization:			
Product costs	48,976	4,955	53,931
Payroll and benefits	72,828	7,777	80,605
Occupancy costs	15,680	2,449	18,129
Other operating expenses:			
Utilities	6,404	550	6,954
Repairs and maintenance	3,806	217	4,023
Marketing	7,098	752	7,850
Legal settlements	1,670	30	1,700
Pre-opening costs	—	1,548	1,548
Other direct costs	13,267	1,737	15,004
Total costs of company restaurant sales, excluding depreciation and amortization	169,729	20,015	189,744
Costs of franchise and license revenue, excluding depreciation and amortization:			
Advertising costs	78,192	1,781	79,973
Occupancy costs	20,451	88	20,539
Other direct costs	18,675	1,039	19,714
Total costs of franchise and license revenue, excluding depreciation and amortization	117,318	2,908	120,226
Total restaurant-level operating margin	\$ 139,947	\$ 2,417	\$ 142,364
<b>Reconciliation of restaurant-level operating margin to net income</b>			
General and administrative expenses			\$ 80,197
Depreciation and amortization			14,857
Goodwill impairment charges			20
Operating (gains), losses and other charges, net			1,974
Total other operating expenses			97,048
Operating income			45,316
Interest expense, net			17,974
Other nonoperating income, net			(1,907)
Net income before income taxes			29,249
Provision for income taxes			7,678
Net income			\$ 21,571

Fiscal Year Ended December 27, 2023			
	Denny's	Other	Total
Revenues	(In thousands)		
Company restaurant sales	\$ 201,175	\$ 14,357	\$ 215,532
Franchise and license revenue:			
Royalties	115,004	5,127	120,131
Advertising revenue	77,932	562	78,494
Initial and other fees	13,112	770	13,882
Occupancy revenue	35,883	—	35,883
Total franchise and license revenue	241,931	6,459	248,390
Total operating revenue	443,106	20,816	463,922
Costs and expenses			
Costs of company restaurant sales, excluding depreciation and amortization:			
Product costs	51,939	3,850	55,789
Payroll and benefits	75,407	5,259	80,666
Occupancy costs	14,875	1,934	16,809
Other operating expenses:			
Utilities	7,418	430	7,848
Repairs and maintenance	3,486	175	3,661
Marketing	5,524	79	5,603
Legal settlements	2,302	—	2,302
Pre-opening costs	—	288	288
Other direct costs	13,452	1,181	14,633
Total costs of company restaurant sales, excluding depreciation and amortization	174,403	13,196	187,599
Costs of franchise and license revenue, excluding depreciation and amortization:			
Advertising costs	77,932	562	78,494
Occupancy costs	22,160	—	22,160
Other direct costs	21,778	20	21,798
Total costs of franchise and license revenue, excluding depreciation and amortization	121,870	582	122,452
Total restaurant-level operating margin	\$ 146,833	\$ 7,038	\$ 153,871
Reconciliation of restaurant-level operating margin to net income			
General and administrative expenses			\$ 77,770
Depreciation and amortization			14,385
Goodwill impairment charges			6,363
Operating (gains), losses and other charges, net			2,530
Total other operating expenses			101,048
Operating income			52,823
Interest expense, net			17,597
Other nonoperating expense, net			8,288
Net income before income taxes			26,938
Provision for income taxes			6,993
Net income			\$ 19,945

Fiscal Year Ended December 28, 2022			
	Denny's	Other	Total
Revenues	(In thousands)		
Company restaurant sales	\$ 193,576	\$ 6,177	\$ 199,753
Franchise and license revenue:			
Royalties	111,718	2,173	113,891
Advertising revenue	75,926	—	75,926
Initial and other fees	27,870	392	28,262
Occupancy revenue	38,597	—	38,597
Total franchise and license revenue	254,111	2,565	256,676
Total operating revenue	447,687	8,742	456,429
Costs and expenses			
Costs of company restaurant sales, excluding depreciation and amortization:			
Product costs	51,705	1,912	53,617
Payroll and benefits	74,157	2,255	76,412
Occupancy costs	14,310	844	15,154
Other operating expenses			
Utilities	7,075	198	7,273
Repairs and maintenance	3,803	71	3,874
Marketing	5,294	—	5,294
Legal settlements	4,224	—	4,224
Other direct costs	13,243	367	13,610
Total costs of company restaurant sales, excluding depreciation and amortization	173,811	5,647	179,458
Costs of franchise and license revenue, excluding depreciation and amortization:			
Advertising costs	75,926	—	75,926
Occupancy costs	24,090	—	24,090
Other direct costs	35,305	6	35,311
Total costs of franchise and license revenue, excluding depreciation and amortization	135,321	6	135,327
Total restaurant-level operating margin	\$ 138,555	\$ 3,089	\$ 141,644
Reconciliation of restaurant-level operating margin to net income			
General and administrative expenses			\$ 67,173
Depreciation and amortization			14,862
Operating (gains), losses and other charges, net			(1,005)
Total other operating expenses			81,030
Operating income			60,614
Interest expense, net			13,769
Other nonoperating expense (income), net			(52,585)
Net income before income taxes			99,430
Provision for income taxes			24,718
Net income			\$ 74,712



	Fiscal Year Ended	
	December 25, 2024	December 27, 2023
<b>Segment assets:</b>	<b>(In thousands)</b>	
Denny's	\$ 344,986	\$ 340,136
Other	151,288	124,682
Total assets	<u>\$ 496,274</u>	<u>\$ 464,818</u>

#### **Note 21. Subsequent Events**

During January 2025, as part of a cost savings initiative, the Company eliminated approximately 40 positions and announced the relocation of certain support functions to our support center in Spartanburg, South Carolina. As a result, the Company expects to record between \$3.0 million and \$3.5 million in severance and other restructuring charges during the quarter ending March 26, 2025.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: February 24, 2025

### DENNY'S CORPORATION

BY: /s/ Robert P. Verostek

Robert P. Verostek

Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
<u>/s/ Kelli F. Valade</u> (Kelli F. Valade)	Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2025
<u>/s/ Robert P. Verostek</u> (Robert P. Verostek)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 24, 2025
<u>/s/ Jay C. Gilmore</u> (Jay C. Gilmore)	Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)	February 24, 2025
<u>/s/ Brenda J. Lauderback</u> (Brenda J. Lauderback)	Director and Chair of the Board of Directors	February 24, 2025
<u>/s/ Bernadette S. Aulestia</u> (Bernadette S. Aulestia)	Director	February 24, 2025
<u>/s/ Olu Beck</u> (Olu Beck)	Director	February 24, 2025
<u>/s/ Gregg R. Dedrick</u> (Gregg R. Dedrick)	Director	February 24, 2025
<u>/s/ José M. Gutiérrez</u> (José M. Gutiérrez)	Director	February 24, 2025
<u>/s/ John C. Miller</u> (John C. Miller)	Director	February 24, 2025
<u>/s/ Mark R. Vondrasek</u> (Mark R. Vondrasek)	Director	February 24, 2025
<u>/s/ Laysha Ward</u> (Laysha Ward)	Director	February 24, 2025

## Non-GAAP Reconciliations

The Company believes that, in addition to GAAP measures, certain non-GAAP financial measures are useful information to investors and analysts to assist in the evaluation of operating performance on a period-to-period basis. However, non-GAAP measures should be considered as a supplement to, not a substitute for, operating income, net income, and net income per share, or other financial performance measures prepared in accordance with GAAP. The Company uses adjusted EBITDA, adjusted net income and adjusted net income per share internally as performance measures for planning purposes, including the preparation of annual operating budgets, and for compensation purposes, including incentive compensation for certain employees. These non-GAAP measures are adjusted for certain items the Company does not consider in the evaluation of its ongoing core operating performance. These adjustments are either nonrecurring in nature or vary from period to period without correlation to the Company's ongoing core operating performance.

### \$ in Millions

	2020 <sup>1</sup>	2021	2022	2023	2024
<b>Net Income (Loss)</b>	<b>(\$5.1)</b>	<b>\$78.1</b>	<b>\$74.7</b>	<b>\$19.9</b>	<b>\$21.6</b>
Provision for (Benefit from) Income Taxes	(2.0)	26.0	24.7	7.0	7.7
Goodwill Impairment Charges	-	-	-	6.4	0.0
Operating (Gains) Losses and Other Charges, Net	1.8	(46.1)	(1.0)	2.5	2.0
Other Nonoperating Expense (Income), Net	(4.2)	(15.2)	(52.6)	8.3	(1.9)
Share-Based Compensation Expense	7.9	13.6	11.4	8.9	10.7
Deferred Compensation Plan Valuation Adjustments	1.6	2.1	(2.2)	1.9	1.7
Interest Expense, Net	18.0	15.1	13.8	17.6	18.0
Depreciation and Amortization	16.2	15.4	14.9	14.4	14.9
Non-Recurring Legal Settlement Expenses	0.1	0.9	3.9	0.7	2.2
Pre-Opening Expenses	-	-	-	0.3	1.5
COVID-19 Related Expenses	3.5	(1.4)	-	-	-
Leadership Transition Costs	-	-	0.3	-	0.4
Acquisition Costs	-	-	0.6	-	-
Pre-Opening Expenses	-	-	-	-	2.6
<b>Adjusted EBITDA</b>	<b>\$37.8</b>	<b>\$88.6</b>	<b>\$88.5</b>	<b>\$87.9</b>	<b>\$81.4</b>
<b>Net Income (Loss)</b>	<b>(\$5.1)</b>	<b>\$78.1</b>	<b>\$74.7</b>	<b>\$19.9</b>	<b>\$21.6</b>
(Gains) Losses and Amortization on Interest Rate Swap Derivatives, Net	(2.2)	(12.6)	(55.0)	11.0	0.8
Goodwill Impairment Charges	-	-	-	6.4	0.0
Operating (Gains) Losses and Other Charges, Net	1.8	(46.1)	(1.0)	2.5	2.0
Non-Recurring Legal Settlement Expenses	0.1	0.9	3.9	0.7	2.2
Pre-Opening Expenses	-	-	-	0.3	1.5
COVID-19 Related Expenses	3.5	(1.4)	-	-	-
Leadership Transition Costs	-	-	0.3	-	0.4
Acquisition Costs	-	-	0.6	-	-
Other Adjustments	-	-	-	-	2.6
Tax Effect <sup>2</sup>	(0.8)	14.8	12.7	(5.2)	(2.5)
<b>Adjusted Net Income (Loss)</b>	<b>(\$2.8)</b>	<b>\$33.6</b>	<b>\$36.3</b>	<b>\$35.6</b>	<b>\$28.6</b>
<b>Diluted Weighted Average Shares Outstanding (000's)</b>	<b>60,812</b>	<b>65,573</b>	<b>60,879</b>	<b>56,196</b>	<b>52,614</b>
<b>Diluted Net Income (Loss) Per Share</b>	<b>(\$0.08)</b>	<b>\$1.19</b>	<b>\$1.23</b>	<b>\$0.35</b>	<b>\$0.41</b>
Adjustments Per Share	0.03	(0.68)	(0.63)	0.28	0.13
<b>Adjusted Net Income (Loss) Per Share</b>	<b>(\$0.05)</b>	<b>\$0.51</b>	<b>\$0.60</b>	<b>\$0.63</b>	<b>\$0.54</b>

<sup>1</sup> Includes 53 operating weeks.

<sup>2</sup> Tax adjustments for full year 2020, 2021, 2022, 2023 and 2024 reflect an effective tax rate of 25.6%, 25.0%, 24.9%, 25.0% and 26.3%, respectively.

## Non-GAAP Reconciliations (continued)

The Company believes that, in addition to GAAP measures, certain other non-GAAP financial measures are useful information to investors and analysts to assist in the evaluation of restaurant-level operating efficiency and performance of ongoing restaurant-level operations. However, non-GAAP measures should be considered as a supplement to, not a substitute for, operating income, net income, and net income per share, or other financial performance measures prepared in accordance with GAAP. The Company uses restaurant-level operating margin, company restaurant operating margin and franchise operating margin internally as performance measures for planning purposes, including the preparation of annual operating budgets, and for compensation purposes, including incentive compensation for certain employees. Restaurant-level operating margin is the total of company restaurant operating margin and franchise operating margin and excludes: (i) general and administrative expenses, which include primarily non-restaurant-level costs associated with support of company and franchised restaurants and other activities at their corporate office; (ii) 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; (iii) special items, included within operating (gains), losses and other charges, net, to provide investors with a clearer perspective of its ongoing operating performance and a more relevant comparison to prior period results. Company restaurant operating margin is defined as company restaurant sales less costs of company restaurant sales (which include product costs, company restaurant level payroll and benefits, occupancy costs, and other operating costs including utilities, repairs and maintenance, marketing and other expenses)

and presents it as a percent of company restaurant sales. Adjusted company operating restaurant margin is defined as company restaurant operating margin less certain items such as non-recurring legal settlement expenses, pre-opening expenses, and other items the Company does not consider in the evaluation of its ongoing core operating performance. Franchise operating margin is defined as franchise and license revenue (which includes franchise royalties and other non-food and beverage revenue streams such as initial franchise and other fees, advertising revenue and occupancy revenue) less costs of franchise and license revenue and presents it as a percent of franchise and license revenue. Adjusted franchise operating margin is defined as franchise operating margin less certain items the Company does not consider in the evaluation of its ongoing core operating performance. Adjusted restaurant-level operating margin is the total of adjusted company restaurant operating margin and adjusted franchise operating margin and is defined as restaurant-level operating margin adjusted for certain items the Company does not consider in the evaluation of its ongoing core operating performance. These adjustments are either non-recurring in nature or vary from period to period without correlation to the Company's ongoing core operating performance. See most recent press release for a further breakdown of adjusted restaurant-level operating margin.

<b>\$ in millions</b>	<b>2020<sup>1</sup></b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Operating Income</b>	<b>\$6.7</b>	<b>\$104.1</b>	<b>\$60.6</b>	<b>\$52.8</b>	<b>\$45.3</b>
General and Administrative Expenses	55.0	68.7	67.2	77.8	61.5
Depreciation and Amortization	16.2	15.4	14.9	14.4	14.9
Goodwill Impairment Charges	-	-	-	6.4	0.0
Operating (Gains) Losses and Other Charges, Net	1.8	(46.1)	(1.0)	2.5	2.0
<b>Restaurant-Level Operating Margin</b>	<b>\$79.7</b>	<b>\$142.1</b>	<b>\$141.6</b>	<b>\$153.9</b>	<b>\$142.4</b>
Restaurant-Level Operating Margin Consists of:					
Company Restaurant Operating Margin <sup>2</sup>	3.6	28.1	20.3	27.9	22.0
Franchise Operating Margin <sup>3</sup>	76.1	114.0	121.3	125.9	120.3
<b>Restaurant-Level Operating Margin</b>	<b>\$79.7</b>	<b>\$142.1</b>	<b>\$141.6</b>	<b>\$153.9</b>	<b>\$142.4</b>
Adjustments <sup>4</sup>	6.0	(0.3)	4.0	0.9	6.3
<b>Adjusted Restaurant-Level Operating Margin</b>	<b>\$85.7</b>	<b>\$141.8</b>	<b>\$145.6</b>	<b>\$154.8</b>	<b>\$148.7</b>
Adjusted Restaurant-Level Operating Margin Consists of:					
Adjusted Company Restaurant Operating Margin	2.1	28.9	24.2	28.9	25.7
Adjusted Franchise Operating Margin	83.6	112.9	121.4	125.9	123.0
Adjusted Restaurant-Level Operating Margin	<b>\$85.7</b>	<b>\$141.8</b>	<b>\$145.6</b>	<b>\$154.8</b>	<b>\$148.7</b>

<sup>1</sup>Includes 53 operating weeks.

<sup>2</sup>Company restaurant operating margin is calculated as operating income plus general and administrative expenses; depreciation and amortization; operating (gains), losses and other charges, net; and costs of franchise and license revenue, excluding depreciation and amortization; less franchise and license revenue.

<sup>3</sup>Franchise operating margin is calculated as operating income plus general and administrative expenses; depreciation and amortization; operating (gains), losses and other charges, net; and costs of company restaurant sales, excluding depreciation and amortization; less company restaurant sales.

<sup>4</sup>Adjustments include non-recurring legal settlement expenses, pre-opening costs, and other adjustments the Company does not consider in the evaluation of its ongoing core operating performance. Adjustments for 2024 include a \$2.6 million distribution to franchisees related to a review of advertising costs.

## Denny's Executive Leadership Team

**Kelli F. Valade**, Chief Executive Officer • **Christopher D. Bode**, President and Chief Operating Officer, Denny's, Inc. • **David P. Schmidt**, President, Keke's, Inc. • **Stephen C. Dunn**, Executive Vice President, Chief Global Development Officer • **Gail Sharps Myers**, Executive Vice President, Chief Legal & Administrative Officer and Corporate Secretary • **Monigo G. Saygbay-Hallie**, Executive Vice President, Chief People Officer • **Robert P. Verostek**, Executive Vice President, Chief Financial Officer • **Jay C. Gilmore**, Senior Vice President, Chief Accounting Officer and Corporate Controller • **Minh Le**, Senior Vice President, Chief Technology Officer • **Patty Trevino**, Senior Vice President, Chief Brand Officer

## Denny's Board of Directors

**Brenda J. Lauderback**, Board Chair, Retired; Former President of the Wholesale and Retail Group of Nine West Group, Inc • **Bernadette S. Aulestia**, Former Chief Revenue & Growth Officer, Callisto Media • **Olu Beck**, Founder and Chief Executive Officer, The Beck Group NJ • **Gregg R. Dedrick**, Co-Founder, David Novak Leadership • **José M. Gutiérrez**, Retired; President and Chief Executive Officer, AT&T Southwestern Bell • **John C. Miller**, Retired; Chief Executive Officer, Denny's Corporation • **Kelli F. Valade**, Chief Executive Officer, Denny's Corporation • **Mark R. Vondrasek**, Executive Vice President and Chief Commercial Officer, Hyatt Hotels Corporation • **Laysha Ward**, Retired; Executive Vice President and Chief External Engagement Officer, Target Corporation

## Shareholder Information

**Corporate Office:** Denny's Corporation | 203 East Main Street | Spartanburg, SC 29319 | (864) 597-8000

**Independent Auditors:** KPMG LLP | Greenville, SC

**Stock Listing Information:** Denny's Corporation common stock is listed on the NASDAQ Capital Market® under the symbol DENN.

**Transfer Agent for Common Stock:** Continental Stock Transfer & Trust Co. | 1 State Street, New York, NY 10004 | (212) 509-4000 | (800) 509-5586  
For Information regarding change of address or other matters concerning your shareholder account, please contact the transfer agent.

**For Financial Information:** Call (877) 784-7167 | Email [ir@dennys.com](mailto:ir@dennys.com) | Or write to: Investor Relations | Denny's Corporation | 203 East Main Street, Spartanburg, SC 29319. Other investor information such as news releases, SEC filings and stock quotes may be accessed from Denny's investor relations website at: [investor.dennys.com](http://investor.dennys.com).

**Annual Meeting:** Wednesday, May 14, 2025

