UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): July 26, 2006

IHOP CORP.

(Exact name of registrant as specified in its charter)

Delaware	**001-15283**	**95-3038279**
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

450 North Brand, Glendale, California	**91203**
(Address of principal executive offices)	(Zip Code)

(818) 240-6055
Registrant's telephone number, including area code

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On July 26, 2006, IHOP Corp. issued a press release announcing its second quarter 2006 financial results. A copy of the press release is attached as Exhibit 99.1, and incorporated herein by reference.

Also on July 26, 2006, IHOP Corp. held a conference call to discuss its second quarter 2006 financial results. A copy of the prepared remarks of management is attached as Exhibit 99.2, and incorporated herein by reference.

The prepared remarks of management accompanying management's discussion during the conference call includes references to the non-GAAP financial measures "free cash flow" and "net income excluding stock based compensation expense." The Company defines "free cash flow" for a given period as cash provided by operating activities for such period, less capital expenditures for such period. The Company defines "net income excluding stock based compensation expense" for a given period as net income for such period, less any stock based compensation expense incurred in such period. Management utilizes free cash flow as a measure of operating efficiency to determine the amount of cash remaining for general corporate and strategic purposes after funding operating activities and capital expenditures. Management believes this information is helpful to investors to determine the Company's cash available for these purposes. Management believes net income excluding stock based compensation expense and basic and diluted net income per share excluding stock based compensation expense is useful because it provides a more accurate period to period comparison. Free cash flow and net income excluding stock based compensation expense for any given period may be affected by a variety of factors, including but not limited to, changes in assets and liabilities and the timing of purchases and payments. Free cash flow and net income excluding stock based compensation expense are supplemental non-GAAP financial measures and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

The following table reconciles the Company's free cash flow to the Company's cash provided by operating activities for each of the six months ended June 30, 2006 and 2005:

	Six Months Ended June 30, 2006 (dollars in thousands)	Six Months Ended June 30, 2005 (dollars in thousands)
Cash flows from operating activities:	$ 30,392	$ 26,830
Capital expenditures	(3,857)	(2,639)
Free cash flow	$ 26,535	$ 24,191

The following table reconciles net income to net income excluding the impact of stock based compensation expense, and basic and diluted net income per share to net income excluding the impact of stock based compensation expense per share, for each of the three and six months ended June 30, 2006 and 2005:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
	(dollars in thousands, except per share amounts)			
Net income, as reported	$ 10,306	$ 11,929	$ 22,900	$ 22,004
Stock option expense	484	—	1,049	—
Restricted stock	566	86	810	115
Income tax benefit	(421)	(33)	(725)	(44)
Net income excluding stock based compensation expense	$ 10,935	$ 11,982	$ 24,034	$ 22,075
Basic net income per share:				
Net income, as reported per share	$ 0.57	$ 0.60	$ 1.25	$ 1.11
Stock option expense per share	0.02	—	0.06	—
Restricted stock per share	0.03	0.01	0.04	—
Income tax benefit per share	(0.02)	—	(0.04)	—
Net income excluding stock based compensation expense per share	$ 0.60	$ 0.61	$ 1.31	$ 1.11
Diluted net income per share:				
Net income, as reported per share	$ 0.56	$ 0.60	$ 1.24	$ 1.10
Stock option expense per share	0.03	—	0.06	—
Restricted stock per share	0.03	—	0.04	—
Income tax benefit per share	(0.02)	—	(0.04)	—
Net income excluding stock based compensation expense per share	$ 0.60	$ 0.60	$ 1.30	$ 1.10

Item 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

Exhibit Number	Description
99.1	Press release of Registrant, dated July 26, 2006 (Second Quarter 2006 Financial Results).
99.2	Prepared remarks of management of Registrant for conference call held on July 26, 2006.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	IHOP CORP.
Date: July 26, 2006	By: /s/ THOMAS CONFORTI
	Thomas Conforti
	Chief Financial Officer(Principal Financial Officer)

EXHIBIT INDEX TO CURRENT REPORT ON FORM 8-K

Exhibit Number	Description
99.1	Press release of Registrant, dated July 26, 2006 (Second Quarter 2006 Financial Results).
99.2	Prepared remarks of management of Registrant for conference call held on July 26, 2006.

RESTAURANT SUPPORT CENTER

FOR IMMEDIATE RELEASE

Stacy Roughan
Director, Investor Relations
IHOP Corp.
818-637-3632

IHOP CORP. REPORTS SECOND QUARTER 2006 FINANCIAL RESULTS

GLENDALE, Calif., July 26, 2006 — IHOP Corp. (NYSE: IHP) today announced financial results for its second quarter and six months ended June 30, 2006. Financial performance highlights included:

- EPS excluding stock based compensation expense of $1.1 million was $0.60, flat over prior year's performance. Year-to-date EPS increased 18.2% to $1.30 excluding stock based compensation expense of $1.9 million.
- Cash Flow from Operating Activities increased 13.3% to $30.4 million year-to-date. Additionally, $9.2 million of cash was provided by the collection of the Company's long-term receivables for the first six months of 2006.
- Share repurchases in the second quarter 2006 amounted to 397,300 shares of IHOP stock totaling $19.0 million. Compared to prior year, diluted weighted average shares outstanding were reduced by 8.0%.
- Segment leading same-store sales growth of 3.1% reflects sizable increases in traffic that outpaced average guest check increases.
- System-wide restaurants grew 4.7% year-over-year to a total of 1,264 IHOPs. 16 new restaurants were developed and opened by IHOP franchisees during the quarter.
- Management reiterated fiscal 2006 EPS guidance of $2.35 to 2.45 per diluted share, excluding stock based compensation expense of $2.5 to $3.5 million.

Julia A. Stewart, IHOP's Chairman and Chief Executive Officer, said, "Positive, traffic driven sales growth, new franchise restaurant openings and ongoing share repurchases contributed to our second quarter results and a strong first half of the year and should continue to be the key levers we employ to manage our business. While General & Administrative (G&A) expenses grew for the quarter in part due to the adoption of FAS 123R, this increase was expected and is provided for in our existing guidance for the full year. We remain confident of meeting our previously stated performance expectations for fiscal 2006."

Second Quarter 2006 Performance

IHOP reported a decrease of 13.6% in net income to $10.3 million, and a decrease of 6.7% in diluted net income per share to $0.56 in the second quarter 2006. Excluding pre-tax stock based compensation expense of $1.1 million, net income decreased 8.7% to $10.9 million, and diluted net income per share was flat at $0.60. The decreases in net income and diluted net income per share resulted primarily from a 21.4% increase in G&A expenses, offset in part by an 8.0% reduction in diluted average weighted shares outstanding due to ongoing share repurchases by the Company.

For the six months ended June 30, 2006, IHOP reported an increase of 4.1% in net income to $22.9 million, and an increase of 12.7% in diluted net income per share to $1.24. Excluding pre-tax stock based compensation expense of $1.9 million, net income increased 8.9% to $24.0 million, and diluted net income per share increased 18.2% to $1.30. The increases in net income and diluted net income per share resulted primarily from an 11.3% increase in Franchise Operations segment profit due to higher same-store sales performance in the first six months of 2006, which effectively leveraged against modest expense growth in this segment. Additionally, a 7.9% reduction in diluted weighted average shares outstanding due to ongoing share repurchases by the Company contributed to IHOP's per share earnings performance for the first half of 2006.

Cash Flow from Operating Activities increased in the six months ended June 30, 2006 to $30.4 million compared with $26.8 million in the same period in 2005. This increase is primarily due to net earnings growth exclusive of non-cash stock based compensation expense as well as improved collection of receivables compared to the same period in 2005. Principal receipts from notes and equipment contracts receivable, which are an additional source of cash generation for the Company, amounted to $9.2 million in the six months ended June 30, 2006. Capital expenditures increased to $3.9 million in the first six months of 2006 versus $2.6 million in the same period in 2005. The increase in capital expenditures primarily reflects the cost of restaurant development in IHOP's Company market in Cincinnati, Ohio.

2006 Guidance Reiteration

IHOP reiterated its 2006 earnings performance expectations, ranging between $2.25 and $2.35 per diluted share including estimated stock based compensation expense ranging between $2.5 million and $3.5 million for the year. The Company's earnings performance expectations are primarily based on revenue drivers including positive same-store sales growth of between 2% and 4% and the addition of 64 to 69 new restaurants to the IHOP system in 2006, managed G&A growth with expenses expected to range between $65 million to $67 million in 2006, which includes estimated stock based compensation expense, and the effect of ongoing share repurchases by the Company.

Cash Flow from Operating Activities is expected to range between $55 million and $60 million in 2006, and principal receipts from notes and equipment contract receivable are expected to be within the range of $18 million to $20 million. Capital expenditures are expected to range between $12 million to $14 million in 2006, which primarily reflects investment in the development of four IHOP restaurants in its Company market in Cincinnati, Ohio, as well as supporting and optimizing the Company's Information Technology infrastructure. Cash commitments in 2006 are expected to be approximately $24 million, which includes the first principal repayment of the Company's private placement debt, other scheduled principal payments on long-term debt and capital lease obligations. Additionally, year-to-date the Company has paid to its shareholders $9.2 million in dividends and has declared its third quarter dividend in the approximate amount of $4.6 million, payable August 22, 2006.

Investor Conference Call Today

IHOP will host an investor conference call to discuss its second quarter 2006 results today, Wednesday, July 26, 2006 at 11:00 a.m. Eastern Time (8:00 a.m. Pacific Time). To participate on the call, please dial 800-659-1966 and reference pass code 63639101. A live webcast of the call will be available on IHOP's Web site at www.ihop.com, and may be accessed by visiting Conference Calls & Presentations under the site's Investor Information section. Participants should allow approximately ten minutes prior to the call's start time to visit the site and download any streaming media software needed to listen to the webcast. A telephonic replay of the call may be accessed through August 2, 2006 by dialing 888-286-8010 and referencing pass code 58557247. An online archive of the webcast will also be available on the Investor Information section of IHOP's Web site.

About IHOP Corp.

The IHOP family restaurant chain has been serving a wide variety of breakfast, lunch and dinner selections for more than 45 years. Offering 14 types of pancakes as well as omelettes, breakfast specialties, burgers, sandwiches, chicken and steaks, IHOP's diverse menu appeals to people of all ages. IHOP restaurants are franchised and operated by Glendale, California based IHOP Corp. As of June 30, 2006, the end of IHOP's second quarter, there were 1,264 IHOP restaurants in 48 states and Canada. IHOP Corp. common stock is listed and traded on the NYSE under the symbol "IHP." For more information, call the Company's headquarters at (818) 240-6055 or visit the Company's Web site located at www.ihop.com.

Forward-Looking Statements

There are forward-looking statements contained in this news release. They use such words as "may," "will," "expect," "believe," "anticipate," "plan," or other similar terminology. These statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results to be materially different than those expressed or implied in such statements. These factors include, but are not limited to: risks associated with the implementation of the Company's strategic growth plan, the availability of suitable locations and terms of the sites designated for development; the ability of franchise developers to fulfill their commitments to build new IHOP restaurants in the numbers and time frames covered by their development agreements; the ability of the Company to franchise its remaining Company-operated restaurants; legislation and government regulation including the ability to obtain satisfactory regulatory approvals; conditions beyond the Company's control such as weather, natural disasters or acts of war or terrorism; availability and cost of materials and labor; cost and availability of capital; competition; continuing acceptance of the International House of Pancakes brand and concepts by guests and franchisees; the Company's overall marketing, operational and financial performance; economic and political conditions; adoption of new, or changes in, accounting policies and practices; and other factors discussed from time to time in the Company's filings with the Securities and Exchange Commission. Forward-looking information is provided by IHOP pursuant to the safe harbor established under the Private Securities Litigation Reform Act of 1995 and should be evaluated in the context of these factors. In addition, the Company disclaims any intent or obligation to update these forward-looking statements.

References to Non-GAAP Financial Measures

This news release includes references to the non-GAAP financial measure "net income excluding stock based compensation expense." The Company defines "net income excluding stock based compensation expense" for a given period as net income for such period, less any stock based compensation expense incurred in such period. Management believes net income excluding stock based compensation expense and basic and diluted net income per share excluding stock based compensation expense is useful because it provides a more accurate period to period comparison. Net income excluding stock based compensation expense for any given period may be affected by a variety of factors, including but not limited to, changes in assets and liabilities and the timing of purchases and payments. Net income excluding stock based compensation expense is a supplemental non-GAAP financial measure and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

[Financial Tables to Follow]

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues				
Franchise revenues	$ 42,490	$ 39,887	$ 87,745	$ 80,784
Rental income	32,254	32,806	65,604	65,844
Company restaurant sales	2,785	3,806	6,157	7,792
Financing revenues	7,545	6,409	14,085	14,311
Total revenues	85,074	82,908	173,591	168,731
Costs and Expenses				
Franchise expenses	19,226	18,196	39,724	37,651
Rental expenses	24,507	24,333	49,155	49,016
Company restaurant expenses	3,131	3,788	6,887	8,594
Financing expenses	4,829	2,794	7,869	6,158
General and administrative expenses	15,188	12,514	30,278	28,077
Other expense, net	979	1,950	2,151	3,572
Total costs and expenses	67,860	63,575	136,064	133,068
Income before income taxes	17,214	19,333	37,527	35,663
Provision for income taxes	6,908	7,404	14,627	13,659
Net income	$ 10,306	$ 11,929	$ 22,900	$ 22,004
Net Income Per Share				
Basic	$ 0.57	$ 0.60	$ 1.25	$ 1.11
Diluted	$ 0.56	$ 0.60	$ 1.24	$ 1.10
Weighted Average Shares Outstanding				
Basic	18,159	19,764	18,290	19,877
Diluted	18,369	19,968	18,509	20,090
Dividends Declared Per Share	$ 0.25	$ 0.25	$ 0.50	$ 0.50
Dividends Paid Per Share	$ 0.25	$ 0.25	$ 0.50	$ 0.50

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DATA
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Restaurant Data				
Effective restaurants (a)				
Franchise	1,087	1,042	1,083	1,038
Company	6	9	7	9
Area license	155	150	155	149
Total	1,248	1,201	1,245	1,196
System-wide (b)				
Sales percentage change (c)	7.8%	5.6%	8.6%	5.2%
Same-store sales percentage change (d)	3.1%	0.9%	4.1%	0.8%
Franchise (b)				
Sales percentage change (c)	8.0%	6.3%	9.0%	6.1%
Same-store sales percentage change (d)	3.1%	0.8%	4.2%	0.8%
Company				
Sales percentage change (c)	(26.8)%	(54.2)%	(21.0)%	(58.7)%
Area License (b)				
Sales percentage change (c)	8.5%	10.0%	7.2%	10.7%

(a) "Effective restaurants" are the number of restaurants in a given fiscal period adjusted to account for restaurants open for only a portion of the period. Information is presented for all effective restaurants in the IHOP system, which includes IHOP restaurants owned by the Company as well as those owned by franchisees and area licensees.

(b) System-wide sales are retail sales at IHOP restaurants operated by franchisees, area licensees and the Company, as reported to the Company. Franchise restaurant sales were $470.2 million and $949.6 million for the second quarter and first six months ended June 30, 2006, respectively, and sales at area license restaurants were $50.8 million and $103.6 million for the second quarter and first six months ended June 30, 2006, respectively. Sales at restaurants that are owned by franchisees and area licensees are not attributable to the Company.

(c) "Sales percentage change" reflects, for each category of restaurants, the percentage change in sales in any given fiscal period compared to the prior fiscal period for all restaurants in that category.

(d) "Same-store sales percentage change" reflects the percentage change in sales, in any given fiscal period compared to the prior fiscal period, for restaurants that have been operated throughout both fiscal periods that are being compared and have been open for at least 18 months. Because of new unit openings and store closures, the restaurants open throughout both fiscal periods being compared will be different from period to period. Same-store sales percentage change does not include data on restaurants located in Florida.

IHOP CORP. AND SUBSIDIARIES
RESTAURANT DEVELOPMENT AND FRANCHISING ACTIVITY
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Restaurant Development Activity				
Beginning of period	1,252	1,198	1,242	1,186
New openings				
Company-developed	1	—	1	2
Franchisee-developed	16	11	23	22
Area license	—	2	3	3
Total new openings	17	13	27	27
Closings				
Company and franchise	(4)	(4)	(4)	(6)
Area license	(1)	—	(1)	—
End of period	1,264	1,207	1,264	1,207
Summary-end of period				
Franchise	1,102	1,045	1,102	1,045
Company	7	11	7	11
Area license	155	151	155	151
Total	1,264	1,207	1,264	1,207
Restaurant Franchising Activity				
Company-developed	—	—	—	3
Franchisee-developed	16	11	23	22
Rehabilitated and refranchised	5	2	8	5
Total restaurants franchised	21	13	31	30
Reacquired by the Company	(5)	(6)	(7)	(8)
Closed	(4)	(3)	(4)	(5)
Net addition	12	4	20	17

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	June 30, 2006 (Unaudited)	December 31, 2005
Assets		
Current assets		
Cash and cash equivalents	$ 21,301	$ 23,111
Receivables, net	40,623	43,690
Reacquired franchises and equipment held for sale, net	—	273
Inventories	525	537
Prepaid expenses	2,785	2,899
Total current assets	65,234	70,510
Long-term receivables	310,786	319,335
Property and equipment, net	311,838	317,959
Excess of costs over net assets acquired	10,767	10,767
Other assets	57,853	52,509
Total assets	$ 756,478	$ 771,080
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term debt	$ 19,649	$ 19,564
Accounts payable	17,113	15,083
Accrued employee compensation and benefits	9,103	10,745
Other accrued expenses	10,346	9,030
Deferred income taxes	2,606	2,882
Capital lease obligations	4,687	4,491
Total current liabilities	63,504	61,795
Long-term debt, less current maturities	113,090	114,210
Deferred income taxes	54,797	61,414
Capital lease obligations	170,330	172,681
Other liabilities	72,190	67,134
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $1 par value, 10,000,000 shares authorized; none issued and outstanding	—	—
Common stock, $.01 par value, 40,000,000 shares authorized; June 30, 2006: 22,686,439 shares issued and 18,021,366 shares outstanding; December 31, 2005: 22,464,760 shares issued and 18,409,587 shares outstanding	226	225
Additional paid-in capital	124,622	120,922
Retained earnings	346,278	332,560
Deferred compensation	—	(747)
Accumulated other comprehensive loss	(70)	(205)
Treasury stock, at cost (4,665,073 shares and 4,055,173 shares at June 30, 2006 and December 31, 2005, respectively)	(188,489)	(158,909)
Total stockholders' equity	282,567	293,846
Total liabilities and stockholders' equity	$ 756,478	$ 771,080

IHOP CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
	2006	**2005**
Cash flows from operating activities		
Net income	$ 22,900	$ 22,004
Adjustments to reconcile net income to cash flows provided by operating activities		
Depreciation and amortization	9,988	9,795
Impairment and closure charges	43	801
Deferred income taxes	(6,893)	(2,219)
Stock-based compensation expense	1,859	115
Excess tax benefit from stock-based compensation	(395)	—
Tax benefit from stock options exercised	—	1,355
Changes in operating assets and liabilities		
Receivables	2,758	(406)
Inventories	12	(740)
Prepaid expenses	114	481
Accounts payable	2,030	748
Accrued employee compensation and benefits	(1,642)	(2,240)
Other accrued expenses	1,316	(1,207)
Other	(1,698)	(1,657)
Cash flows provided by operating activities	30,392	26,830
Cash flows from investing activities		
Additions to property and equipment	(3,857)	(2,639)
Additions to long-term receivables	168	(675)
Purchase and redemption of marketable securities, net	—	3,546
Proceeds from sale of land and building	—	890
Principal receipts from notes and equipment contracts receivable	9,197	10,487
Additions to reacquired franchises and equipment held for sale	(581)	(1,284)
Property insurance proceeds	2,234	—
Cash flows provided by investing activities	7,161	10,325
Cash flows from financing activities		
Repayment of long-term debt	(1,035)	(963)
Principal payments on capital lease obligations	(2,155)	(1,851)
Dividends paid	(9,182)	(10,002)
Purchase of treasury stock	(29,580)	(26,121)
Proceeds from stock options exercised	2,194	2,544
Excess tax benefit from stock-based compensation	395	—
Cash flows used in financing activities	(39,363)	(36,393)
Net change in cash and cash equivalents	(1,810)	762
Cash and cash equivalents at beginning of period	23,111	44,031
Cash and cash equivalents at end of period	$ 21,301	$ 44,793

IHOP CORP. AND SUBSIDIARIES
NON-GAAP FINANCIAL MEASURES
(In thousands, except per share amounts)
(Unaudited)

Reconciliation of net income to net income excluding impact of stock based compensation expense:

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Net income, as reported	$ 10,306	$ 11,929	$ 22,900	$ 22,004
Stock option expense	484	—	1,049	—
Restricted stock	566	86	810	115
Income tax benefit	(421)	(33)	(725)	(44)
Net income excluding stock based compensation expense	$ 10,935	$ 11,982	$ 24,034	$ 22,075
Basic net income per share:				
Net income, as reported per share	$ 0.57	$ 0.60	$ 1.25	$ 1.11
Stock option expense per share	0.02	—	0.06	—
Restricted stock per share	0.03	0.01	0.04	—
Income tax benefit per share	(0.02)	—	(0.04)	—
Net income excluding stock based compensation expense per share	$ 0.60	$ 0.61	$ 1.31	$ 1.11
Diluted net income per share:				
Net income, as reported per share	$ 0.56	$ 0.60	$ 1.24	$ 1.10
Stock option expense per share	0.03	—	0.06	—
Restricted stock per share	0.03	—	0.04	—
Income tax benefit per share	(0.02)	—	(0.04)	—
Net income excluding stock based compensation expense per share	$ 0.60	$ 0.60	$ 1.30	$ 1.10

Exhibit 99.2

IHOP Corp.
Second Quarter 2006 Call Script

Stacy Roughan – Welcome and Safe Harbor

Good morning and thank you for participating on IHOP's second quarter 2006 conference call. Today, with us from management are Julia Stewart, Chairman and CEO, and Tom Conforti, CFO.

Before I turn the call over to Julia and Tom, let me remind you of our Safe Harbor regarding forward-looking information. Today, management may discuss information that is forward-looking, and involves known and unknown risks, uncertainties and other factors, which may cause the actual results to be materially different than those expressed or implied in such statements. We caution you to evaluate such forward-looking information in the context of these factors, which are detailed in today's news release, as well as in our most recent Form 10-K filing with the Securities and Exchange Commission. In addition, IHOP disclaims any intent or obligation to update these forward-looking statements.

Now, I'd like to turn the call over to Julia Stewart.

Julia Stewart – Second Quarter 2006 Performance Overview

Thanks, Stacy. We have a lot to discuss today, so let's get started with earnings.

EPS for the quarter was $0.56 [cents], including stock based compensation expense, which represents a 6.7% [percent] decrease. This decrease was partly the result of higher stock based compensation expense which impacted our G&A line. For the first six months of the year, EPS increased 12.7% [percent] to $1.24 [dollar/cents] including stock based compensation expense. This gain is primarily due to the exceptional sales performance and expense reductions we demonstrated in the second quarter of the year, as well as a reduction of 8.0% [percent] in overall shares outstanding.

During the quarter, we purchased $19 million [dollars] worth of IHOP stock, or nearly 400,000 shares at an average price of $47.70 [dollars/cents]. Year-to-date, we have repurchased 609,900 shares totaling $29.6 million [dollars] worth of IHOP stock, and returned $9.2 million [dollars] to shareholders through quarterly dividend payments this year. That's a total return of $38.8 million [dollars] in cash to shareholders through the first six months of 2006.

During the quarter, we demonstrated our ability to generate sustained sales momentum throughout the IHOP system and produced our 14th consecutive quarter of positive same-store sales growth of 3.1% [percent].

Year-to-date, our same-store sales growth is up 4.1% [percent] with a good balance of traffic and guest check average increases.

We are pleased to be able to drive this level of growth in the face of a very difficult consumer spending environment, and at a time when our closest competitors – and the industry at large – are generally experiencing weaker sales results.

We accomplished this by offering appealing, limited-time promotions that guests expect from our brand and can only get at IHOP. During the quarter, we promoted Cinn-A Stacks and Stuffed French Toast Delights, both of which are unique items and strong performers. Our promotional strategy of staying close to our core brand equities, particularly around breakfast, is clearly working. And, by delivering an attractive price/value relationship, we further strengthened the competitive advantage that IHOP has established in the marketplace.

I am particularly pleased to report that same-store sales growth in the quarter resulted primarily from an increase in traffic at our restaurants. Traffic increases were nearly double those of guest check increases in the second quarter 2006. Year-to-date, traffic results are slightly stronger, but we are essentially experiencing an even balance of traffic and check for the first half of 2006. It doesn't get much better!

We also benefited from favorable comparisons to a modest sales performance in the second quarter last year, when guest check increases –

not traffic – drove modest same-store sales growth. This year, we saw that dynamic switch as pricing moderation by our franchisees, along with strong promotions and ongoing operations improvements, contributed to rising traffic counts during the quarter.

In May, we introduced our third menu update to the IHOP system since the beginning of 2005, which had a small number of menu item changes. We are pleased that franchisees took only moderate pricing with this menu update, further solidifying IHOP's strong price/value offering.

We have made excellent progress in continuing the sales momentum established over the past several quarters. However, as we enter the second half of the year, we do begin to face more challenging same-store sales comparisons – not to mention tough pressures in the economy. I am optimistic that we will continue to perform well and meet our full year expectations of 2% [percent] to 4% [percent] growth for 2006.

There are several factors that give us confidence in meeting this expectation. We have three terrific promotions lined up for the balance of the year, including our current promotion, Funnel Cake Carnival. We will employ both national and local media advertising strategies for the balance of the year. We will be advertising the availability of gift cards at IHOP as we seek to improve the sales contribution from gift cards in 2006. Restaurant remodels will play an important role in enhancing the guest experience at IHOP restaurants. Franchisees are expected to complete approximately 150 remodels due in 2006. Of these, 61 franchise restaurants have already been remodeled this year. This means that a total of 336 IHOPs have been remodeled – or more than one-quarter of the system – since the current remodel design was introduced in mid-2004.

Turning to Operations, earlier this month, we announced the appointment of Dennis Farrow as IHOP's new Chief Operating Officer. I first met Dennis more than 10 years ago when working at Taco Bell. He has a keen understanding of restaurant operations and has a great deal of experience working and collaborating with franchisees as well as leading Company operations. I look forward to the leadership Dennis will provide as we take our operational performance to the next level.

One of his first tasks will be to lead our Guest Service initiative. To be the best in our category, we must adopt a breakthrough approach to Guest Service. Guest Service will be the central topic at our National Franchise Conference. Our system's commitment to service improvement is the critical element that will separate IHOP from the competiton. The NFC is an incredible opportunity for our management team and IHOP's franchisees to discuss how we'll drive our business forward today, and how we'll deliver future success.

Turning to our Company market, we opened our seventh IHOP restaurant in Cincinnati during the second quarter, and we are moving forward to open three additional IHOPs in Cincinnati by year-end. To date, Cincinnati has been an excellent testing ground to do the "heavy lifting" for new initiatives before introducing them to our franchise system. This includes developing a new building prototype, testing core menu enhancements, developing a "To Go" program, as well as new touch points trials, such as flatware, dishware, glassware, and new uniforms. We expect to open three additional restaurants in Cincinnati by year-end.

Turning to Franchise and Development, franchisees developed and opened 16 new IHOP restaurants during the quarter, for a total of 26 franchise restaurants opened in the first half of 2006. We remain on track to meet our franchise development goals for 2006, opening between 60 and 65 new IHOPs this year.

During the quarter, we added commitments for franchisees to develop as many as 26 new IHOP restaurants over the next several years. Now, our franchise pipeline includes signed or optioned commitments for franchisees to develop a total of 393 new IHOP restaurants in the U.S. and Mexico over the next 13 years. We are currently finalizing legal agreements for additional franchise development that could add up to 130 more IHOP restaurants to this development pipeline. This would bring total signed, optioned and pending commitments to as many as 523 restaurants in the U.S., Canada, U.S. Virgin Islands and Mexico.

With that, I'd like to turn the call over to Tom Conforti, our CFO, to provide you with a more detailed discussion of our business segments and cash flow performance for the second quarter 2006.

Tom Conforti – Second Quarter 2006 Performance Detail

Thanks, Julia, and good morning everyone. Today, I'll walk you through key factors that contributed to our financial performance in the second quarter 2006.

Let's start with G&A… we experienced a 21.4% increase to $15.2 million [dollars] in G&A expenses for the second quarter 2006. This was partly due to approximately $1.1 million [dollars] in stock based compensation expense. If you remove this stock based compensation impact, G&A expenses in the quarter would have grown a more reasonable 13.8% [percent].

This is still a high number, so let's break it down further. The major contributors to G&A expense growth include an accrual related to the third cycle of management's long-term incentive plan adopted in 2004. This was worth approximately $500,000 [dollars]. Also, our expense performance for the quarter compared unfavorably to prior year due to a credit of $300,000 [dollars] taken in the second quarter of 2005 as a result of a reduction in our accrual for workers' compensation expense. Additionally, we experienced a higher expense related to various business license, tax and insurance issues, which amounted to approximately $250,000 [dollars]. And, finally, we experienced a higher level of professional services fees during the quarter, in part related to our IRS appeals process.

As the second quarter demonstrates, G&A spending can and does vary from quarter to quarter. We are currently still ahead of our internal budget targets for G&A for the first half of the year, so the second quarter was not a surprise for us. We continue to manage G&A spending closely and we expect to meet our full year guidance of $65 to 67 million [dollars] for G&A.

Moving to segment performance, let's start with Franchise Operations. Revenue grew 6.5% for the second quarter and 8.6% in the first half of 2006, driven by higher retail sales as a result of growth in same-store sales, as well as growth in the number of effective units. On the expense side, Franchise Operations expense increased 5.7% in the quarter and 5.5% for the first six months of the year in part due to revenue growth. Our ability to manage relatively lower Franchise Operations expense growth was primarily due to the elimination of MICROS Point-of-sale subsidies to our franchisees, as well as a reduction in the amount of financial relief granted to franchisees at certain underperforming restaurants. We grew expenses at a lower rate and leveraged our top line performance in this segment to produce a 7.3% [percent] increase in Franchise Operation profit for the quarter and 11.3% [percent] for the first six months of the year.

Turning to the Rental Operations segment, rental income decreased 1.7% [percent] for the quarter and 0.4% [percent] year-to-date consistent with our long-term guidance that this segment should be essentially flat as we manage our existing rental relationships. The primary reason for the decrease in rental income was the write-off of deferred rent resulting from terminated subleases on restaurants reacquired. Deferred rent on operating subleases is the difference between straight-line rent and the actual amount of rent received. As a result of the restaurants reacquired in 2006, deferred rent in the amount of approximately $800,000 was written off in the second quarter of 2006 compared to approximately $100,000 in the same period in 2005. Rental expenses were essentially flat for the quarter and year. Rental Operations segment profit decreased 8.6% [percent] for the quarter and 2.3% for the first half of 2006.

Company Operations performance for the quarter resulted in a loss of $346,000 [dollars] versus a modest profit in the prior year, primarily due to a lower level of sales at recently opened locations and higher labor and food costs in our Cincinnati market. Year-to-date, our loss improved by 9.0% to $730,000 [dollars], primarily as the result of our refranchising activities that reduced the number of restaurant we operate from 11 to 7. At the end of the second quarter, we operated only seven IHOP restaurants, all of which are located in our dedicated Company market of Cincinnati.

Turning to Financing Operations, profit in this segment declined 24.9% [percent] for the quarter and 23.8% [percent] for the first six months of the year, as expected, as we continue to exit “Old Model” sources of revenue.   This decrease was partially due to the fact that we made a lower margin on franchises refranchised in 2006 under the “Old Model” than those refranchised in the same periods last year.   Revenue and expense increased in the quarter as a result of five restaurants being refranchised under our “Old Model” terms, versus only two refranchised in the same quarter last year. In addition, long-term note balances continued to decline, decreasing interest income recognized in this segment as a result of our receivables run-off.

Turning to Cash Flow, growth in Cash from Operations was a key highlight, increasing 13.3% [percent] to $30.4 million [dollars] for the first half of the year. This increase was primarily due to net earnings growth, exclusive of non-cash stock based compensation expense, and an overall improvement in the collection of our receivables.

CAPEX totaled $3.9 million [dollars], an increase of $1.2 million [dollars] versus the first half of 2005, primarily associated with the development of our Company market in Cincinnati. As a result, Free Cash Flow – defined as Cash from Operations less CAPEX – increased 9.7% [percent] to $26.5 million [dollars] for the first half of the year.

Our Cash Flow was augmented by $9.2 million [dollars] during the first half of the year from the structural run-off of our franchise and equipment notes receivables. This brought total cash generated – Cash from Operations plus the receivables run-off – to $39.6 million [dollars]. On our balance sheet, cash and cash equivalents stood at $21.3 million [dollars], down from the prior quarter's levels.

Let's transition to a brief discussion of outstanding tax issues.

First, I wanted to make you aware of a cost segregation study we have embarked on, which is currently in its final stage. We undertook a process to assign a more beneficial classification of our fixed assets. Through this process, we have been able to accelerate our depreciation deductions on certain assets, thereby seizing on the opportunity to increase our cash flow on a one-time basis. Based on our current, preliminary analysis, we expect the cost segregation study to drive a one-time improvement in Cash from Operations for the third quarter 2006 of the approximate range of $14 million [dollars] to $15 million [dollars]. We have an approved pre-filing agreement in place, which was signed in the third quarter, with the IRS, and will provide you with a refined calculation of the cash benefit upon completion of our analysis in the next few weeks.

Turning to the IRS appeals process we have mentioned previously related to an audit of our 2000 to 2003 financial statements and the way in which we treat the tax years in which the Company reports initial franchise fee income for federal income tax purposes, the appeals process is continuing to move forward, and we currently expect resolution by the end of 2006.

Finally, we have increased the effective tax rate, from 38% [percent] to 39% [percent] for the second quarter. The increase in our effective state tax rate is primarily due a recent review and adjustment for higher tax rates in states in which IHOP has a presence.

In closing, as indicated in our prior calls, we have been evaluating the Company's current debt structure in light of restrictive financial covenants, our plans for continued share repurchases and dividend payments, the possibility of a strategic event, and the appropriate level of leverage for our Company. We are currently in the process of finalizing our assessment of which approach to restructuring our debt is best suited for our Company as we move forward. We expect to have more to say on this in the near-term.

With that, I'll turn the call back to Julia.

Julia Stewart – Wrap Up to Q&A

Thanks, Tom.

Before I open up the call for questions, I first want to reiterate our performance guidance for fiscal 2006, which is detailed in today's news release and remains unchanged. As you know, we manage our business on an annual basis, and encourage you to look at our performance for the first six months of the year as the most meaningful indicator of our progression towards meeting, or possibly exceeding, our full year performance targets. Therefore, we remain confident of ending the year at least as good as our current EPS expectations of $2.25 [dollars/cents] to $2.35 [dollars/cents] including stock based compensation expense.

I am very excited and optimistic about the second half of 2006. With that, I would now like to open the call to answer any questions you might have.

Operator?

Julia Stewart – Closing Comments

Thank you for joining today's call. Should you have additional questions, Tom and I are available after the call. Otherwise, we look forward to speaking to you on our next conference call to discuss third quarter 2006 results, which is scheduled for Wednesday, October 25th. Thank you.