

DENNYS CORP
Form DEFA14A
April 28, 2010

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

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No.)

Filed by the Registrant

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Check the appropriate box:

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Denny's Corporation

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Denny's Corporation

Proxy Advisory Presentation

4/27/2010

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Denny's - An American Icon

Ø Exceptional Brand Equity and Scale

§ 97% brand awareness (1) in the United States

§ 2nd largest family chain in units, sales and market share

§ 1,551 restaurants open 24 hours per day, 7 days a week

Ø Resilient Brand and Business Model

§ Franchisees have an average tenure of approximately 10 years in the system

§ Denny's opened 40 company and franchised restaurants in last 12 months (most since 2001)
amidst a time period of significant market turmoil

Ø Broad Level of Diversification

§ Currently in 49 states across America and 6 total countries

§ 265 franchisees - none has more than 5% of franchise system

§ Equal sales across all four dayparts

Ø From 2001 through the mid-2000's, the focus at Denny's was improving the
operations and rationalizing the store base in order to establish the solid foundation
for growth that has started to materialize

§ Denny's emerged from its 1998 restructuring with a legacy of debt and hired Nelson Marchioli as
President and CEO in 2001

(1) Source: Brand Tracker, May 2009.

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Situation Overview

Ø Denny's Under Current Leadership

Is Doing What's Right for its Stockholders

§ Sharply increased earnings and cash flow

§ Materially reoriented the store portfolio
towards franchising and laid the foundation
for future growth

§ Reduced leverage puts Denny's in a position to
refinance its debt, increasing its flexibility to
take stockholder-friendly actions that are significantly
restricted in the existing debt agreements

Ø Dissident Agenda is Bad for Denny's Stockholders

§ Dissidents misrepresent the facts

§ Dissidents do NOT offer any new ideas

§ Dissidents' motives are not aligned with stockholder interests

Denny's Strategy
for Creating Value

4/27/2010

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Denny's Has Delivered Strong
Results

Profits Significantly Increased on
Anticipated Lower Revenue Base...

Denny's Board and Management Have Delivered Strong Results in Several Key Areas

Source: Public filings. Reconciliation of GAAP to non-GAAP financial measures can be found in the Appendix.

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

(2) Represents a year with high commodity pressures and the first year of the federal minimum wage increases that produced a combined negative effect on cash flow and earnings of \$14.5 million.

Dissidents Have No Argument Against These Results and No Effective Plan on How to Continue
Improving Upon Them...The Current Board and Management Do

(1)

...Consistently Increasing

Free Cash Flow Generation and...

(2)

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...Reducing Net Debt and Leverage
Significantly...

Denny's Board and Management Have Delivered Strong Results in Several Key Areas

Source: Public filings. Reconciliation of GAAP to non-GAAP financial measures can be found in the Appendix.

(1) Based on calculation of covenant EBITDA. 2007 margins were depressed because of usually high commodity pressures and the first year of the federal minimum wage increases.

Dissidents Have No Argument Against These Results and No Effective Plan on How to Continue
Improving Upon Them...The Current Board and Management Do

Denny's Has Delivered Strong

Results (Cont'd)

...EBITDA Margins Continue to Improve

EBITDA

Margin (1)

Net Debt /

EBITDA

4.9x

3.0x

Net Debt

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Increase Store Count

Denny's Board and Management Are Constantly Finding Ways to Improve Existing Plans and Create New Opportunities to Accelerate Growth

Key Aspects to Denny's

Foundation for Future Growth

Increase Guest Traffic

Shift to a Franchise Focused Model

Continue to Improve Free Cash Flow

Ø Expansion into travel centers with recent Pilot / Flying J deal

Ø Continue opening traditional units

Ø Growth into new and innovative formats

Ø Focus on value-pricing

Ø Media refocusing

Ø Operational initiatives

Ø Focus on new products

Ø Targeting 90% franchised units

Ø Franchise Growth Initiative focused on selling existing company-owned stores and bringing in new franchisees committed to new unit expansion

Ø 95% of new units since 2008 opened by franchisees

Ø Increase in operating income through business model shift and reduction in overhead costs

Ø Consistent reductions in total debt year-over-year

§ A refinance of our existing debt agreements will increase our ability to reward stockholders

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Traditional Units

Ongoing Strategic Goals -
Profitably Grow Store Count

Other Formats

Dissidents Do NOT Offer Any New Ideas

Ø Since 2007, 185 commitments for future
development (of which 58 have opened)
through area development agreement
program

Ø Potential of approximately 600 additional
units, driven by low penetration in large
DMAs

Ø Universities (several locations planned in
2010, most recent of which is Cal. State
San Bernardino, opened January 2010)

§ Ongoing discussions with Sodexo,
Aramark and Compass

Ø Denny's Cafe (fast casual
format; several planned
for 2010 opening)

§ Denny's Director Don Robinson is
actively assisting with this effort

Denny's Has Significant Organic Growth Potential From Geographic Expansion and
New Format Types

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Growth Through Travel Centers

Travel Centers Take Advantage of Denny's Highway Heritage

Ø Pilot relationship (which began in 2007)

provides potential for 50 units of growth over
the next 5 years

Ø Flying J deal in 2010 provides potential for 140
units of growth in as little as 12 months

§ Process began in fall 2009. Franchisees
have committed to the vast majority of the
units, and 3rd party financing sources
have been established

§ Units have above-average margins with
cash payback of 3 years

Ø Both deals take advantage of Denny's 24/7
highway heritage

Ø Denny's beat out key competitors to win this
landmark agreement

§ Stock jumped 11% on March 18th, the
day of the Flying J announcement

“The partnership between Denny's and Pilot is a
significant strategic priority for both
organizations. We selected Denny's to open up
restaurants in our Flying J and Pilot Travel Centers
because of the strength of our relationship and its
brand, the quality of its leadership team, and the
first-class franchise partners they have attracted.”

- Jimmy Haslam, CEO of Pilot Travel Centers

Dissidents Do NOT Offer Any New Ideas

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Focus on Value-Pricing

Media Refocusing

- Ø Everyday Value across all day-parts including launch of \$2/\$4/\$6/\$8 menu in April 2010
 - § Developed with franchisees in fall 2009, culminating in testing beginning late December 2009
- Ø In-store promotion of higher-priced, higher-margin entrees with up-selling
- Ø Pipeline of new truly Limited Time Only (“LTO”) entrees with affordable 'starting at' prices across all day-parts
 - Ø Discount program with AARP members rolled out in March 2010, based on a relationship that began in the spring of 2009
- Ø Established Local Co-ops in 2008 that now cover 57% of Denny’s sales
- Ø Increased media potential of the system by 20% since 2008
- Ø Greater weight on media in the National Advertising Fund
- Ø Successful Super Bowl campaign (see page 26)

Operational Initiatives

- Ø New hospitality training rolled out in Q1 2010
 - § Developed and tested with franchisees in Q2 through Q4 2009
- Ø Mystery Shops program began in 2008
- Ø Facilities ‘refresh’ program began testing in Q2 2009

Ongoing Strategic Goals -

Profitably Grow Guest Traffic

Dissidents Do NOT Offer Any New Ideas

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On-Going Strategic Goals - Fully
Realize Benefits from Model Shift

- Ø Consistent, predictable and growing free cash flow and earnings to increase flexibility for the Company to take stockholder friendly actions once refinance is complete
 - § Free Cash Flow delivered by model targeted at \$50M/year
 - Ø The model provides for aggressive growth of restaurant distribution points: Flying J, Pilot, traditional units, Universities, Denny's Cafe and international expansion
 - § Net system growth delivered by model targeted at +50/year
 - Ø Harness burgeoning franchise relationships to deliver brand to guests
 - Ø Continuous focus on operating costs and capital expenditures
 - § Capital expenditures required by model targeted at \$10M/year and expectation of continued reduction in operating expenses
- Allowing the Dissidents to Derail our Strategic Plan Deprives Stockholders of Value
Dissidents' Motives Are Not Aligned with
Stockholders' Long-Term Interests
- Management Actions Taken Over the Past Three Years - Deleveraging, Conversion to a More Franchise Intensive Model, Developing New Distribution Points, and Rationalizing Costs -
Have Laid a Framework to Enable New Possibilities For Value Creation
-

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Visible Evidence of Success

1. 95% of new Denny's units since the beginning of 2008 have been opened by franchisees
2. Denny's has attracted some of the most seasoned franchisees and operators, such as the largest franchise operators of Jack in the Box and Carl's Jr.
3. 56 separate franchisees have bought units through FGI (25 new / 31 existing) of which 17 have completed multiple FGI transactions

Our Franchisees

Ø 42 new franchises in the system since 2007

§ Represents 17% of franchise group for a brand that has been around for almost 60 years

Ø Franchise Growth Initiative ("FGI")

§ We have sold 290 units while obtaining commitments for 98 future units

§ Program has been highly successful because our franchisees believe in what we are doing with the brand

Our Franchisees Believe in What We Are Doing With the Brand

"...We have commended the decisions made relative to Brand leadership along with recent changes to the Brand's marketing strategy in collaboration and alignment with franchise leadership to address the everyday affordability of our Brand.

...As a point of clarification, the DFA Board has not taken a position that any of the proposed nominees by the Committee have meaningful experience or strategic insights that would be beneficial to the Denny's Brand or the franchise community."

- Denny's Franchisee Association 4/12/10

Source: Public filings.

(1) Estimated units at time of merger with Steak n Shake.

Dissidents Do NOT Offer Any New Ideas

Ø On the Other Hand...

§ Since Dash joined the Western Sizzlin Board in 2005, Western Sizzlin units have declined from 135 to approximately 86 (1)

§ 31 franchisees (35%) departed through year-end 2008, with net franchisee loss of 16%

Response to
Dissident Arguments

4/27/2010

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Dissident Argument #1:

Strategic Decisions

Dissident Arguments:

a. Company hasn't grown restaurant count

* MISLEADING *

Facts:

§ Denny's opened 96 stores over the last 3 years, with 40 in 2009 (a 74% increase from 2007). We expect to open at least 40 traditional units per year moving forward

§ Net system growth of 10 units in 2009, the most since 2000

§ Store commitments in hand for 185 new franchise units (58 already opened)

§ Recent Pilot / Flying J agreement has potential for 190 additional new units with compelling economic returns (franchise commitments for ~125 units)

§ Closing of unprofitable stores means overall quality of portfolio significantly increases with Denny's moving to newer and vibrant trade areas

c. Lost #1 position to IHOP

* IRRELEVANT * (1)

b. Company has not addressed the decline

in guest traffic

* MISLEADING *

§ Management has initiated a number of plans to address this including:

\$2/\$4/\$6/\$8, new product offerings and LTO entrees (see page 9)

§ The Company strives to be the best, not merely the biggest

§ Activists' claim that this should be an objective for Denny's either:

§ Shows lack of fundamental business understanding; or

§ Underscores the hollowness of their position

Source: Public filings.

(1) At 2009 year-end, DENN actually had more units than IHOP.

Dissidents Misrepresent the Facts

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Dissident Argument #2:

Operational Decisions

Dissident Arguments:

a. Poor Capital allocation

* MISLEADING / WRONG (1) *

Facts:

c. Poor Franchisee Relationships

* WRONG *

b. High G&A Expenses

* WRONG *

§ Company continues to
decrease G&A...

§ We are able to continue to grow our
franchise base in a quality way
because...

...Even though G&A/unit is already below the
median of its franchise peers (\$43k)

...Despite claims by the Dissidents, our
franchisees believe in the brand

“We look forward to working together
with Denny’s leadership, including you
and your Board, and achieving continued
improvements in our Brand’s
performance.”

- Denny’s Franchisee Association 4/12/10
Franchisee Mix

Source: Public filings.

(1) Only 30% of historical CapEx has been on remodels since 2006, despite Dissidents’ charge.

(2) Franchise peers include companies with similar franchise mixes.

Dissidents Misrepresent the Facts

§ In addition, Field Overhead reduced by \$8 million, or 44%, since 2007

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Dissident Argument #3:

Accountability

Dissident Arguments:

a. Low Insider Ownership

* MISLEADING *

Facts:

§ Nelson Marchioli personally owns more shares than any of the activists or the funds they manage and...

c. Poor Corporate Governance

* WRONG *

b. High Executive Compensation

* MISLEADING *

...the board as a whole owns 5.6% of the company, which is above the median of 4.8% for its peer group (2)

§ Independent compensation experts indicate that Nelson Marchioli's target total direct compensation is 44% lower than Denny's proxy peers and 31% lower than general industry market practice for similar sized companies (3)

§ In addition, Mr. Marchioli's actual total direct compensation is well below the midpoint (~30%) of the proxy peer group (3)

§ Misrepresentation of facts surrounding the 2004 equity infusion and stock option program, which was approved by stockholders (see page 18)

§ All directors other than Nelson Marchioli, the CEO, are independent

§ Denny's RiskMetrics corporate governance score is better than 86% of its peer group and better than 89% of the companies in the Russell 3000 (4)

§ Healthy planned turnover in the Board has brought new and fresh perspectives

(1) Per dissident proxy filing. Includes only voting shares.

(2) Source: Factset. Peer group consists of BH, BKC, BOBE, BWLD, CBRL, CHUX, CKR, CPKI, DIN, DPZ, DRI, EAT, JACK, PNRA, RRGB, RT, SONC, WEN. Excludes PZZA and TXRH as founders have significant stakes. Includes restricted stock, restricted share units and options.

Dissidents Misrepresent the Facts

Board Ownership

(3) Source: Towers Watson Executive Compensation Analysis, October 2009.

(4) Source: RiskMetrics Group.

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Dissident Claims About Stock Price Performance are Misleading

Dissident Argument #4:

Share Price Performance

Dissidents focused on 5-year period

ending Dec. 2009 when arguably...

Note: Peer group consists of Burger King, Bob Evans Farms, Buffalo Wild Wings, Cracker Barrel, O'Charley's, CKE Restaurants, California Pizza Kitchen, Domino's Pizza, Darden Restaurants, Brinker International, DineEquity, Jack in the Box, Panera Bread Company, Papa John's, Red Robin Gourmet Burgers, Ruby Tuesday, Steak n' Shake, Sonic, Texas Roadhouse and Wendy's/Arby's Group.

(1) As of 4/23/2010. Does not include reinvestment of dividends.

§ Last twelve months (April 2009 - April 2010); or

§ Since Nelson Marchioli appointed CEO (1/4/01)

In either case, DENN has significantly
outperformed peers and overall market

3%

(7%)

(51%)

Last Twelve Months (April 2009 - April 2010) (1)

Dissidents Misrepresent the Facts

57%

24%

61%

Flying J

Announcement

13-D Filed

4/27/2010

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Other Dissident Arguments

Units sold at very attractive multiples...

Average Franchise Sale Cash Flow Multiple (1)

Industry

Segments

(1) Source: Restaurant Research LLC. Represents average from July 2005 through January 2010.

(2) Reflects year-end 2006 margins, the year prior to implementation of FGI.

Operating 7.1% 10.9% 14.3% 16.4% 20.6%

Margin (2)

...even though the vast majority (~85%) of the units sold
are the lowest performing units in Denny's portfolio

Unit Sales at "unreasonably low prices"

* WRONG *

Dissidents Misrepresent the Facts

FGI Program

Sale of select company restaurants to franchisees based on the following criteria:

Gaining commitments to future unit growth Tightening company operating geography

Strengthening company portfolio (sale of lower performing units) Targeting a 90% franchise mix

FGI has also delivered commitments for 98 future units

of Units Sold Under FGI

Only 3 units of all FGI units were remodeled within 12
months of being sold

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2004 Option Grant Fact Check

- Ø Dissidents quote a misleading 2006 New York Times article, but completely ignore the facts and fail to mention the Company's Letter to the Editor in the same paper
- Ø To facilitate a successful recapitalization of the Company which absorbed all the shares authorized for issuance at the time, management voluntarily deferred its option grant until more shares could be authorized and approved for grant by direct shareholder vote
- Ø Shareholders overwhelmingly approved the new shares, and new stock option plan with the option grant and the \$2.42 strike price fully disclosed
- Ø There was absolutely nothing inappropriate in this process and it appears the Dissidents found it easier to recycle dated and misleading reporting by the New York Times to suggest impropriety at Denny's than to properly research and understand the facts of this particular matter

Nothing About The Option Grant was Inappropriate and It was, in Effect, Approved by Shareholders

Denny's Published Response to the NYT Article:

"The first step was the sale of 48 million new shares of common stock at \$1.90 per share. Despite the dilution, the closing price the day the sale was announced was \$2.42. The exercise price in these stock option grants was set at \$2.42.

These options were priced very soon after the private placement when the spread between market and issuance was only 28 cents, not the \$1.49 implied in the article. These 48 million shares were all the shares then authorized by shareholders; the apparent "bargain" element cited in the article was a result of needing shareholder approval before the grants could actually be made.

Our stock-option grants were fully disclosed and overwhelmingly approved by shareholders."

- Robert E. Marks, Chairman of the Board

New York Times, May 6, 2006

Dissidents Misrepresent the Facts

See page 32 for a complete chronology of events.

Assessment of Director
Candidates

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Why the Dissident Group is Bad
for the Company

- Ø OakStreet and Walsh started buying shares August 27, 2009; Lyrical and Soundpost on November 25 and December 15, 2009, respectively. Dash started buying December 21, 2009, and Arbor started buying January 13, 2010
 - Ø Walsh demanded to speak to the CEO merely weeks after he started buying his shares despite an attempt by Denny's to answer his questions through the normal investor relations process
 - Ø The Dissidents never reached out as a group to the Company to discuss their concerns. Jonathan Dash made one phone call, which was returned, but he never followed up to schedule a meeting
 - Ø Rather than engage with the Company regarding their concerns and saving stockholders a costly and disruptive proxy contest, the Dissidents chose to nominate a slate of directors with no true restaurant experience
- The Dissidents Have Made No Attempt to Constructively Engage the Company
- The Dissidents Lack Credibility
- Ø The Dissidents frequently claim credit for the increase in stock price despite the fact that their January 21, 2010 13-D filing contained virtually no information about their plans for Denny's other than to state that they may "engage in discussions with management, the Board of Directors, shareholders and franchisees..."
 - Ø The Dissidents state they are not "going for control" yet with their nominations they target the CEO, Chairman of the Board and the Chairman of the Audit and Finance Committee, which we believe shows their control intent
 - Ø Pattern of misrepresentation of facts and disruptive behavior in the franchisee community
- Dissidents' Motives Are Not Aligned with
Stockholders' Long-Term Interests
-

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Why the Dissident Group is Bad
for the Company (Cont'd)

- Ø Jonathan Dash, in his role as advisor to Biglari, participated in a proxy fight to take control of Steak n Shake based on corporate governance concerns, particularly splitting the role of Chairman and CEO and decreasing management compensation
- Ø Upon winning, Dash's associate Biglari became Chairman/CEO, 5 of 9 directors resigned from or did not seek re-election to the SNS Board, the Company stopped having analyst calls, Biglari's salary increased from \$280,000 to \$900,000, and SNS changed its name to Biglari Holdings
- Ø Once in power, Dash and Biglari used SNS's cash flows to invest in other businesses outside of the restaurant industry, at Biglari's sole discretion
- Ø Dash served as a Board member of Western Sizzlin, while at the same time serving as an advisor to WS's direct competitor, SNS, and then sold WS to SNS

The Dissidents Have a Record of Broken Campaign Promises

Why the Dissidents Really Want Your Vote

- Ø We believe OakStreet, Soundpost and Lyrical specifically sought out Jonathan Dash as their partner because of his experience in taking control of companies without paying a control premium
- Ø Dash has done this with both WS and SNS (as described above): At WS over 30 franchisees and 7 Board members left after Dash and Biglari took control and effectively turned WS into a holding Company for them to use to make investments
- Ø The dissident nominees have no real restaurant experience, have not been long-term holders and we believe they have been insincere in their intentions for Denny's based upon their past history

Dissidents' Motives Are Not Aligned with
Stockholders' Long-Term Interests

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Dissidents' Track Record at

Steak 'n Shake and Western Sizzlin

Ø Demonstrated history of creeping control

§ Biglari and Dash grew small minority stake to almost half of Western Sizzlin

§ They jettisoned all but one original board member, and shrunk the size of the Board from 9 to 5

§ All without making an offer for the Company

Ø Conflicted sale: Western Sizzlin was sold to Steak n Shake while Dash served on the WS board and as advisor to the SNS CEO, Biglari

Ø By 2007, only one board member had any restaurant experience (he was a prior Western Sizzlin franchisee)

Western Sizzlin

Ø Feel-good letters from the Steak n Shake Chairman (Biglari tries to emulate Warren Buffet) do not provide additional disclosure for which he criticized the Company during his campaign

§ Immediately stopped having investor calls after gaining control of the Board in June 2008

Ø Only two SNS Board members remain - the rest are Biglari allies that will not challenge him

§ 5 of 9 directors resigned or did not stand for re-election once Biglari came on Board

Ø The Board voted to raise Biglari's salary from \$280,000 to \$900,000, a 220% increase

Ø 20:1 Reverse stock split was enacted specifically to reduce liquidity in SNS' stock

Ø Biglari and Dash changed the name to Biglari Holdings and has transformed the company into his personal investment vehicle where Biglari makes all investment and bonus decisions

Steak n Shake

Dash's Involvement at WS and SNS Reveals a Troubling History of Shareholder Un-friendly Actions Which Presumably Would be Imposed on Denny's Stockholders if He is Elected

Dissidents' Motives Are Not Aligned with Stockholders' Long-Term Interests

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Our Directors - Better Suited to
Serve Stockholders' Interests

Hard Working and Un-Conflicted With Unquestionable Ethics and Abundant Relevant Experience

Mr. Marchioli has Restaurant Operating Expertise None of the Dissident Nominees Can Offer

Mr. Marks has Financial Expertise that the Dissident Nominees Suggest They Offer, But With Much More Experience

Ms. Smithart-Oglesby has Restaurant and Accounting Expertise None of the Dissident Nominees Can Offer

Ø President, CEO and Board Member of Denny's Corporation since 2001

Ø More than 30 years of experience in the restaurant industry

§ Leadership positions: Denny's (CEO), El Pollo Loco (CEO), Bruegger's Bagel Bakeries (COO), Burger King (EVP, Head of International)

Nelson J.

Marchioli

Robert E.

Marks

Debra

Smithart-

Oglesby

Ø Currently Chairman of Denny's Audit and Finance Committee; formerly Chairman of the Board, Denny's Corporation

Ø Chairman, President of Marks Ventures LLC

Ø Mr. Marks has over 28 years of private equity investment experience in 15 different industries

Ø Over 15 years of public company Board of Directors experience

§ Denny's (NASDAQ) and Emeritus (NYSE)

Ø Lead Director for 2004 Denny's Restructuring and Refinancing with deep experience working with companies with leveraged capital structures

Ø Currently Chair of the Board, Denny's Corporation

Ø Formerly served as a Director of Noodles and Company, Brinker International Inc., and not-for-profit organizations

Ø Significant Financial Executive experience includes positions as CFO of Dekor Inc., President of Corporate Services and CFO of First America Automotive, Inc., EVP and CFO of Brinker International Inc.

Ø Experience in audit, controlling and accounting positions through her work at Coopers and Lybrand, OKC Liquidating Trust and New York Merchandise Co.

Ø Over 25 years of experience in the restaurant industry including concept development, multi-unit growth, turn-arounds, franchising and international

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The Current Directors Are the
Right Choice for Stockholders

Ø Most Relevant Experience

§ Restaurant

§ Capital Markets

§ Board Presence

Ø Commitment to Denny's

Ø Presence of Conflicts

Ø History of Stockholder-Unfriendly Actions

Dissident Nominees are NOT the Right Choice for Denny's Stockholders

Current Directors

ü

ü

ü

ü

Dissidents

ü

ü

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Appendix

4/27/2010

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Super Bowl Media Campaign

Ø The 2010 advertisements constitute less than 8% of the overall National Advertising Fund's budget for the year

Ø They had the net effect of:

§ Strongly enhancing the perception of the brand

§ Drawing approximately 2 million guests per year

§ Producing 1 million emails in 2010

§ Launching our "Free Breakfasts on Your Birthday"
program

§ Over both years, delivering over \$150 million in free
public relations including over 8,000 airings on

TV and radio

Ø We followed the Super Bowl ads quickly with media for the
\$2/\$4/\$6/\$8 value roll out

Our Super Bowl Advertisements Produced Tangible Results

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Historical Perspective on Denny's
Board of Directors

We Have Experienced Healthy Turnover in Our Board with 4 Different Chairs Over the Past Decade

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Timeline of Dissident Events

8/26/2009

Walsh calls

Denny's; typical
investor call

4/14/2010

Denny's 1st
Fight Letter
released

3/16/2010

Dissidents
release letter
outlining
arguments

against current
Denny's Board

1/21/2010

Dissidents file
first 13-D

3/2/2010

Dissidents
announce intent
to nominate 3
directors

8/27/2009

Oak Street and
Walsh begin to
accumulate
shares

January 2010

February

April

March

Dec.

Nov.

Oct.

Sept.

Aug.

2009

11/25/2009

Lyrical begins to
accumulate
shares

12/15/2009

Soundpost begins
to accumulate
shares

12/21/2009

Dash begins
to accumulate
shares

1/13/2010

Arbor begins
to accumulate
shares

9/2009

Walsh calls several more
times with questions; asks
to speak with CEO (1)

(1) Denny's IR leadership used the same criteria in determining that the IR director, not the CEO, would remain the main point of contact with Oak Street.

10/2009

David Makula
leaves voicemail
asking to speak to
CEO. Denny's
follow-up not
returned

3/16/2010

Denny's sends
letter to Oak
Street to open the
door for
conversation; no
response

3/19/2010

Denny's has
conference call with
Jaime Lester of
Soundpost, who
asked if a change in
control would trigger
any executive
compensation or debt
covenants

3/31/2010

Jonathan Dash calls
Rob Marks; call is
returned by IR
leadership and CFO,
but no response from
Dash

For Over 5 Months (October to March) the Dissidents Did Not Reach Out And When They Did, It Was With Their Fight Letter

Our Attendance at 5 Conferences and Roadshows in 6 Cities From June 2009 Through January 2010 Demonstrate That We Have Been Active and Accessible

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Total Shareholder Returns (1)

60%

24%

61%

LTM

Last 3 Years

(21%)

(24%)

(7%)

(1) Include reinvestment of dividends.

Note: Peer group consists of Burger King, Bob Evans Farms, Buffalo Wild Wings, Cracker Barrel, O'Charley's, CKE Restaurants, California Pizza Kitchen, Domino's Pizza, Darden Restaurants, Brinker International, DineEquity, Jack in the Box, Panera Bread Company, Papa John's, Red Robin Gourmet Burgers, Ruby Tuesday, Steak n' Shake, Sonic, Texas Roadhouse and Wendy's/Arby's Group.

36%

16%

4/27/2010

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Total Shareholder Returns (1)

(Cont'd)

Since Nelson Marchioli Took Over as CEO

(1) Include reinvestment of dividends.

Note: Peer group consists of Burger King, Bob Evans Farms, Buffalo Wild Wings, Cracker Barrel, O'Charley's, CKE Restaurants, California Pizza Kitchen, Domino's Pizza, Darden Restaurants, Brinker International, DineEquity, Jack in the Box, Panera Bread Company, Papa John's, Red Robin Gourmet Burgers, Ruby Tuesday, Steak n' Shake, Sonic, Texas Roadhouse and Wendy's/Arby's Group.

Last 5 Years

1%

(12%)

33%

63%

101%

658%

74%

139%

4/27/2010

31

Source: Factset, Company filings and Wall Street equity research as of April 23, 2010.

Price

Volume

('000s)

Stock Price Performance

Last Twelve Months

61%

2004 Option Grant Chronology

Ø The misinformed article which appeared in the New York Times is an unfortunate result of the writer's confusion related to the required accounting treatment for the option grant due to the delay between stockholder approval on August 25, 2004 and December 29, 2004, the date required by GAAP to be used for determining the

accounting expense

Ø The options were priced appropriately based on the date management completed the highly successful private equity transaction, more than doubling the Company's market capitalization

Ø Additionally, all option pricing information was properly disclosed to and, in effect, approved by shareholders

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4/27/2010

4/27/2010

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Ø \$50 Million Revolving Credit Facility Maturity December 2011

§ Revolver fully available with no current balance

Ø \$80 Million Term Loan Maturity March 2012

§ Paid down by \$180 million since origination in 12/06

Ø \$175 Million 10% Senior Notes Maturity October 2012 /

§ Currently callable at 102.5 Callable at Par in Oct. 2010

Ø Credit Agreements Prohibit Stock and Bond Repurchases

Ø Continue to Monitor the Credit Markets for Opportunities to Further
Strengthen Capital Structure

No Near-Term Debt Maturities
With Significant Existing Liquidity

4/27/2010

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Reconciliation of GAAP to
Non-GAAP Information

* Includes 53rd week.

(1) Excludes Discontinued Operations and Cumulative Effect of Change in Accounting Principle. (3) 2001 Depreciation and Amortization includes \$31.6M in Goodwill Amortization.

(2) Excludes Amortization of Deferred Gains in 2005 and

2004.

(4) Return on Assets takes LTM Adjusted Income

before Taxes divided by Total Assets at the end of the period.

We believe that, in addition to other financial measures, Adjusted Income Before Taxes, Adjusted EBITDA, and Free Cash Flow are appropriate indicators to assist in the evaluation of our operating performance on a period-to-period basis. We

believe that these metrics best reflect on-going earnings and cash generated from those earnings. We also use Adjusted Income and Adjusted EBITDA internally as performance measures for planning purposes, including the preparation of annual operating budgets, and for compensation purposes, including bonuses for certain employees. Adjusted EBITDA is also used to evaluate our ability to service debt because the excluded charges do not have an impact on our prospective debt

servicing capability and these adjustments are contemplated in our senior credit facility for the computation of our debt covenant ratios. However, Adjusted Income and Adjusted EBITDA should be considered as a supplement to, not a substitute for,

operating income, net income or other financial performance measures prepared in accordance with U.S. generally accepted accounting principles.

4/27/2010

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Dash's Involvement at Steak N
Shake

Source: Company filings and publicly available information as of April 23, 2010.

2007

2008

2010

2009

10/2007

Sardar Biglari and Philip
Cooley send first letter to
SNS shareholders
announcing two
nominees for board

4/2010

SNS changes
name to Biglari

Holdings

6/2009

Biglari convinces board to
transform SNS into holding
company and to give sole
discretion over asset
allocation to Biglari

12/2009

SNS offers to acquire
Fremont Michigan
Insuracorp Inc. for \$37
million but is rejected

12/2009

Biglari convinces company to
initiate a 1-for-20 reverse stock
split that pushes the per-share
price of SNS above \$300

8/2008

Biglari takes over as
permanent CEO

10/2009

SNS discloses
in a filing that it
has purchased
a 9.9% stake in

Fremont
Michigan

Insuracorp Inc.

8/2009

SNS closes \$23
million deal to

merge with
Western Sizzlin
Corp, which was
also run by Biglari
7/2009

Board renegotiates
lending agreement with
Bank to allow use of \$10
million in cash for
“investments of any
lawful nature”
6/2008

Biglari takes over
as executive
chairman
3/2008

Biglari and
Cooley are
elected to BOD
2/2010

SNS confirms that
new corporate
headquarters will be
in San Antonio, TX,
where Biglari’s hedge
fund is located

Corporate Governance Changes

In His Capacity as Advisor to Steak N Shake, the Company made Acquisitions of Non-Restaurant
Assets and Through its Merger with Western Sizzlin Changed its Name to Biglari Holdings
Acquisitions

4/27/2010

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8/2006

The Board of Directors declares a
1:10 reverse stock split

4/2006

Jonathan Dash is appointed
to the Board of Directors

3/2006

Sardar Biglari appointed as Chairman
and CEO; six serving directors resign

2/2008

WS changes its primary listing to
NASDAQ from OTCBB

8/2009

Sale of the company to Steak
n Shake is announced

3/2010

Dash resigns from
Western Sizzlin
Board

Dash's Involvement at Western
Sizzlin

Source: Company filings and publicly available information as of April 23, 2010.

Acquisitions

Corporate Governance Changes

During His Tenure as Director, Western Sizzlin Made Numerous Non-Restaurant Acquisitions and
Was Transformed Into a Holding Company

2006

2007

2010

2009

2008

12/2007

Acquisition of ITEX via
tender offer is

announced

3/2008

Acquisition of 51% of
Mustang Capital
Advisors announced

5/2008

ITEX tender offer
cancelled with only

4.9% of

outstanding

shares tendered

12/2007

Western Real
Estate, L.P.
purchases 23 acres
of property near
San Antonio, Texas
- Biglari's
hometown
10/2008

Exchange offer for 1.2% of Jack in the
Box is announced; tender is terminated
days later due to regulatory/compliance
issues
3/2010

Completes sale to
Steak n Shake

4/27/2010

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

Corporation, its

subsidiaries and underlying restaurants to be materially different from the performance indicated or implied by such statements. Words such as "expects", "anticipates", "believes", "intends", "plans", "hopes", and variations of such words and similar expressions are intended to identify such forward-looking statements. Except as may be required by law, the

Company expressly disclaims any obligation to update these forward-looking statements to reflect events or circumstances

after the date of this presentation or to reflect the occurrence of unanticipated events. Factors that could cause actual performance to differ materially from the performance indicated by these forward-looking statements include, among others:

the competitive pressures from within the restaurant industry; the level of success of the Company's operating initiatives,

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

political environment (including acts of war and terrorism); and other factors from time to time set forth in the Company's SEC

reports, including but not limited to the discussion in Management's Discussion and Analysis and the risks identified in Item

1A. Risk Factors contained in the Company's Annual Report on Form 10-K for the year ended December 30, 2009.

The Company has filed with the Securities and Exchange Commission ("SEC") and mailed to its stockholders a definitive

proxy statement in connection with its 2010 Annual Meeting of Stockholders. Stockholders are strongly advised to read the

Company's definitive proxy statement and the accompanying WHITE proxy card before making any voting decisions. Stockholders may obtain copies of the Company's definitive proxy statement, any amendments or supplements to the proxy

statement and other documents filed by the Company with the SEC in connection with its 2010 Annual Meeting of Stockholders free of charge at the SEC's website at www.sec.gov, or on the Company's website at www.dennys.com.

The

Company, its directors and officers and certain employees may be deemed to be participants in the solicitation of proxies from

stockholders in connection with the Company's 2010 Annual Meeting of Stockholders. Information concerning persons who

may be considered participants in the solicitation of the Company's stockholders under the rules of the SEC is set forth in the

Company's definitive proxy statement filed with the SEC on April 8, 2010.

Forward Looking Statements &
Solicitation Materials

