  
**Wendy's**  
THE WENDY'S COMPANY

# Second-Quarter 2016 Conference Call

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## August 10, 2016

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# Peter Koumas

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## Group Manager – Investor Relations



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## Today's Agenda

CEO Overview	Todd Penegor
Financial Update	Gunther Plosch
Key Initiatives Update	Todd Penegor
Q&A	

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## Forward-Looking Statements and Non-GAAP Financial Measures

This presentation, and certain information that management may discuss in connection with this presentation, contains certain statements that are not historical facts, including information concerning possible or assumed future results of our operations. Those statements constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (The "Reform Act"). For all forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act.

Many important factors could affect our future results and could cause those results to differ materially from those expressed in or implied by our forward-looking statements. Such factors, all of which are difficult or impossible to predict accurately, and many of which are beyond our control, include but are not limited to those identified under the caption "Forward-Looking Statements" in our news release issued on August 10, 2016 and in the "Special Note Regarding Forward-Looking Statements and Projections" and "Risk Factors" sections of our most recent Form 10-K / Form 10-Qs.

In addition, this presentation and certain information management may discuss in connection with this presentation reference non-GAAP financial measures (*i.e.*, adjusted EBITDA, adjusted EBITDA margin, adjusted earnings per share, adjusted tax rate and free cash flow). These non-GAAP financial measures exclude certain expenses and benefits. Reconciliations of non-GAAP financial measures to the most directly comparable GAAP financial measures are provided in the Appendix to this presentation, and are included in our news release issued on August 10, 2016 and posted on [www.aboutwendys.com](http://www.aboutwendys.com).

As used in this presentation, the terms adjusted EBITDA and adjusted earnings per share refer to adjusted EBITDA from continuing operations and adjusted earnings per share from continuing operations, respectively.

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# Todd Penegor

**President and Chief Executive Officer**



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**NA SYSTEM SRS INCREASE 0.4%;  
2.6% ON A TWO-YEAR BASIS**

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**NA COMPANY-OPERATED RESTAURANT  
MARGIN INCREASES 370 BPS TO 21.9%**

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**IMPROVEMENT OF 550 BPS IN ADJ.  
EBITDA MARGIN TO 26.8%\***

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**COMPANY INCREASES 2016 ADJ. EBITDA  
AND ADJ. EPS GUIDANCE\*; LOWERS FULL  
YEAR SRS GUIDANCE**

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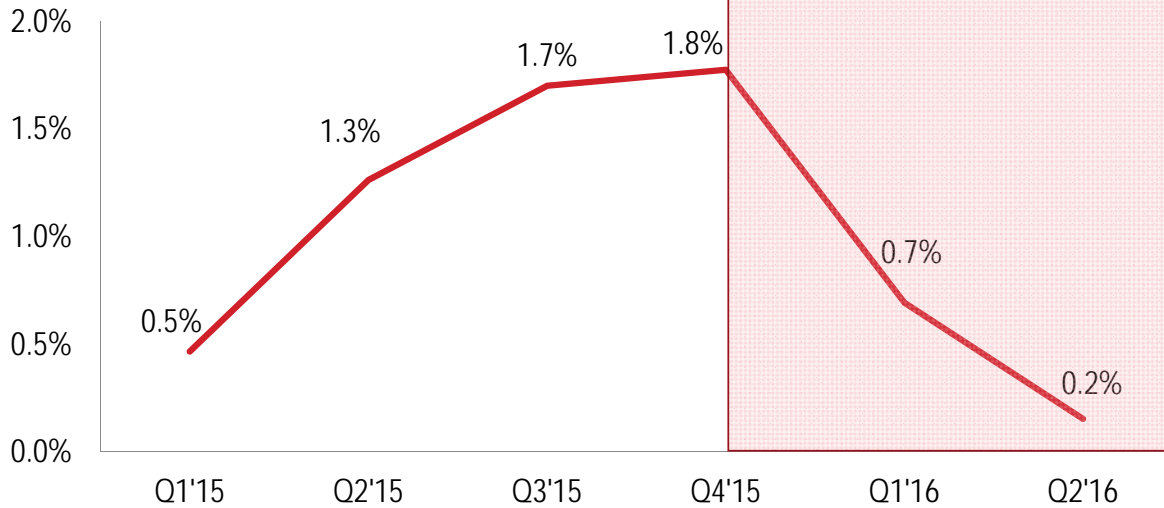
**SYSTEM OPTIMIZATION ON TRACK: ALL  
REMAINING MARKETS TO BE SOLD IN  
2016 HAVE BEEN AWARDED**

\* See reconciliation of non-GAAP financial measures in the Appendix.

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## QSR Traffic Momentum has Slowed in 2016

Traffic % Change vs. Year Ago



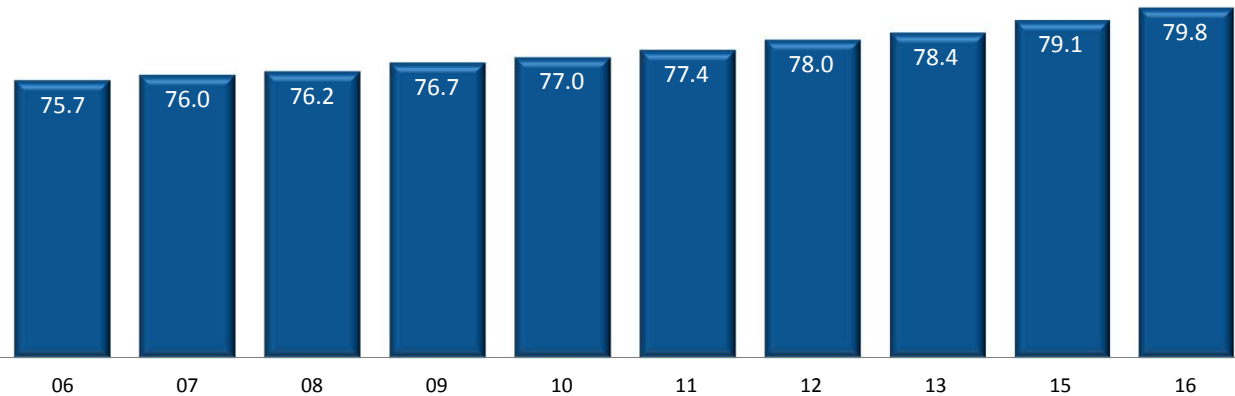
Source: The NPD Group / CREST® Total Day

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## QSR Builds Traffic Share 10 Consecutive Years

Taste, Convenience and Affordability will always be the main drivers for use of QSRs

Traffic Share of All Restaurant Meals



Source: The NPD Group / CREST® Y/E June

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## Balance Across the Menu



Core



Price/Value



LTO



# The Wendy's Way



QUALITY IS OUR RECIPE • TREAT PEOPLE WITH RESPECT • DO THE RIGHT THING • PROFIT MEANS GROWTH • GIVE SOMETHING BACK



## Gunther Plosch

Chief Financial Officer



## Second Quarter Financial Highlights

\$ Mills (except per share amounts)  
(Unaudited)

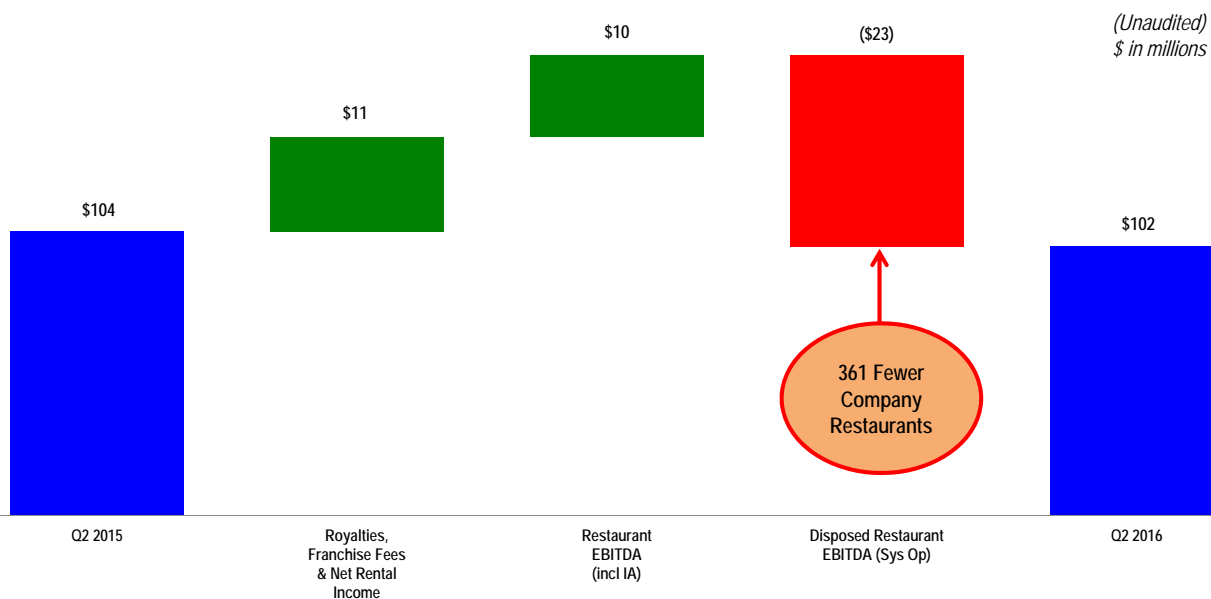
	2016*	2015*	B/(W)
N.A. System SRS	0.4%	2.2%	2-Year 2.6%
N.A. Co. Rest. Margin	21.9%	18.2%	+370 bps
G&A	\$61.1	\$60.8	(0.5%)
Adjusted EBITDA**	\$102.5	\$104.3	(1.7%)
Adjusted EBITDA Margin**	26.8%	21.3%	+550 bps
Adjusted EPS**	\$0.10	\$0.08	25.0%

\* Due to the May 2015 sale of its bakery business, the Company has presented its bakery results as discontinued operations in its financial statements.

\*\* See reconciliation of non-GAAP financial measures in the Appendix.

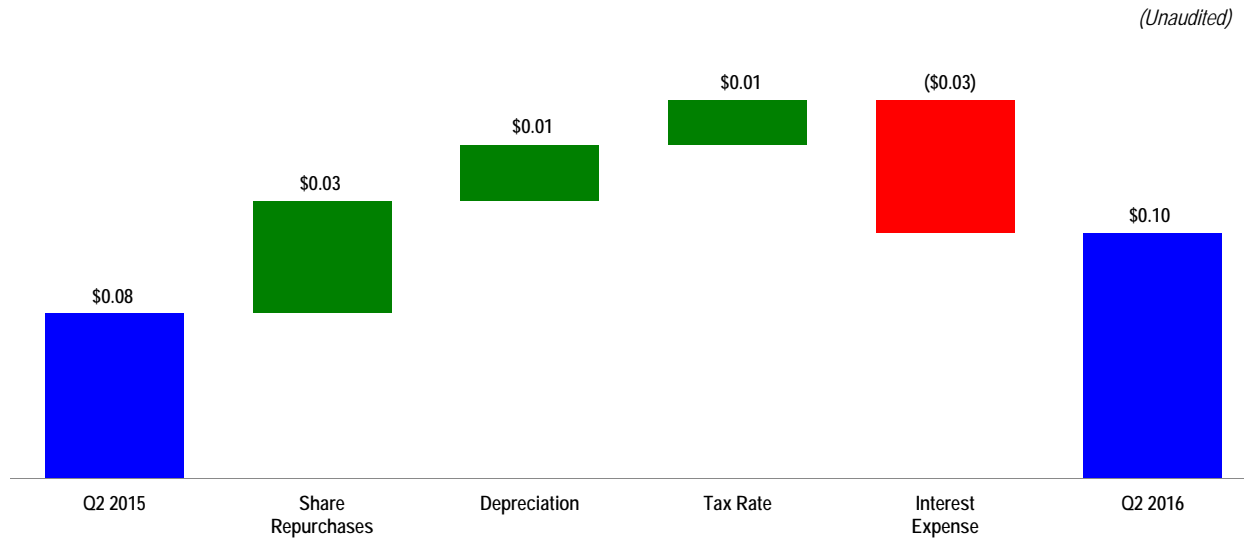
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## Q2 2016 vs. Q2 2015: Adjusted EBITDA



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## Q2 2016 vs. Q2 2015: Adjusted EPS



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## 2016 Outlook\*

**COMPANY NOW EXPECTS ADJ. EPS OF \$0.39-\$0.40 AND ADJ. EBITDA OF FLAT TO UP 1%**

- **Revising**
  - NA System SRS of 1.0 to 2.0%
  - Commodity costs to decrease ~5 to 6%
  - Company-operated restaurant margin of ~19.0%
- **Reaffirming**
  - G&A expense of ~\$245 million to \$250 million
  - Cash flows from operations of ~\$185 million to \$220 million
  - Capital expenditures of ~\$135 million to \$145 million
  - Free cash flow (cash flows from operations minus CAPEX) of ~\$50 million to \$75 million
  - Adjusted tax rate of ~32 to 34%

\* See reconciliation of non-GAAP financial measures in the Appendix.

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# Todd Penegor

President and Chief Executive Officer



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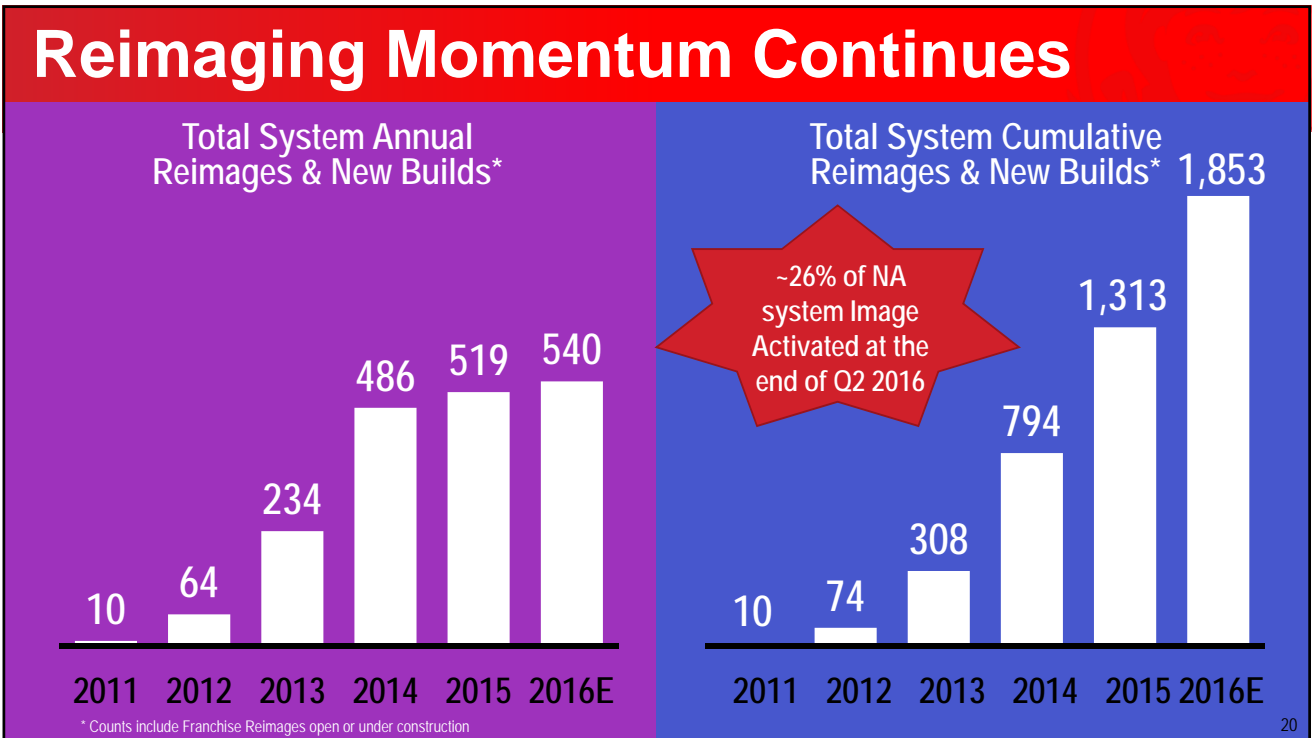
## System Optimization Update

<p>System Optimization III</p>	<ul style="list-style-type: none"><li>• On track to complete by the end of 2016</li><li>• 55 restaurants sold through Q2</li><li>• Expect ~60% of remaining restaurants to be sold in Q3</li><li>• Now expect total pre-tax proceeds of ~\$435M</li></ul>
<p>Ongoing System Optimization</p>	<ul style="list-style-type: none"><li>• Facilitated 13 franchisee-to-franchisee transfers via "Buy and Flip" in Q2</li><li>• Expect ~200 restaurants to be transferred via "Buy and Flip" in 2016</li></ul>

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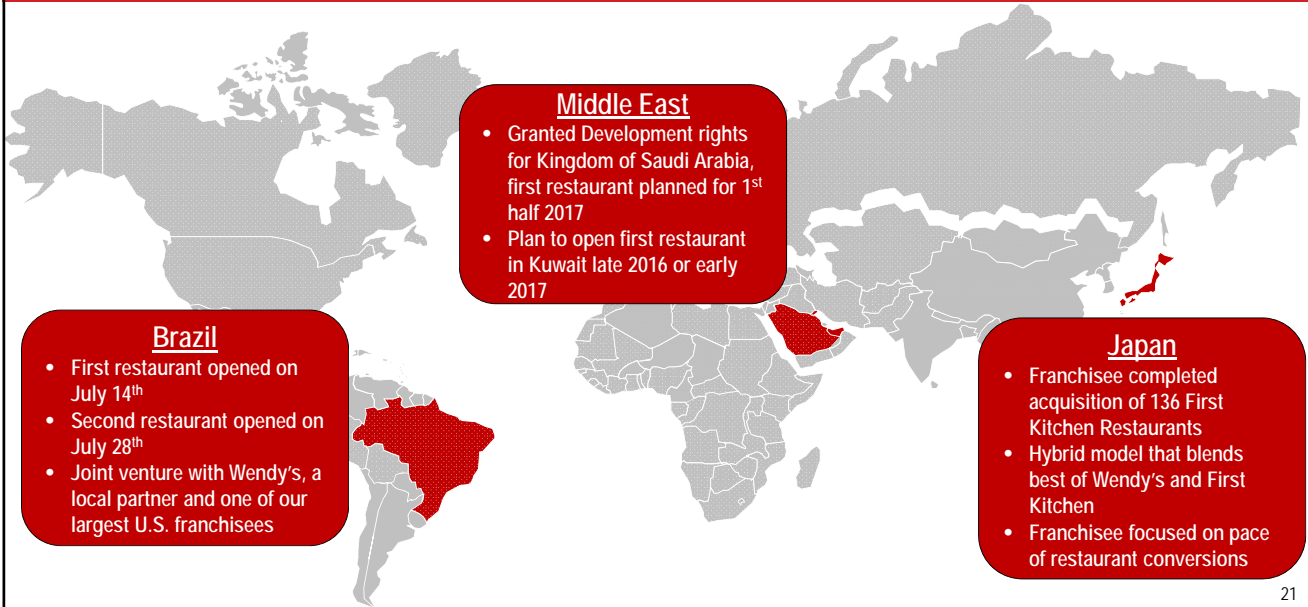


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# International Building Foundation for Growth



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# 2020 North America System Goals Are On Track!



**New 2020 Company Goal:  
38-40% Adjusted EBITDA Margin**

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**Peter Koumas**

**Group Manager –  
Investor Relations**



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## 2016 Investor Relations Calendar: Key Dates

August 26	RBC NDR (New York)
September 12	Stifel Baltusrol Executive Summit (New Jersey)
September 13	CL King Best Ideas Conference (New York)
September 28	Wells Fargo Retail, Restaurant & Consumer Forum (Boston)
September 29	Evercore NDR (Toronto)
November 9	3Q earnings release



# Q&A

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# Appendix

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## Reconciliation of Non-GAAP Financial Measures

In addition to the GAAP financial measures included in this presentation, the Company has included certain non-GAAP financial measures (i.e., adjusted EBITDA, adjusted EBITDA margin, adjusted earnings per share, adjusted tax rate and free cash flow). These non-GAAP financial measures exclude certain expenses and benefits as detailed in the accompanying reconciliation tables.

This presentation also includes forward-looking guidance for certain non-GAAP financial measures including adjusted EBITDA, adjusted earnings per share and adjusted tax rate. The Company excludes certain expenses and benefits from adjusted EBITDA, adjusted earnings per share and adjusted tax rate, such as impairment of long-lived assets, reorganization and realignment costs and system optimization gains, net. Due to the uncertainty and variability of the nature and amount of certain future expenses and benefits related to our system optimization initiative, the Company is unable without unreasonable effort to provide projections of net income, earnings per share or reported tax rate or a reconciliation of projected adjusted EBITDA, adjusted earnings per share or adjusted tax rate to projected net income, earnings per share or reported tax rate.

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## Reconciliation of Net Income to Adjusted EBITDA from Continuing Operations

In Thousands (Unaudited)

	Three Months		Six Months	
	2016	2015	2016	2015
Net income	\$ 26,480	\$ 40,195	\$ 51,843	\$ 67,702
Net income from discontinued operations	-	(15,370)	-	(24,727)
Income from continuing operations	26,480	24,825	51,843	42,975
Provision for income taxes	10,801	15,259	21,420	22,516
Income from continuing operations before income taxes	37,281	40,084	73,263	65,491
Other income, net	(276)	(272)	(538)	(511)
Loss on early extinguishment of debt	-	7,295	-	7,295
Interest expense	28,643	17,201	56,752	29,944
Operating profit	65,648	64,308	129,477	102,219
Plus (less):				
Depreciation and amortization	30,749	39,335	63,094	74,880
Impairment of long-lived assets	5,525	10,018	12,630	11,955
Reorganization and realignment costs	2,487	6,279	5,737	10,892
System optimization gains, net	(1,924)	(15,654)	(10,350)	(14,849)
Adjusted EBITDA from continuing operations	\$ 102,485	\$ 104,286	\$ 200,588	\$ 185,097
Adjusted EBITDA margin	26.8%	21.3%	26.3%	19.7%

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## Reconciliation of Income and Diluted Earnings Per Share from Continuing Operations to Adjusted Income and Adjusted Earnings Per Share from Continuing Operations

In Thousands except per-share amounts  
(Unaudited)

	Three Months		Six Months	
	2016	2015	2016	2015
Income from continuing operations	\$ 26,480	\$ 24,825	\$ 51,843	\$ 42,975
Plus (less):				
Impairment of long-lived assets	5,525	10,018	12,630	11,955
Reorganization and realignment costs	2,487	6,279	5,737	10,892
Depreciation of assets that will be replaced as part of the Image Activation initiative	1,393	4,280	3,215	4,104
Loss on early extinguishment of debt	-	7,295	-	7,295
System optimization gains, net	(1,924)	(15,654)	(10,350)	(14,849)
Total adjustments	7,481	12,218	11,232	19,397
Income tax impact on adjustments <sup>1</sup>	(7,015)	(8,342)	(6,840)	(11,303)
Total adjustments, net of income taxes	466	3,876	4,392	8,094
Adjusted income from continuing operations	\$ 26,946	\$ 28,701	\$ 56,235	\$ 51,069
Diluted earnings per share from continuing operations	\$ 0.10	\$ 0.07	\$ 0.19	\$ 0.12
Total adjustments per share, net of income taxes	0.00	0.01	0.02	0.02
Adjusted earnings per share from continuing operations	\$ 0.10	\$ 0.08	\$ 0.21	\$ 0.14

<sup>1</sup> The (benefit from) provision for income taxes on "System optimization gains, net" was \$(3,372) and \$2,435 for the three months ended July 3, 2016 and June 28, 2015, respectively, and \$1,490 and \$1,916 for the six months ended July 3, 2016 and June 28, 2015, respectively. The (benefit from) provision for income taxes on "System optimization gains, net" includes changes to state deferred taxes, changes to valuation allowances on state net operating loss carryforwards, the impact of non-deductible goodwill disposed of in connection with our system optimization initiative and adjustments related to prior year tax matters. The benefit from income taxes on all other adjustments was calculated using an effective tax rate of 38.7% for both the three months ended July 3, 2016 and June 28, 2015 and 38.6% for both the six months ended July 3, 2016 and June 28, 2015.

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