

THE **Wendy's** COMPANY  
Quality is Our Recipe...Worldwide



# **Third Quarter 2012 Earnings Conference Call**

**November 8, 2012**

THE **Wendy's** COMPANY  
Quality is Our Recipe...Worldwide



# JOHN BARKER

**CHIEF COMMUNICATIONS OFFICER**



# Today's Agenda



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**Opening Comments**

**Emil Brolick**

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**Financial Update**

**Steve Hare**

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**CEO Overview**

**Emil Brolick**

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**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 November 8, 2012 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, such as adjusted earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, and adjusted earnings per share. Adjusted EBITDA and adjusted earnings per share exclude certain expenses, net of certain 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 November 8, 2012 and posted on [www.aboutwendys.com](http://www.aboutwendys.com).

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# EMIL BROLICK

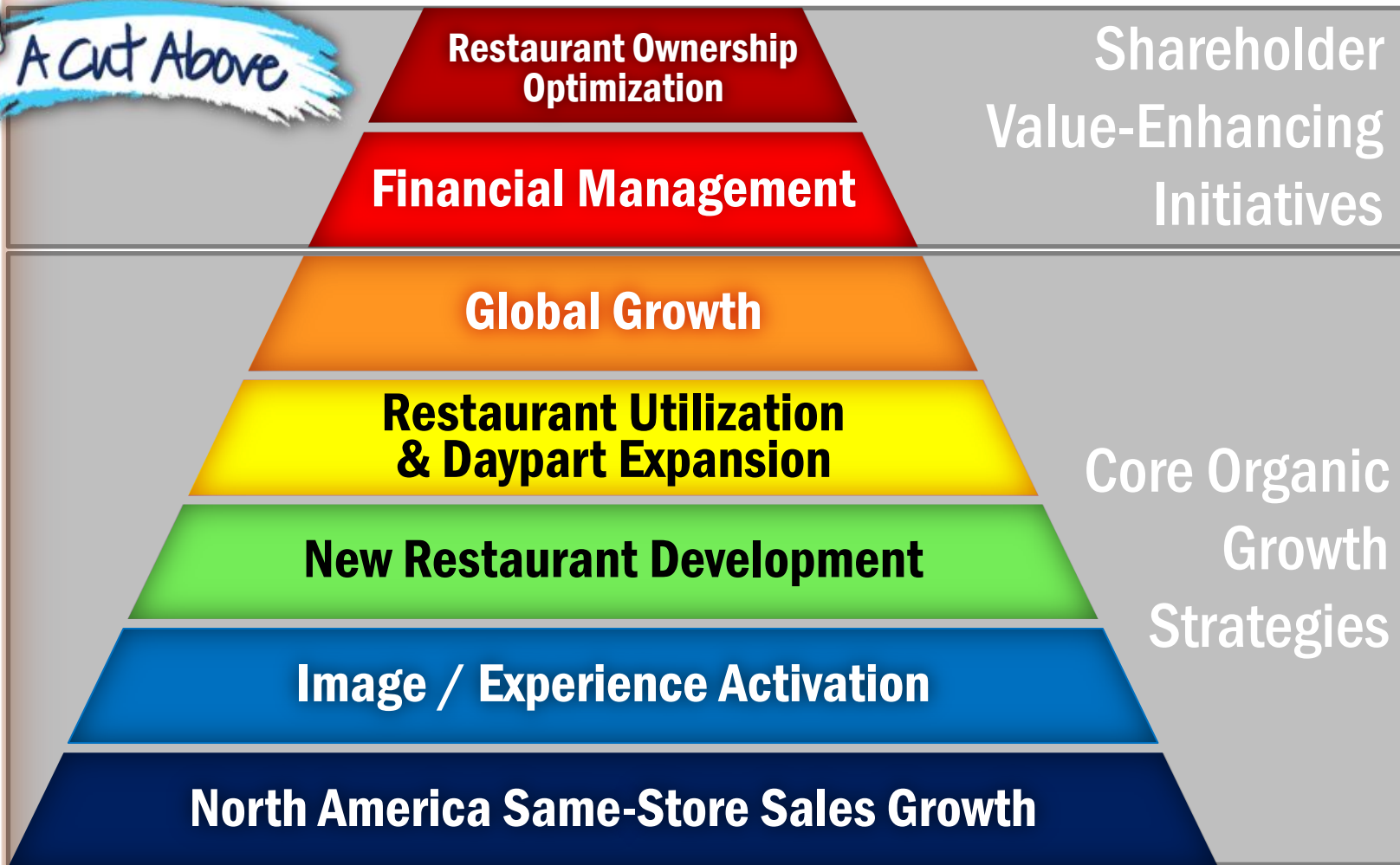
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**WENDY'S LONG-TERM STRATEGIC  
GROWTH DRIVERS**



*A Cut Above*





**Recipe to Win Working!**

**Reaffirming 2012 Outlook ...**

**Solid Growth Expected in 2013**



# **Making Significant Progress on Image Activation**



**Sixth Consecutive  
Quarter of Positive SSS**



A Cut Above

# RECIPE TO WIN

**PEOPLE** 5-Star Athletes

**PRICE** New QSR Quality at QSR Price

**PRODUCT** Play a different game. Superior perceived quality, competitive price.

**PROMOTION** Strategically driven, tactically brilliant

**PLACE** The complete brand experience

**PERFORMANCE** Keeping the brand promise

**Long-Term Adjusted EBITDA and  
Adjusted EPS Growth:**

**High Single-Digit to Low Double-Digit Range**

# **Free Cash Flow & Flexibility of Our Balance Sheet**

## **Core Growth Priority**

**Accelerating Investment in  
Image Activation**

## **Return Capital to Shareholders**

**Dividends  
Share Repurchase**

**100% increase in dividend**

**\$100 million share  
repurchase program**

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# STEVE HARE

**CHIEF FINANCIAL OFFICER**



# Q3 2012 Financial Highlights

July – August



## North America Same-Store Sales

Company-Operated	+2.7%
Franchise	+2.9%
Systemwide	+2.8%

August – September



## Company Restaurant Margin

Q3 2012	13.9%	} +20 bps
Q3 2011	13.7%	

# Q3 2012 Financial Summary

*(Unaudited)*  
*(\$ in millions)*

	<u>Q3 2012</u>	<u>Q3 2011</u>	<u>Better/ (Worse)</u>
Sales	\$ 558.3	\$ 534.5	\$ 23.8
Franchise revenues	78.0	76.9	1.1
Total revenues	<u>\$ 636.3</u>	<u>\$ 611.4</u>	<u>\$ 24.9</u>
Adjusted EBITDA from continuing operations*	\$ 84.5	\$ 87.0	\$ (2.5)

\*See reconciliation of Adjusted EBITDA from continuing operations in the appendix.



# Impact of Image Activation on Q3 and Q4 2012 Adjusted EBITDA

## ● Q3

- \$4 million negative impact from temporary closure of restaurants and other costs related to Image Activation

## ● Q4

- Expect positive impact from 47 reimaged restaurants that re-opened late in Q3 and early in Q4



# Income from Continuing Operations and Special Items

(Unaudited)

(\$ in thousands except per share amounts)

	Third Quarter			
	2012		2011	
	After tax	Per share (b)	After tax	Per share
Adjusted income and adjusted earnings per share from continuing operations (a)	\$ 11,300	\$ 0.03	\$ 17,563	\$ 0.05
(Less):				
Loss on early extinguishment of debt	(30,926)	(0.08)	-	-
Facilities relocation and other transition costs	(6,977)	(0.02)	-	-
Transaction related costs	(89)	(0.00)	(15,019)	(0.04)
Total adjustments	(37,992)	(0.10)	(15,019)	(0.04)
(Loss) income and earnings per share from continuing operations	\$ (26,692)	\$ (0.07)	\$ 2,544	\$ 0.01

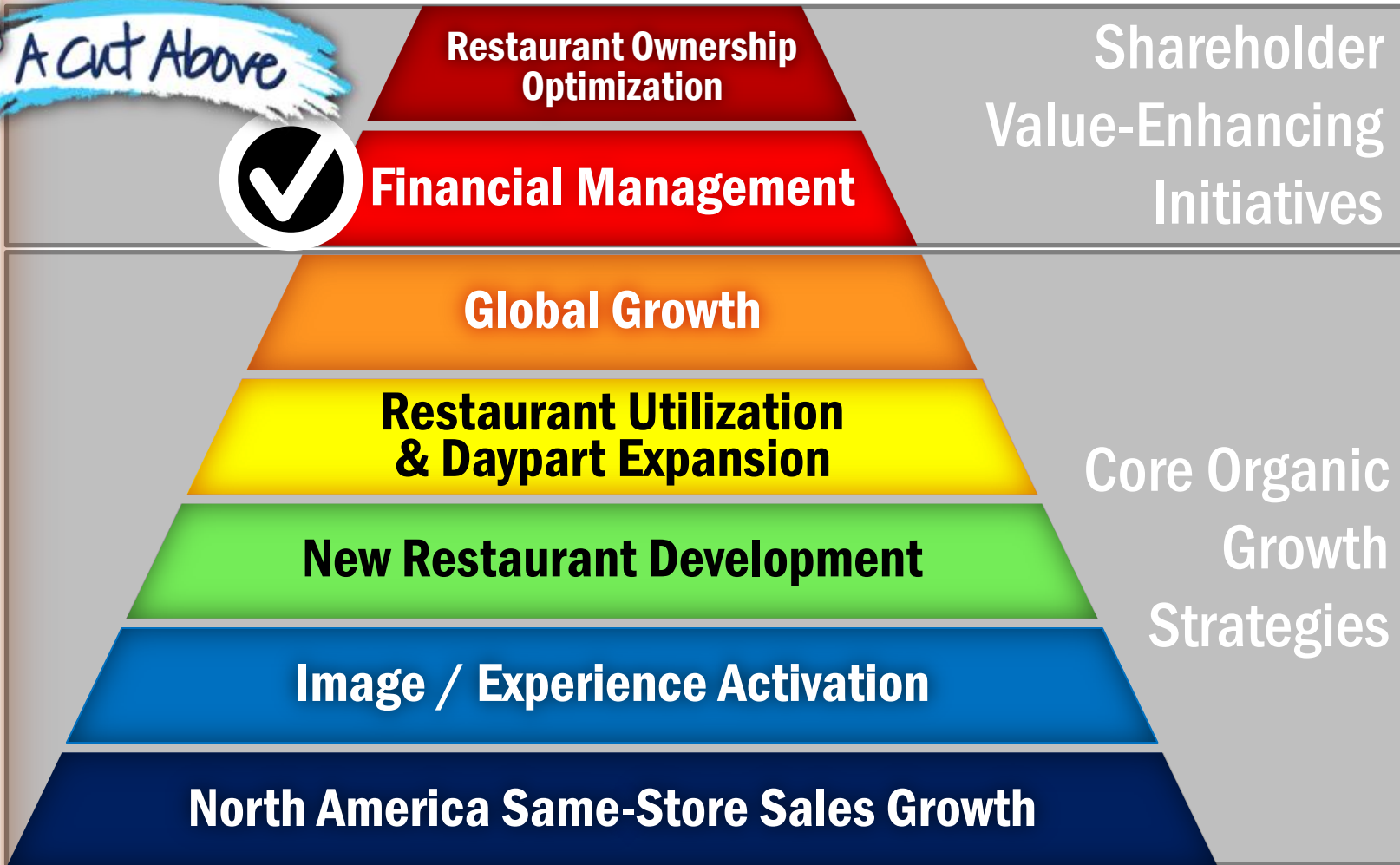
<sup>(a)</sup> See reconciliation of Adjusted Income and Adjusted Earnings per Share from Continuing Operations in the appendix.

<sup>(b)</sup> Adjusted earnings per share amounts for the third quarter include the dilutive effect of stock options and restricted shares. The effect of stock options and restricted shares was excluded from the reported number of shares used to calculate basic and diluted loss per share, as the impact would have been anti-dilutive. Included in the appendix is a reconciliation of the number of shares used to calculate adjusted earnings per share amounts.

**WENDY'S LONG-TERM STRATEGIC  
GROWTH DRIVERS**



*A Cut Above*



# Free Cash Flow Highlights & Projections

*(Unaudited)*

*(\$ in millions)*

	2011	2012E	2013E	3 YearE (Cumulative)
Adjusted EBITDA*	\$ 331	\$ 328	\$ 355	\$ 1,014
Cash Interest & Taxes	(126)	(121)	(86)	(333)
Operating Cash Flow	205	207	269	681
Base Capital Spending	(96)	(125)	(100)	(321)
Free Cash Flow	\$ 109	\$ 82	\$ 169	\$ 360

\*See reconciliation of Adjusted EBITDA from continuing operations in the appendix; represents midpoint of current outlook. Because certain income statement items needed to calculate income from continuing operations vary from quarter to quarter, the Company is unable to provide projections of income from continuing operations or a reconciliation of projected Adjusted EBITDA from continuing operations to projected income from continuing operations.

# Capital Allocation to Support Organic Growth and Returns to Stockholders

- **Strong cash position**
  - \$454 million of cash
  - Consistent free cash flow generation in excess of base capital expenditures
  - Expected high return on investment from Image Activation
- **Flexibility to fund both growth and returns to stockholders**
  - Up to \$500 million of capital expenditures committed to Image Activation through 2015
  - Increased dividend in Q4 and stock repurchases authorized

# Initiatives to Increase Stockholder Returns

- **100 percent increase in quarterly dividend**
  - **Q4 increase from \$0.02 to \$0.04 per share**
  - **Payable on Dec. 17 to stockholders of record on Dec. 3**
- **\$100 million share repurchase program**

# Selected Balance Sheet Highlights

*(Unaudited)*

*(\$ in millions)*

**September 30, 2012**

Cash	\$	454
Senior Debt	\$	1,424
Capital Leases and Other Debt		33
Total Debt	\$	<u>1,457</u>
TTM Adjusted EBITDA*	\$	318
Total Debt / TTM Adjusted EBITDA*		4.6x
Net Debt / TTM Adjusted EBITDA*		3.2x

\*See reconciliation of Adjusted EBITDA from continuing operations in the appendix.

# 2012, 2013 and Long-Term Earnings Outlook

## 2012

Reaffirming  
Adjusted EBITDA  
from continuing  
operations  
in a range of  
\$320 to \$335  
million

## 2013

Adjusted EBITDA  
from continuing  
operations in a  
range of  
\$350 to \$360  
million

## Long-Term

Average annual  
Adjusted EBITDA  
and Adjusted EPS  
growth rates in  
high-single-digit  
to low-double-  
digit range



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# EMIL BROLICK

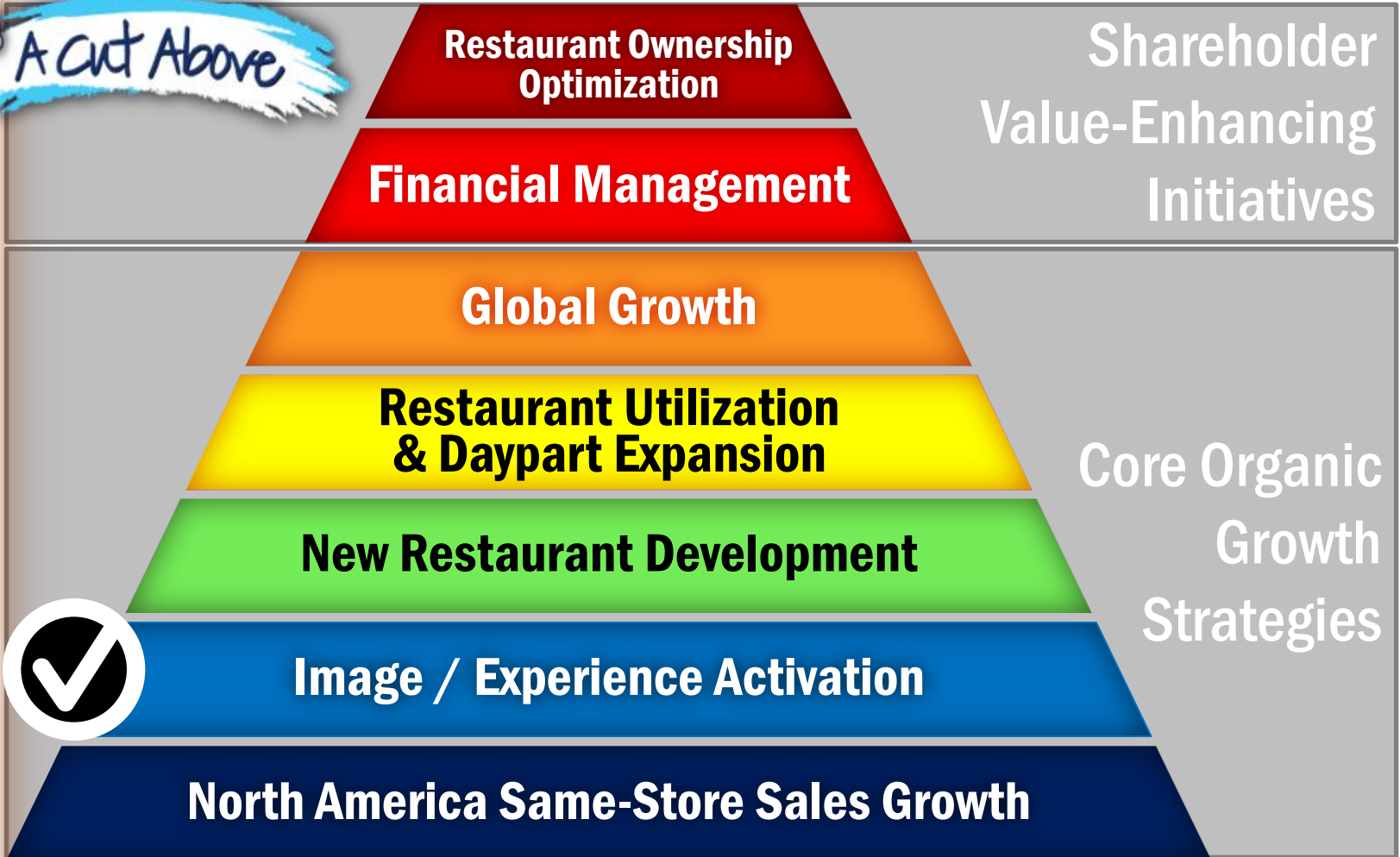
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**WENDY'S LONG-TERM STRATEGIC GROWTH DRIVERS**



*A Cut Above*





# IMAGE ACTIVATION



## Delivers “A Cut Above” brand positioning

- Creates a great work environment for our restaurant teams
- Distinguishes Wendy’s from other traditional QSRs
- Customers tell us they love the restaurants



**2011**  
IMAGE ACTIVATION



**10 Reimages**

**Average Annualized**

**Sales +25%**







**2012**  
**IMAGE ACTIVATION**



**Salt Lake City, UT**



Raleigh, NC

2012  
IMAGE ACTIVATION







**BRAND  
IMAGE**

**PEOPLE &  
SERVICE**

# IMAGE ACTIVATION

**FOOD  
EXPERIENCE**

**CUSTOMER  
EXPERIENCE**

# Wendy's Brand Transformation



**Restaurant Signage,  
Merchandising,  
& Uniforms**

**Advertising, PR,  
Websites, Social Media  
& Packaging**





# 2013: Tiered Design Strategy to Optimize Returns

## TIER I



## TIER II



## TIER III



### Targeted

**Investment\***

**\$650 to \$750K**

**\$510 to 550K**

**\$375K**

**Sales Lift**

**> 25%**

**20%**

**7.5%**

\*Estimates based on Company's current outlook; excludes maintenance cap ex and other costs



**2013**  
IMAGE ACTIVATION

## **Company**

**100 Reimages**

All Tiers

**25 New Restaurants**



Estimates based on Company's current outlook

## **Franchise**

Expect **100 Reimages**

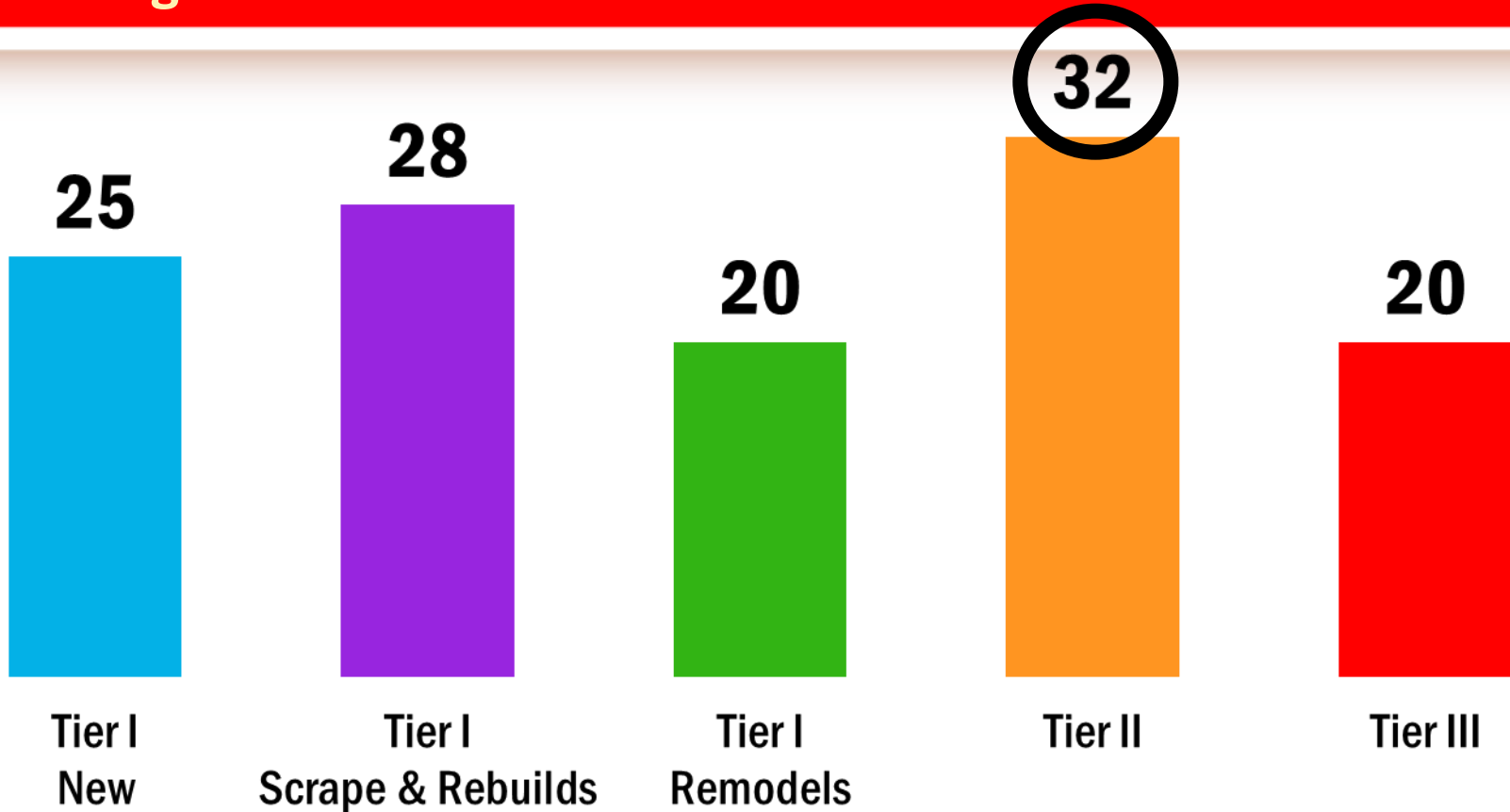
Majority Tier I

Introduce Tier II and  
Tier III Designs

**50 New Restaurants**

# Company Image Activation Plan For 2013

100 Reimages and 25 New Restaurants





# Franchise Interest is Growing

## Offering incentive for Tier 1

**2013**  
IMAGE ACTIVATION





# Image Activation Expansion

**FUTURE**  
IMAGE ACTIVATION

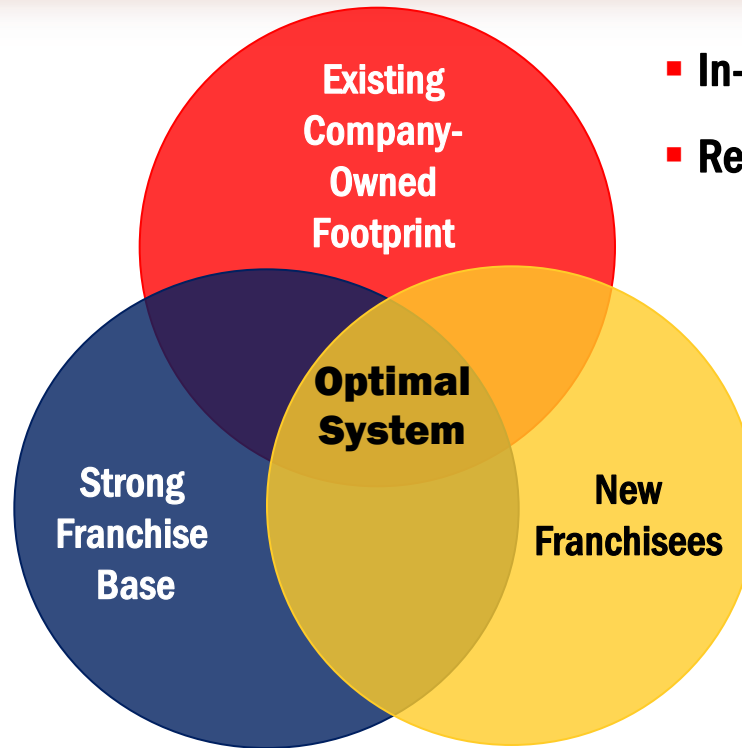
**50%**  
of company restaurants  
Image Activated  
by end of 2015



Estimates based on Company's current outlook

# System Optimization to Yield Multiple Benefits; Strengthen Overall System

- High-quality operators
- Strong, more concentrated franchise platforms
- Ability to image activate



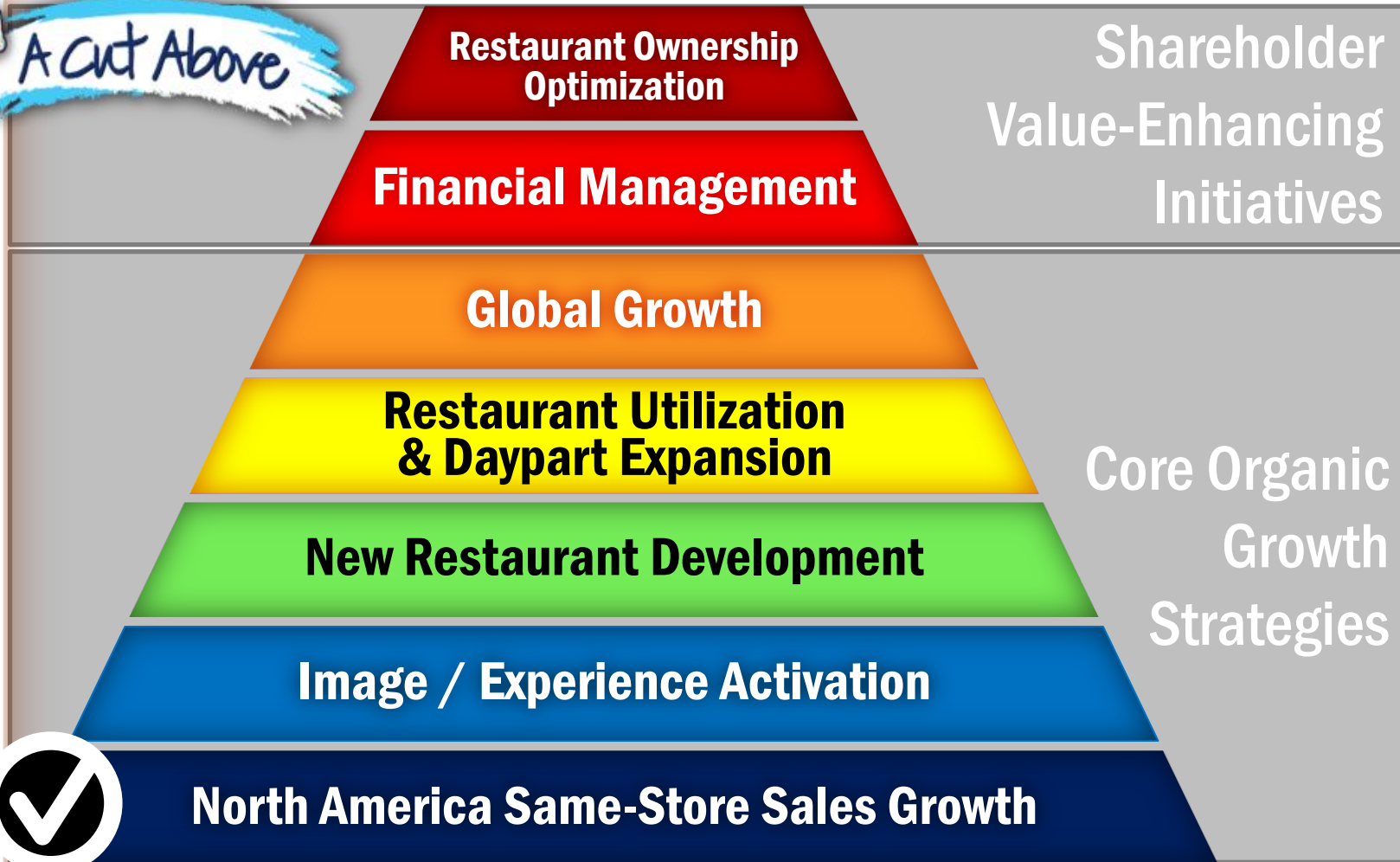
- In-market concentration
- Restaurant performance

- Optimal franchise mix to maximize value

**WENDY'S LONG-TERM STRATEGIC  
GROWTH DRIVERS**



*A Cut Above*



# MARKETING: DUAL CAMPAIGN LEGS



**SOMETHING  
TO BUY**



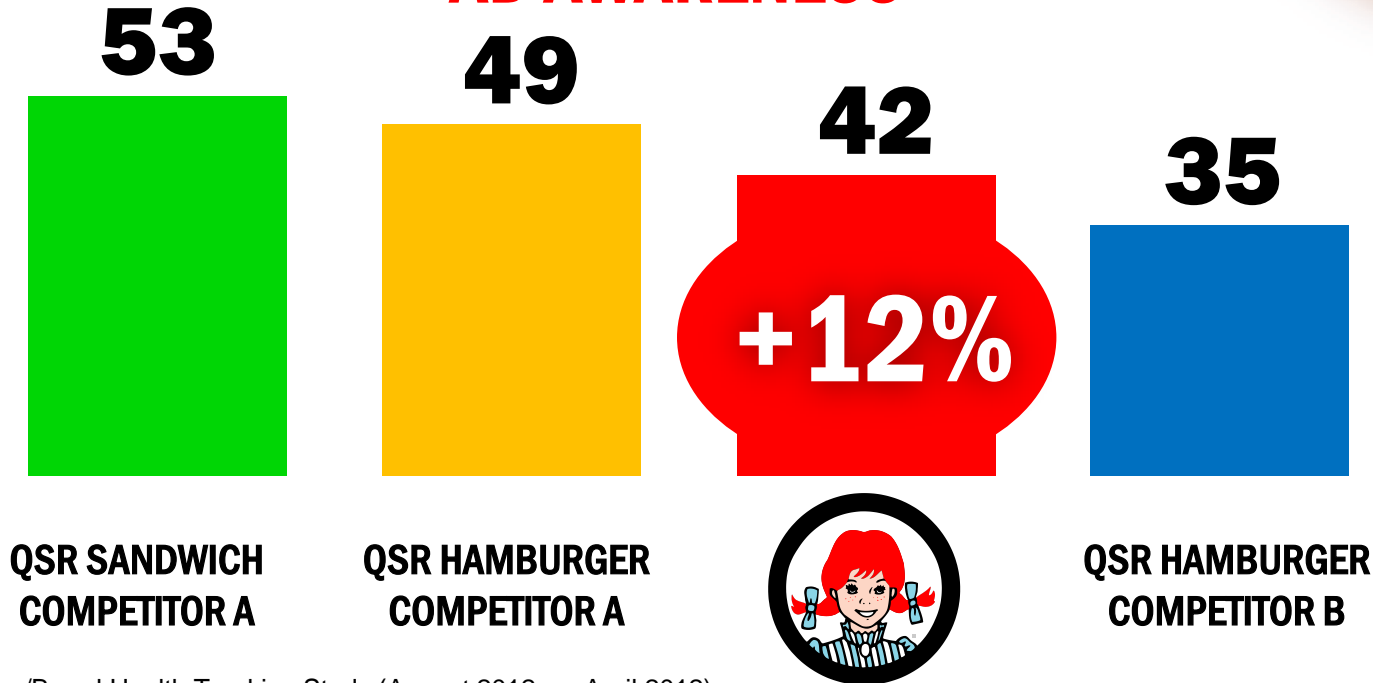
**SOMETHING  
TO BUY INTO**



# Consumers Remember It!



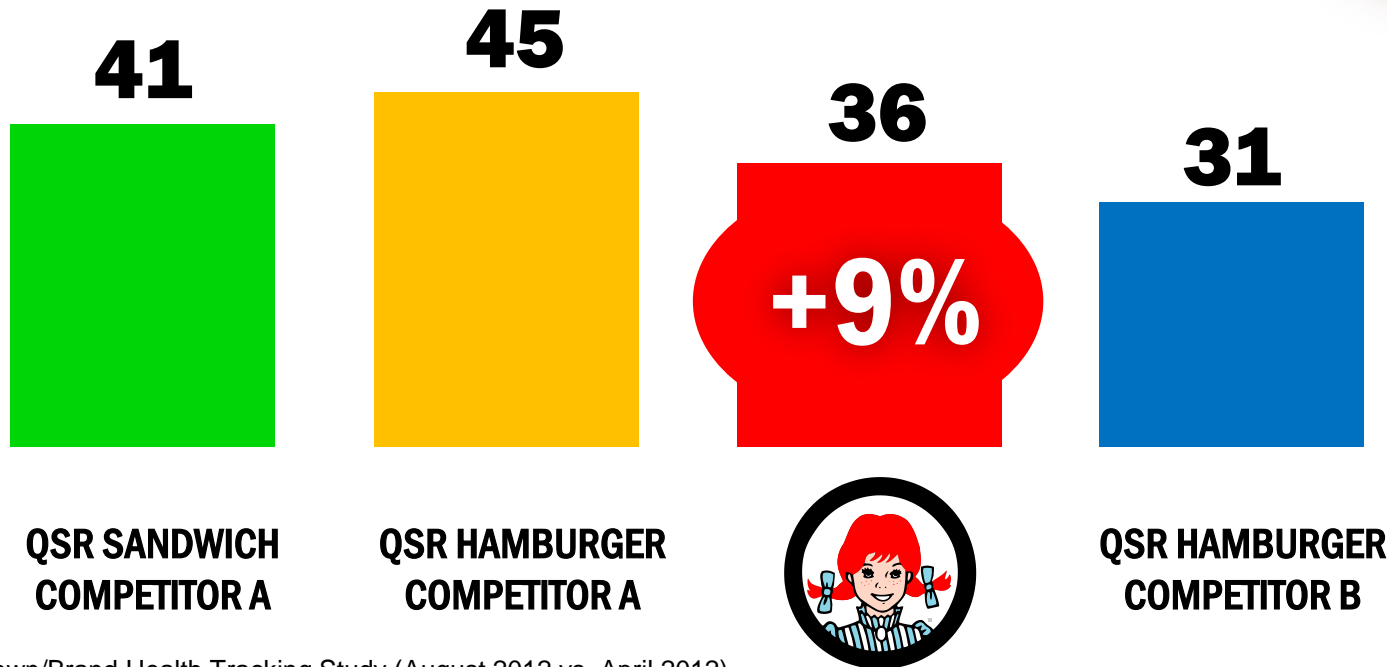
## AD AWARENESS



# Consumers Respond To It!



## BRAND CONSIDERATION



# Successful Premium Product Launches

Son of Baconator

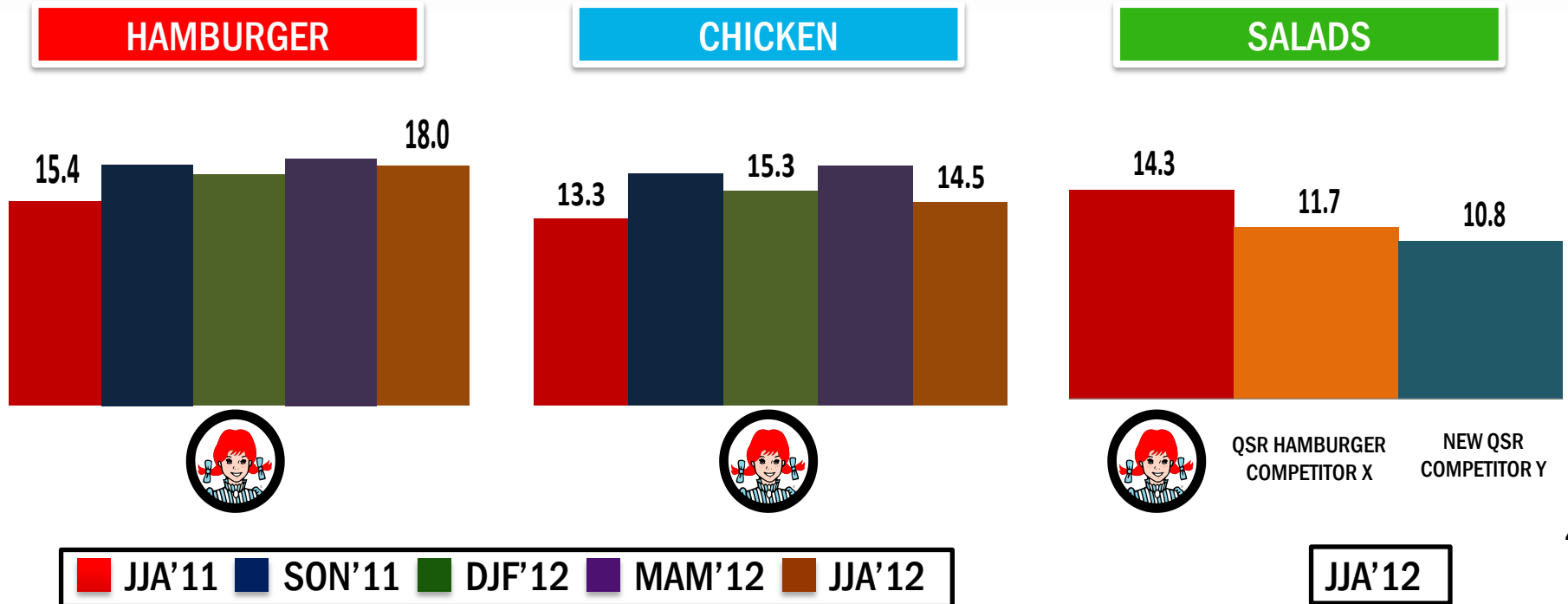


Bacon Portabella Melt



Asiago Ranch Chicken Club

# Growing Share in Premium Segments



# Recent Awards and Recognition



**ZAGAT: #1 Overall Mega Chain**  
**ACSI: #1 in Hamburger Category**  
**You Gov Social Media: #2 Buzz Index**  
**QSR Magazine: Fastest Drive-Thru**  
**Food Network: Chef's Choice**



Limited-Service, Unlimited Possibilities



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# Upcoming Investor Calendar



## 2013 Events

**January 16-17: ICR Conference in Miami, FL**

**February 28: Q4 and 2012 Earnings Release**

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**Q & A**



**Wendy's**<sup>®</sup>

**A CUT ABOVE**

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# Appendix

# Reconciliation of Adjusted EBITDA from Continuing Operations to Net (Loss) Income Attributable to The Wendy's Company

(In Thousands) (Unaudited)	Three Months		Nine Months	
	2012	2011	2012	2011
	Adjusted EBITDA from continuing operations	\$ 84,491	\$ 87,045	\$ 237,445
(Less) plus:				
Depreciation and amortization	(41,878)	(30,816)	(110,136)	(90,972)
Impairment of long-lived assets	-	-	(7,781)	(8,262)
Costs associated with closed restaurants in other operating expense, net	-	-	(1,477)	-
Facilities relocation and other transition costs	(11,285)	-	(26,242)	-
Transaction related costs	(145)	(23,839)	(1,319)	(30,762)
Arby's indirect corporate overhead in general and administrative (G&A)	-	-	-	(14,623)
SSG purchasing cooperative expense reversal in G&A	-	-	-	2,275
Operating profit	31,183	32,390	90,490	107,841
Interest expense	(21,566)	(28,384)	(77,803)	(85,915)
Loss on early extinguishment of debt	(49,881)	-	(75,076)	-
Gain on sale of investment, net	-	-	27,407	-
Other income, net	900	304	3,064	894
(Loss) income from continuing operations before income taxes and noncontrolling interests	(39,364)	4,310	(31,918)	22,820
Benefit from (provision for) income taxes	12,672	(1,766)	14,467	(9,198)
(Loss) income from continuing operations	(26,692)	2,544	(17,451)	13,622
Discontinued operations:				
Income (loss) from discontinued operations, net of income taxes	784	(1,441)	784	1,118
Loss on disposal of discontinued operations, net of income taxes	(254)	(5,069)	(254)	(8,849)
Net income (loss) from discontinued operations	530	(6,510)	530	(7,731)
Net (loss) income	(26,162)	(3,966)	(16,921)	5,891
Net income attributable to noncontrolling interests	-	-	(2,384)	-
Net (loss) income attributable to The Wendy's Company	\$ (26,162)	\$ (3,966)	\$ (19,305)	\$ 5,891

# Reconciliation of Adjusted Income and Adjusted Earnings per Share from Continuing Operations to Net (Loss) Income and Earnings per Share Attributable to The Wendy's Company

(In Thousands Except per Share Amounts)  
(Unaudited)

	Three Months				Nine Months			
	2012		2011		2012		2011	
	After tax	Per share (a)	After tax	Per share	After tax	Per share (a)	After tax	Per share
Adjusted income and adjusted earnings per share from continuing operations	\$ 11,300	\$ 0.03	\$ 17,563	\$ 0.05	\$ 33,868	\$ 0.09	\$ 45,887	\$ 0.11
(Less) plus:								
Loss on early extinguishment of debt	(30,926)	(0.08)	-	-	(46,547)	(0.12)	-	-
Gain on sale of investment, net	-	-	-	-	17,978	0.05	-	-
Impairment of long-lived assets	-	-	-	-	(4,801)	(0.02)	(5,106)	(0.01)
Costs associated with closed restaurants in other operating expense, net	-	-	-	-	(911)	(0.00)	-	-
Facilities relocation and other transition costs	(6,977)	(0.02)	-	-	(16,223)	(0.04)	-	-
Arby's indirect corporate overhead in general and administrative (G&A)	-	-	-	-	-	-	(9,212)	(0.02)
Transaction related costs	(89)	(0.00)	(15,019)	(0.04)	(815)	(0.00)	(19,380)	(0.05)
SSG purchasing cooperative expenses in G&A	-	-	-	-	-	-	1,433	0.00
Total adjustments	<u>(37,992)</u>	<u>(0.10)</u>	<u>(15,019)</u>	<u>(0.04)</u>	<u>(51,319)</u>	<u>(0.13)</u>	<u>(32,265)</u>	<u>(0.08)</u>
(Loss) income from continuing operations	(26,692)	(0.07)	2,544	0.01	(17,451)	(0.04)	13,622	0.03
Net income (loss) from discontinued operations	530	0.00	(6,510)	(0.02)	530	0.00	(7,731)	(0.02)
Net (loss) income	(26,162)	(0.07)	(3,966)	(0.01)	(16,921)	(0.04)	5,891	0.01
Net income attributable to noncontrolling interests	-	-	-	-	(2,384)	(0.01)	-	-
Net (loss) income and (loss) earnings per share attributable to The Wendy's Company	<u>\$ (26,162)</u>	<u>\$ (0.07)</u>	<u>\$ (3,966)</u>	<u>\$ (0.01)</u>	<u>\$ (19,305)</u>	<u>\$ (0.05)</u>	<u>\$ 5,891</u>	<u>\$ 0.01</u>
Reported number of shares used to calculate diluted (loss) income per share		390,406		397,899		390,028		412,243
Plus: Diluted effect of stock options and restricted shares		1,514		-		1,946		-
Adjusted number of shares used to calculate adjusted earnings per share		<u>391,920</u>		<u>397,899</u>		<u>391,974</u>		<u>412,243</u>

(a) Adjusted earnings per share amounts for the three and nine months ended September 30, 2012, include the dilutive effect of stock options and restricted shares. The effect of stock options and restricted shares was excluded from the reported number of shares used to calculate basic and diluted loss per share, as the impact would have been anti-dilutive. Included above is a reconciliation of the number of shares used to calculate adjusted earnings per share amounts.