



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

# Fourth Quarter 2012 Earnings Conference Call

February 28, 2013

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

# JOHN BARKER

Chief Communications Officer



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# Today's Agenda

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<b>Opening Comments</b>	<b>Emil Brolick</b>
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<b>Financial Update</b>	<b>Steve Hare</b>
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<b>CEO Overview</b>	<b>Emil Brolick</b>
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<b>Q&amp;A</b>	
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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 February 28, 2013 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 February 28, 2013 and posted on [www.aboutwendys.com](http://www.aboutwendys.com).

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**EMIL BROLICK**

**President & CEO**



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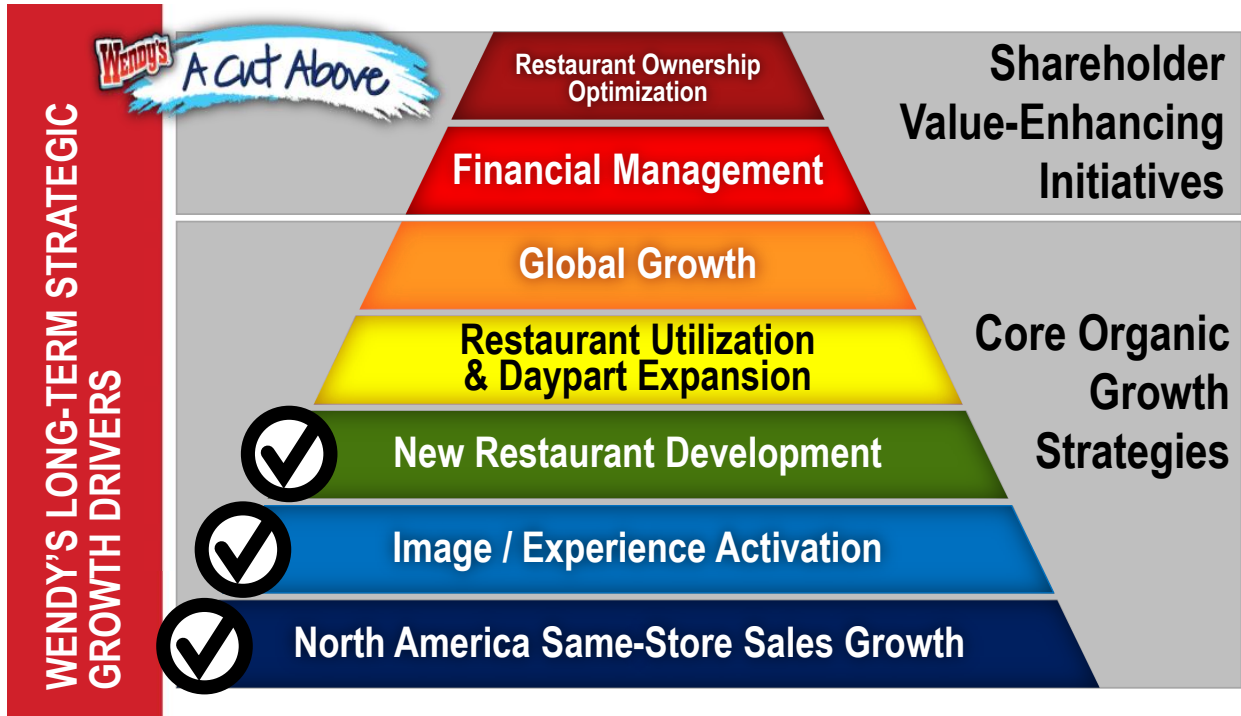
## 2012 and Fourth-Quarter Highlights

	<u>2012</u>	vs.	<u>2011</u>
<b>FY Adjusted EBITDA*</b>	\$333.3 mil		\$331.1 mil
<b>Q4 Adjusted EBITDA*</b>	\$ 95.9 mil		\$ 80.9 mil
<b>FY Adjusted EPS*</b>	\$0.17		\$0.15
<b>FY SSS</b>	1.6%	vs.	2.0%
<b>Q4 SSS</b>	(0.2)%	vs.	5.1%

**Doubled Quarterly Dividend Rate in Q4 2012: \$0.04 per share**

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

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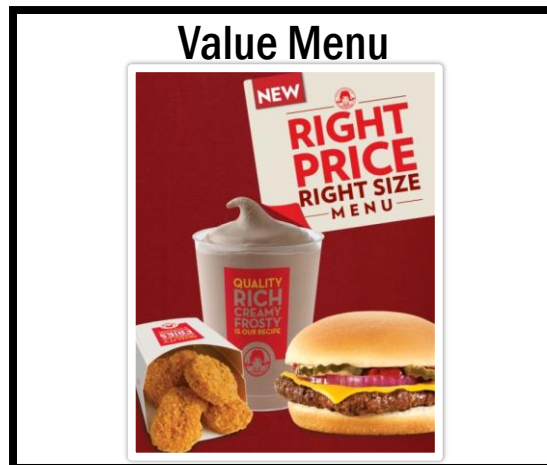
## Enabling Profitable Growth

### THE RECIPE TO WIN



- PRICE** New QSR Quality at QSR Price
- PRODUCT** Play a different game ... Superior perceived quality, competitive price
- PEOPLE** 5-Star Performers
- PERFORMANCE** Keeping the brand promise
- PROMOTION** Strategically driven, tactically brilliant
- PLACE** The complete brand experience

# Product / Price Segmentation

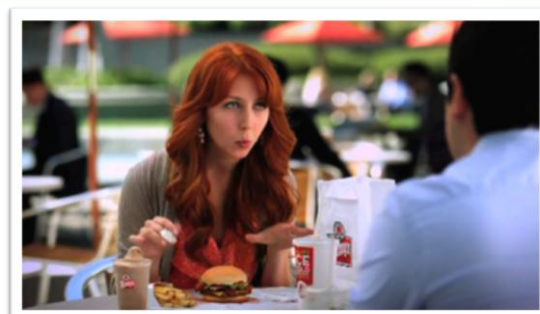


High

Low

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# Right Price, Right Size



RIGHT PRICE RIGHT SIZE VALUE MENU			
JR. CHEESEBURGER DELUXE	\$1.19	JR. CHEESEBURGER	99¢
JR. BACON CHEESEBURGER	\$1.59	CRISPY CHICKEN SANDWICH	99¢
DOUBLE STACK™	\$1.79	4-PC REGULAR OR SPICY CHICKEN NUGGETS	99¢
CRISPY CHICKEN CAESAR WRAP	\$1.29	VALUE SOFT DRINK	99¢
6-PC REGULAR OR SPICY CHICKEN NUGGETS	\$1.49	VALUE NATURAL-CUT FRIES	99¢
CHICKEN GO WRAP (SPICY OR GRILLED)	\$1.49	SMALL FROSTY™	99¢
CAESAR OR GARDEN SIDE SALAD	\$1.49		
SMALL CHILI	\$1.69		

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# Innovation: Premium Limited-Time Offerings

**BACON  
PORTABELLA  
MELT**



**FLATBREAD  
GRILLED  
CHICKEN**



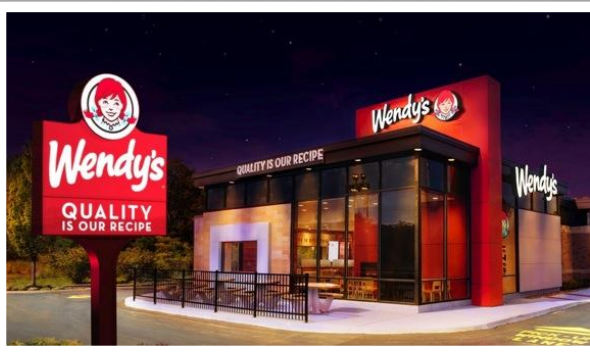
New QSR  
Quality at a QSR  
Price



**SPICY  
GUACAMOLE  
CHICKEN CLUB**

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# Image Activation Update



Reimages averaging  
+25% sales growth

2011: 10 company prototypes  
2012: 48 company Tier I reimages



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# 2013 Company Image Activation

## Tier II



32 Tier II Remodels in 2013

## Tier III



20 Tier III Remodels in 2013

Estimates based on Company's current outlook.

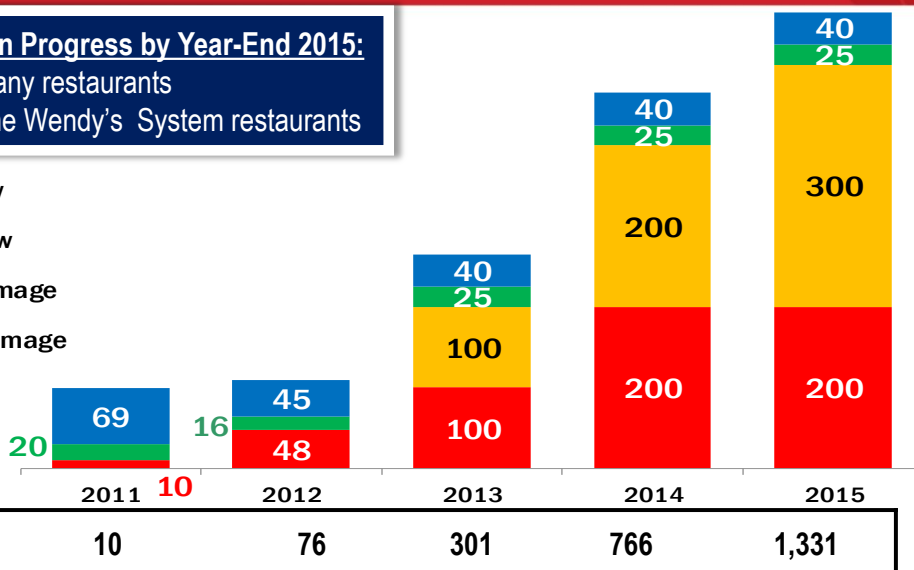
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# Image Activation Multi-Year Growth Plan

### Image Activation Progress by Year-End 2015:

- 50% of Company restaurants
- 1 out of 5 of the Wendy's System restaurants

- Fr. New
- Co. New
- Fr. Reimage
- Co. Reimage



Note: New Company restaurants were Image Activation building design beginning in 2012; 2 of 45 new Franchise restaurants were Image Activation in 2012. Estimates based on Company's current outlook.

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**STEVE HARE**

Chief Financial Officer



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## Q4 2012 Financial Summary

(Unaudited)

(\$ in millions except per share amounts)

	<b>Q4 2012</b>	<b>Q4 2011</b>	<b>Better/ (Worse)</b>
Sales	\$ 554.0	\$ 538.5	\$ 15.5
Franchise revenues	75.9	76.5	(0.6)
Total revenues	<u>\$ 629.9</u>	<u>\$ 615.0</u>	<u>\$ 14.9</u>
<i>growth rate</i>	<i>2.4%</i>		
Adjusted EBITDA from continuing operations*	\$ 95.9	\$ 80.9	\$ 15.0
Adjusted EPS*	\$ 0.09	\$ 0.04	\$ 0.05

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

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# FY 2012 Highlights

<b>2012 North America Same-Store Sales</b>		
	<u>1-Year</u>	<u>2-Year</u>
Company-Operated	1.6%	3.6%
Franchise	1.6%	3.5%

<b>2012 Company Restaurant Margin</b>	
2012	14.0%
2011	14.0%

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# FY 2012 Financial Summary

(\$ in millions except per share amounts)

	<u>2012</u>	<u>2011</u>	<u>Better/ (Worse)</u>
Sales	\$ 2,198.3	\$ 2,126.6	\$ 71.7
Franchise revenues	306.9	304.8	2.1
Total revenues	<u>\$ 2,505.2</u>	<u>\$ 2,431.4</u>	<u>\$ 73.8</u>
<i>growth rate</i>	3.0%		
Adjusted EBITDA from continuing operations*	\$ 333.3	\$ 331.1	\$ 2.2
Adjusted EPS*	\$ 0.17	\$ 0.15	\$ 0.02

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

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## Income from Continuing Operations and Special Items

	Three Months				Twelve Months			
	2012		2011		2012		2011	
	Per share	Per share	Per share	Per share	Per share	Per share	Per share	
(Unaudited) (\$ in Thousands, Except per Share Amounts)								
Adjusted income and adjusted earnings per share from continuing operations	\$ 33,629	\$ 0.09	\$ 16,425	\$ 0.04	\$ 65,316	\$ 0.17	\$ 62,080	\$ 0.15
(Less) plus:								
Loss on early extinguishment of debt	-	-	-	-	(46,547)	(0.12)	-	-
Facilities relocation costs and other transactions	(8,311)	(0.02)	(9,288)	(0.02)	(25,349)	(0.07)	(28,514)	(0.07)
Gain on sale of investment, net	-	-	-	-	17,978	0.05	-	-
Impairment of long-lived assets	(8,216)	(0.02)	(2,847)	(0.01)	(13,017)	(0.04)	(7,936)	(0.02)
Benefits of prior years' tax matters	5,439	0.01	-	-	7,620	0.02	-	-
Dividend from Arby's	2,868	0.01	-	-	2,868	0.01	-	-
Costs associated with closed restaurants in other operating expense, net	-	-	-	-	(911)	(0.00)	-	-
Arby's indirect corporate overhead in general and administrative (G&A)	-	-	-	-	-	-	(9,140)	(0.02)
SSG purchasing cooperative expenses in G&A	-	-	-	-	-	-	1,422	0.00
Total adjustments	(8,220)	(0.02)	(12,135)	(0.03)	(57,358)	(0.15)	(44,168)	(0.11)
Income from continuing operations	25,409	0.07	4,290	0.01	7,958	0.02	17,912	0.04
Net income (loss) from discontinued operations	979	0.00	(306)	(0.00)	1,509	0.00	(8,037)	(0.02)
Net income	26,388	0.07	3,984	0.01	9,467	0.02	9,875	0.02
Net income attributable to noncontrolling interests	-	-	-	-	(2,384)	(0.00)	-	-
Net income and earnings per share attributable to The Wendy's Company	\$ 26,388	\$ 0.07	\$ 3,984	\$ 0.01	\$ 7,083	\$ 0.02	\$ 9,875	\$ 0.02

\*See reconciliation of Adjusted EPS in the appendix.

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## FY 2012 Cash Flow Highlights

(\$ in millions)	2012
Cash flow from operations	\$ 190.4
Capital expenditures	197.6
Beginning cash balance	\$ 475.2
Change in cash	(21.8)
Ending cash balance	\$ 453.4

### 2012 IA Cap Ex

Image Activation - New	\$27
Image Activation - Reimages	45
<b>Total Image Activation</b>	<b>\$72</b>

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## Selected Balance Sheet Highlights

<i>(\$ in millions)</i>	<u>Dec. 30, 2012</u>
Cash	\$ 453
Senior Debt	\$ 1,425
Capital Leases and Other Debt	33
Total Debt	<u>\$ 1,458</u>
2012 Adjusted EBITDA*	\$ 333
Total Debt / 2012 Adjusted EBITDA*	4.4x
Net Debt / 2012 Adjusted EBITDA*	3.0x

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

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## 2013 Outlook

- **SSS +2% to 3%**
  - Traffic and check growth from core business: new products, marketing, operations
  - Image Activation benefit, offset by fewer breakfast restaurants
- **Commodities +90 to 120 bps**
  - Increases in beef and chicken, partially offset by cost-savings initiatives
  - Renewable Fuel Standard diverting more than 40% of U.S. corn crop to gasoline production
- **Company-Operated Restaurant Margin 14.2% to 14.5% (+20 to 50 bps from 14.0% in 2012)**
  - Sales leverage, Image Activation impact, discontinuation of breakfast at certain restaurants and cost savings initiatives
- **Adj. EBITDA \$350 to \$360 million, +5% to 8% vs. \$333.3 million in 2012**
- **Adj. EPS \$0.18 to \$0.20, +6% to 18% vs. \$0.17 in 2012**

Estimates based on Company's current outlook.

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## Factors Affecting 2013 Outlook vs. 2012

- 2013: Higher Adjusted EBITDA growth in Q1, lower growth in Q4

2012 SSS and Adjusted EBITDA\*

	Q1	Q2	Q3	Q4	2012
SSS	0.8%	3.2%	2.7%	-0.2%	1.6%
Adj. EBITDA*	\$63.9	\$89.1	\$84.5	\$95.9	\$333.3

- Unusually soft results in Q1 2012, but expect Q1 2013 Adjusted EBITDA more in line with historical trends
- Expect \$10 million of Image Activation incentives will increase Q4 2013 G&A expense

\*See reconciliation of Q4 2012 and 2012 Adjusted EBITDA from continuing operations in the appendix.

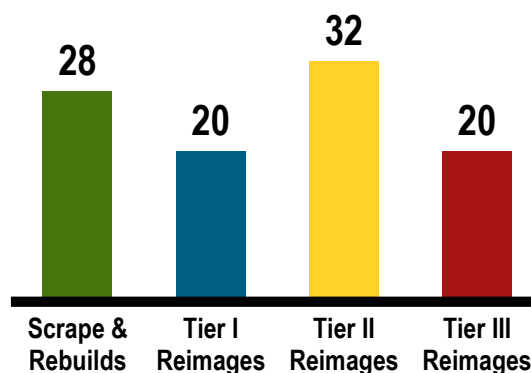
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## 2013 Image Activation Outlook

Image Activation Quarterly Reopenings

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>2013</u>
Co.	6	35	37	22	100
<u>Fran.</u>					<u>100</u>
<b>Total</b>					<b>200</b>

Company Image Activation Plan



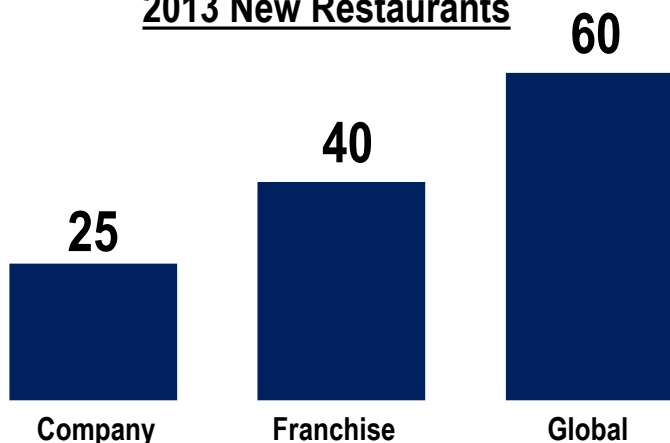
Estimates based on Company's current outlook.

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# 2013 New Restaurant Development

Expect 120 to 130 New System Restaurants in 2013

## 2013 New Restaurants



**2013 Expected Closures**  
 N.A. Company: 20 to 30  
 N.A. Franchise: 90 to 100  
 Global: 15 to 20

Note: New restaurant numbers represent the midpoint of the expected range; Estimates based on Company's current outlook.

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# 2013 Capital Expenditures

Restaurant Equipment & Maintenance	\$40
Product Dev./Equipment Upgrades/Other	20
Technology/POS	<u>40</u>
<b>Base Cap Ex</b>	<b><u>100</u></b>
New Restaurants	50
Reimages	<u>95</u>
<b>Image Activation Cap Ex</b>	<b><u>145</u></b>
<b>Total Projected Cap Ex</b>	<b>\$245</b>

**2012  
 Cap Ex  
 \$198 mil**

Estimates based on Company's current outlook.

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## Strong Free Cash Flow & Balance Sheet

### Core Growth Priority

Accelerating Investment in  
**Image Activation:**  
Expect \$440 to \$500 million  
2013 to 2015

### Return Capital to Shareholders

100% increase in  
quarterly dividend  
rate effective  
Q4 2012

\$100 million share  
repurchase program  
authorized through  
12/29/13

Estimates based on Company's current outlook.

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## 2013 and Long-Term Earnings Outlook

### 2013

**Adjusted EBITDA:**  
\$350 to \$360 million

**Adjusted EPS:**  
\$0.18 to \$0.20

### Long-Term

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

Estimates based on Company's current outlook.

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# EMIL BROLICK

President & CEO

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## A Total Brand Transformation



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**JOHN BARKER**  
Chief Communications Officer



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## Investor Relations Calendar

### 2013 Events

- March 13:** Bank of America Merrill Lynch Consumer Conference
- March 14:** UBS Global Consumer Conference
- April 3-5:** Morgan Stanley Retail Conference
- May 8:** Q1 2013 Earnings Release
- May 23:** Annual Shareholder Meeting





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

(Unaudited) (\$ in Thousands)	Three Months		Twelve Months	
	2012	2011	2012	2011
Adjusted EBITDA from continuing operations	\$ 95,883	\$ 80,870	\$ 333,328	\$ 331,055
(Less) plus:				
Depreciation and amortization	(36,840)	(32,020)	(146,976)	(122,992)
Impairment of long-lived assets	(13,316)	(4,621)	(21,097)	(12,883)
Costs associated with closed restaurants in other operating expense, net	-	-	(1,477)	-
Facilities relocation costs and other transactions	(13,470)	(14,949)	(41,031)	(45,711)
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	32,257	29,280	122,747	137,121
Interest expense	(20,801)	(28,195)	(98,604)	(114,110)
Loss on early extinguishment of debt	-	-	(75,076)	-
Investment income, net	6,786	296	36,243	484
Other, net	551	239	1,565	945
Income (loss) from continuing operations before income taxes and noncontrolling interests	18,793	1,620	(13,125)	24,440
Benefit from (provision for) income taxes	6,616	2,670	21,083	(6,528)
Income from continuing operations	25,409	4,290	7,958	17,912
Discontinued operations:				
Income (loss) from discontinued operations, net of income taxes	1,167	(356)	1,951	762
(Loss) income on disposal of discontinued operations, net of income taxes	(188)	50	(442)	(8,799)
Net income (loss) from discontinued operations	979	(306)	1,509	(8,037)
Net income	26,388	3,984	9,467	9,875
Net income attributable to noncontrolling interests	-	-	(2,384)	-
Net income attributable to The Wendy's Company	<u>\$ 26,388</u>	<u>\$ 3,984</u>	<u>\$ 7,083</u>	<u>\$ 9,875</u>

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## Reconciliation of Adjusted Income and Adjusted Earnings Per Share from Continuing Operations to Net Income and Earnings Per Share Attributable to The Wendy's Company

Reconciliation of Adjusted Income and Adjusted Earnings Per Share from Continuing Operations to Net Income and Earnings Per Share Attributable to The Wendy's Company  
(In Thousands Except Per Share Amounts)  
(Unaudited)

(Unaudited) (\$ in Thousands, Except per Share Amounts)	Three Months				Twelve Months			
	2012		2011		2012		2011	
	Per share	Per share	Per share	Per share	Per share	Per share	Per share	Per share
Adjusted income and adjusted earnings per share from continuing operations	\$ 33,629	\$ 0.09	\$ 16,425	\$ 0.04	\$ 65,316	\$ 0.17	\$ 62,080	\$ 0.15
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Net income	26,388	0.07	3,984	0.01	9,467	0.02	9,875	0.02
Net income attributable to noncontrolling interests	-	-	-	-	(2,384)	(0.00)	-	-
Net income and earnings per share attributable to The Wendy's Company	<u>\$ 26,388</u>	<u>\$ 0.07</u>	<u>\$ 3,984</u>	<u>\$ 0.01</u>	<u>\$ 7,083</u>	<u>\$ 0.02</u>	<u>\$ 9,875</u>	<u>\$ 0.02</u>

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