

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



# Second Quarter 2012 Earnings Conference Call

August 9, 2012

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# JOHN BARKER



CHIEF COMMUNICATIONS OFFICER

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# 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 August 9, 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 August 9, 2012 and posted on [www.aboutwendys.com](http://www.aboutwendys.com).

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# EMIL BROLICK



**PRESIDENT & CHIEF EXECUTIVE OFFICER**



# Wendy's<sup>®</sup>

**Quality is our recipe.**

# Q2 2012 Highlights

- Fifth consecutive quarter of positive systemwide SSS ... +3.2%\*
- Company restaurant margin improved 20 bps to 14.1%
- Reaffirming 2012 Adjusted EBITDA outlook of \$320 to \$335 million
- Image Activation restaurants continue to generate strong sales; expansion accelerating

\* North America restaurants

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



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# 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** Reliable & predictable every time

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# STEVE HARE



**CHIEF FINANCIAL OFFICER**

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# Q2 2012 Financial Highlights



**North America Same-Store Sales**

Company-Operated	+3.2%
Franchise	+3.2%
Systemwide	+3.2%

**Company Restaurant Margin**

Q2 2012	14.1%	} +20 bps
Q2 2011	13.9%	

**Key Negative Margin Variances**

Restaurant Labor	(115) bps
Commodities	(70) bps

# Investing in Restaurant Labor to Build the Brand



# Beef: Expect Moderating Costs in Q3 and Q4

## Short-Term Impact

- **Demand:** ground beef retail demand remains sluggish – impact of “pink slime” on demand
- **Drought:** Midwest drought will send cattle to market sooner than normal: helps short-term pricing

**Expect Q3 and Q4 beef costs to be lower than originally anticipated, but higher than 2011**

## Long-Term Impact

- **Drought:** long-term supply reduced by herd liquidation
- **Herd-size:** USDA reports U.S. beef cow herd at all-time low. Herd re-building unlikely until 2016-17

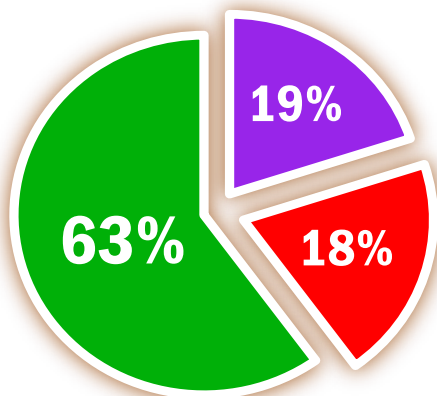
**Expect 2013 beef costs to be higher than 2012**

Source: Wendy's Quality Supply Chain Co-op

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# Potential Savings Opportunities Identified to Offset Commodity Increases

Wendy's Commodities as a % of Total Food and Paper Cost



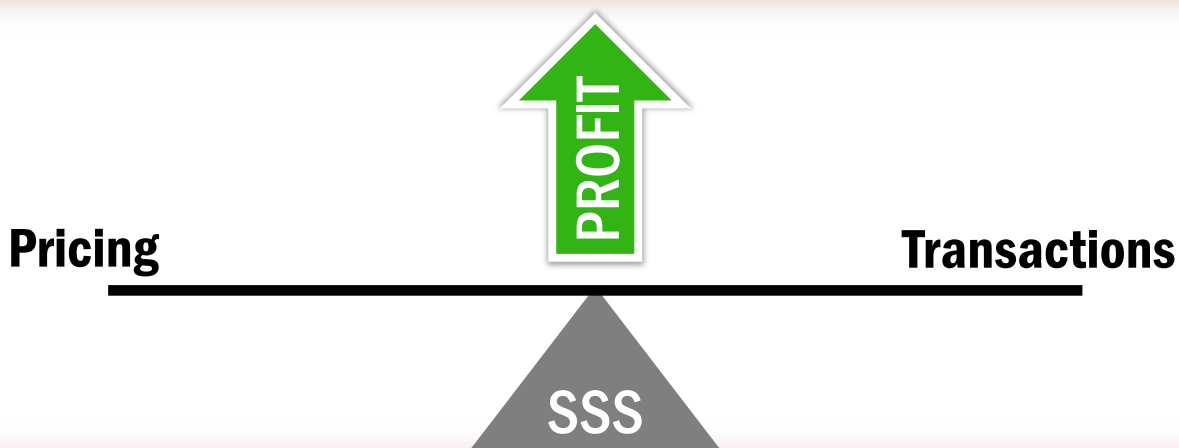
Potential food and paper cost savings identified; working with suppliers and supply chain Co-Op (Wendy's QSCC)

■ **Beef**   ■ **Chicken**   ■ **Other**

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## Strategic Pricing Model Expected to Benefit Restaurant Margin



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## Q2 2012 Financial Summary

<i>(\$ in Millions)</i>	<u>Q2 2012</u>	<u>Q2 2011</u>	<u>Better/ (Worse)</u>
Sales	\$ 566.1	\$ 544.2	\$ 21.9
Franchise revenues	79.8	78.2	1.6
Total revenues	<u>\$ 645.9</u>	<u>\$ 622.5</u>	<u>\$ 23.4</u>
Adjusted EBITDA from continuing operations*	\$ 89.1	\$ 89.4	\$ (0.3)

\*See reconciliation of Adjusted EBITDA from continuing operations, adjusted income from continuing operations and adjusted earnings per share from continuing operations in the appendix.

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## Income from Continuing Operations and Special Items

(\$ in Thousands, except per share amounts)	Second Quarter			
	2012		2011	
	After tax	Per share	After tax	Per share
Adjusted income and adjusted earnings per share from continuing operations	\$ 19,221	\$ 0.05	\$ 19,016	\$ 0.05
(Less) plus:				
Loss on early extinguishment of debt	(15,621)	(0.04)	-	-
Impairment of long-lived assets	(2,018)	(0.01)	(224)	(0.00)
Costs associated with closed restaurants in other operating expense, net <sup>(a)</sup>	(911)	(0.00)	-	-
Facilities relocation and other transition costs	(5,817)	(0.01)	-	-
Arby's indirect corporate overhead in general and administrative (G&A)	-	-	(4,243)	(0.01)
Transaction related costs	(347)	(0.00)	(3,175)	(0.01)
Total adjustments	(24,714)	(0.06)	(7,642)	(0.02)
(Loss) income from continuing operations and earnings per share	\$ (5,493)	\$ (0.01)	\$ 11,374	\$ 0.03

<sup>(a)</sup> See reconciliation of Adjusted EBITDA from continuing operations, adjusted income from continuing operations and adjusted earnings per share from continuing operations in the Appendix.

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## Cash Flow 2012 YTD

(\$ in Millions)	2012
Net income	\$ 9.2
Adjustments	59.3
<b>Net cash flow from operations</b>	<b>68.5</b>
Capital expenditures	(84.1)
Restaurant acquisitions	(21.8)
Proceeds from sale of investment	24.4
Other investing activities	(0.6)
<b>Net cash decrease after investing activities</b>	<b>(13.6)</b>
Proceeds from long-term debt	619.4
Repayments of long-term debt	(602.8)
Premium payment on Senior Notes redemption	(10.1)
Deferred financing costs	(15.6)
Dividends paid	(15.6)
Other financing / investing activities	(1.8)
<b>Net decrease in cash after financing activities</b>	<b>(40.1)</b>
Beginning cash balance	475.2
Ending cash balance	\$ 435.1

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## Restaurant Portfolio Update

Q2 2012	Company Operated	Franchise Operated	Total System
Open at beginning of Q2	1,414	5,167	6,581
Opened	-	13	13
Closed	(19)	(28)	(47)
Acquisitions within the system	30	-	30
Dispositions within the system	-	(30)	(30)
Open at end of Q2	1,425	5,122	6,547

### Key strategic actions in Q2

- Conducted review of Company-operated restaurant portfolio, resulting in closure of 15 underperforming restaurants
- Company acquired 30 franchised restaurants in the Austin, Texas market

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## Q2 2012 Consolidated Debt

(\$ in Millions)	July 1, 2012
Senior Debt	\$ 1,361.8
Capital Leases and Other Debt	32.5
Total Debt	1,394.3
Less: Cash and Cash Equivalents	435.1
Net Debt	\$ 959.2
TTM Adjusted EBITDA*	\$ 320.9
Total Debt / TTM Adjusted EBITDA*	4.3x
Net Debt / TTM Adjusted EBITDA*	3.0x

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

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## Refinancing to Generate Ongoing Interest Savings

- Wendy's International, Inc. raised \$1.125 billion of new secured term loans and established \$200 million of a new revolving credit facility
- New bank debt borrowing rate of 4.75% today
- Redeemed \$565 million of Wendy's Restaurants, LLC 10% Senior Notes due 2016
- Annual interest savings of approximately \$25 million
- Improves covenant flexibility, extends maturity and increases liquidity

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## Reaffirming 2012 and Long-Term Outlook

### 2012

**2012 Adjusted EBITDA from continuing operations  
in a range of \$320 to \$335 million**

### Long-Term, beginning 2013

**Average annual Adjusted EBITDA growth rate in  
high-single-digit to low-double-digit range**

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**EMIL  
BROLICK**



**PRESIDENT & CHIEF EXECUTIVE OFFICER**

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## **Confident in Our Strategies**

**“A Cut Above” brand positioning**

**Growth platforms to build  
sales and profits**

**Wendy’s Recipe to Win**

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**2011 IMAGE ACTIVATION**

**10 Reimages**

**Continuing to generate strong sales growth**

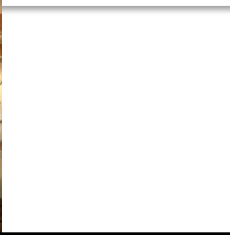
**Operations ratings higher than system average**

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**2012**  
IMAGE ACTIVATION

**Philadelphia, PA  
July 30**




**2012**  
IMAGE ACTIVATION

**Orem, UT  
July 16**



**On track for 50 Company Reimages and  
17 New Image Activation Restaurants**



**2012**  
IMAGE ACTIVATION

**First Franchise  
Image Activation  
Restaurant**



**Hershey, PA  
July 5**

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**2013: Tiered Design Strategy to Optimize Returns**

**TIER I**



**TIER II**



**TIER III**



**Targeted**

**Investment\*** \$650 to \$700K

**Sales Lift** +25%

\$500K

+15%

\$300K

+5%

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

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**Company**  
**100** Reimages  
**20** New Restaurants  
**Majority Tier I**  
 (\$650 to \$700K)



**Franchise**  
 Expect **100** Reimages  
**Majority Tier I**  
**Introduce Tier II and Tier III Designs**

Estimates based on Company's current outlook

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# Image Activation Expansion

**Cumulative Image Activation Cap Ex:**  
**\$440 to 500M**  
 (2013 to 2015)



Estimates based on Company's current outlook

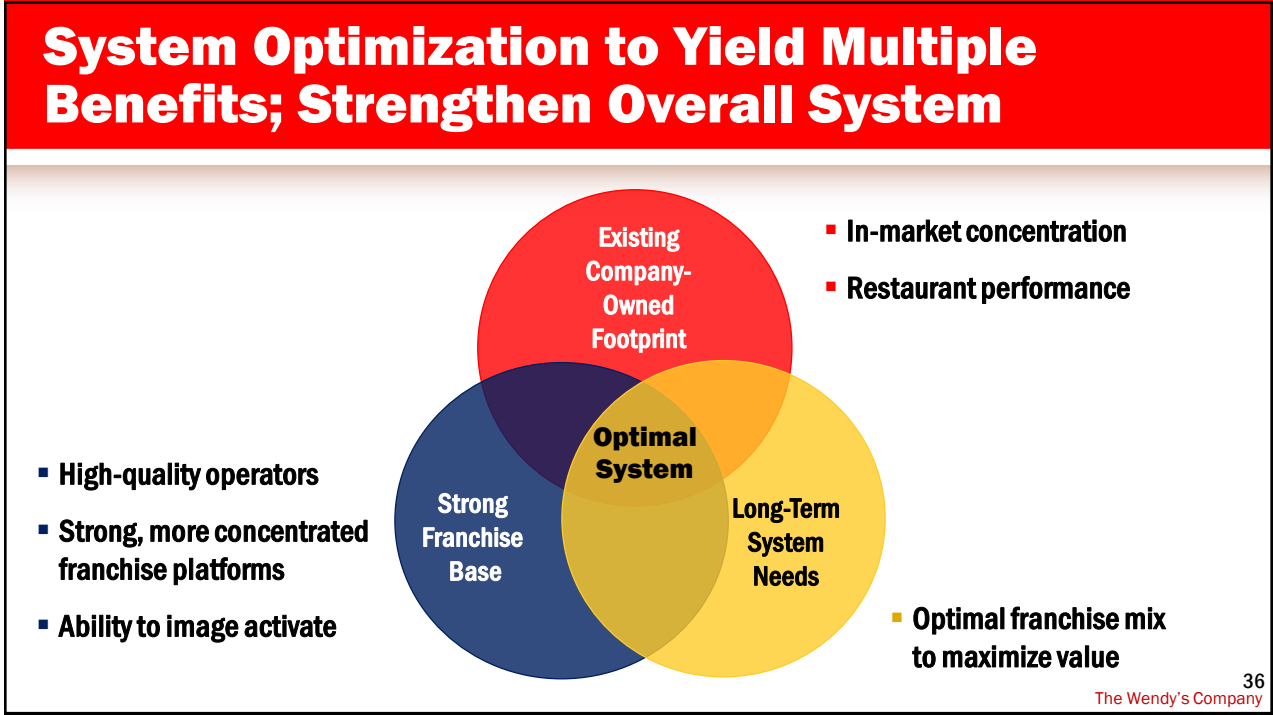
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# 2012 New Restaurant Development

<b>Company North America</b>	<b>Franchised North America</b>	<b>International</b>
<p><b>At least 20 new restaurants</b></p> <p><b>50 reimages</b></p> <p><b>(Image Activation)</b></p>	<p><b>40 new restaurants</b></p>	<p><b>50 franchised and JV restaurants</b></p>

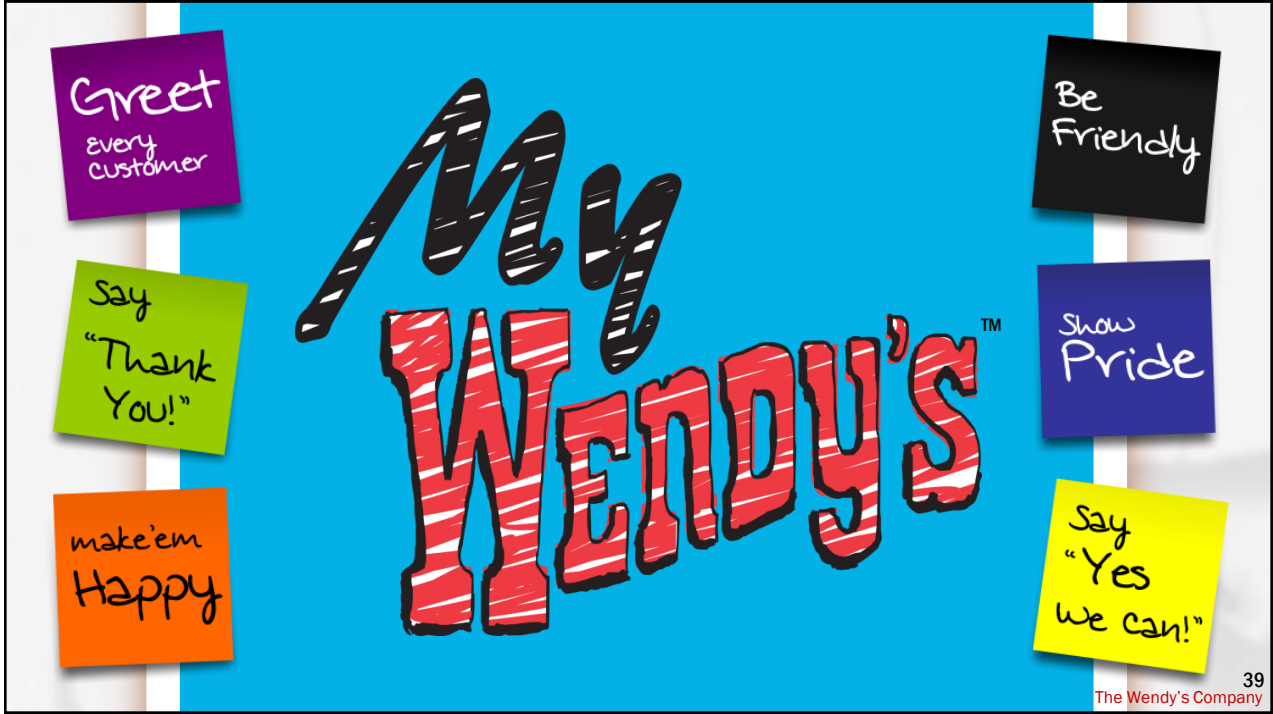
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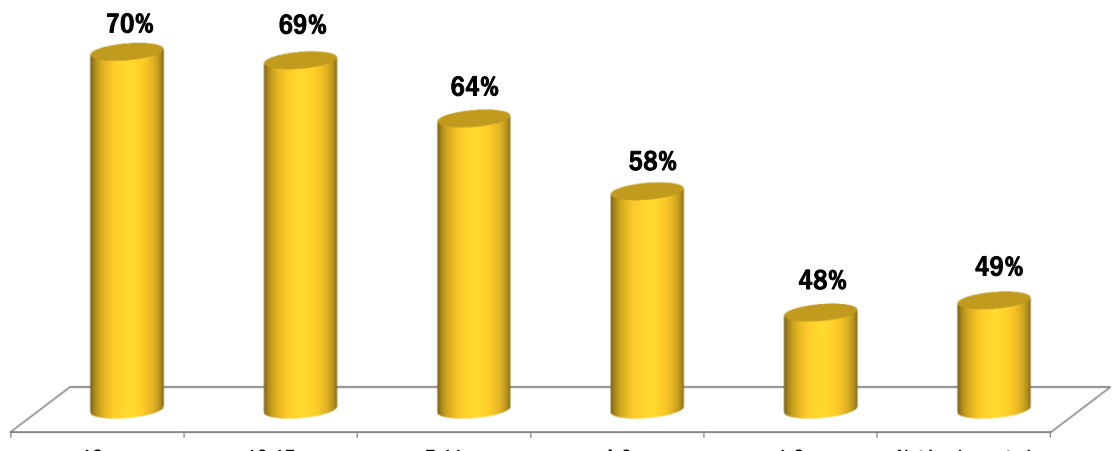
**A reliable and predictable experience every time!**





**My Wendy's: A Culture of Service**

**Pays off in Customer Loyalty**  
Complaints, Problems and Revisit Intent Scores

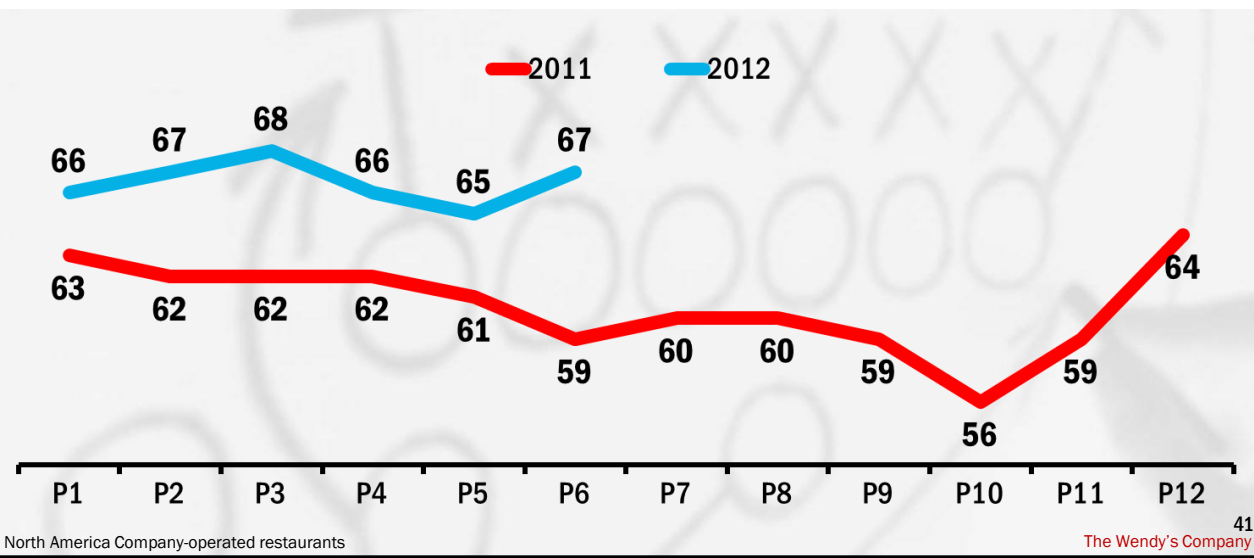


North America Company-operated restaurants

Months implemented

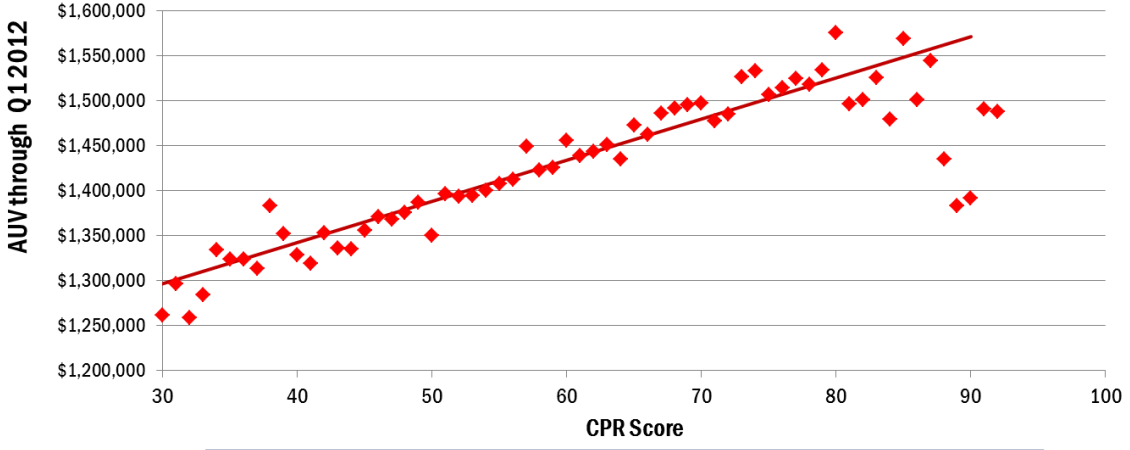
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# Customer Service Scores Improving in 2012



# Heightened Restaurant-Level Execution Drives Sales

Complaint, Problem and Revisit Intent Score Improvement Correlates to Sales Growth



Every additional 10 points of CPR correlates to \$46,000 in additional sales.



**PRODUCT**

# Play a Different Game

**HIGH PERCEIVED QUALITY ... CORE**

**DESTINATION ... ONLY AT WENDY'S**

**LTO ... SPECIAL TASTE**



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PROMOTION

# MESSAGE

# MEDIA

# CREATIVE





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## Building Equity and Relevance with a Two-Tiered Advertising Campaign

### Brand Promise



**Family values**  
**Quality / Fresh**

### Brand Offering



**Better choices**  
**New products**

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# Encouraging Consumer Response to Advertising Campaign



<b>Overall Best QSR</b>	<b>154</b>	<b>120</b>
<b>Fresh Ingredients</b>	<b>168</b>	<b>124</b>
<b>High Quality</b>	<b>164</b>	<b>112</b>

80 to 120 average range

Source: Ameritest

# Mobile App is Increasing Consumer Engagement



# Wendy's Recognized for Progress in Digital

Ranked #2 in QSR Social Media by Nation's Restaurant News - July 10, 2012

1. Starbucks	237.1
2. Wendy's	210.6
3. Red Mango	207.6
4. McDonald's	196.9
5. Chick-fil-A	165.6



More than 100,000 twitter followers

# Wendy's Share is Underdeveloped in Hispanic Market



Hamburger Category  
= **21%**  
Of Traffic

**Wendy's**  
= **13%**  
Of Traffic



Source: NPD Group / CREST Hispanic Study, 2011



**LATE NIGHT MARKETING SUPPORT**

**BETTER LATER**

YOU DESERVE THE HOTTEST, JUICEST, AND FRESHEST TASTES. ONLY AT WENDY'S. TIME IT IS.

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# LATE NIGHT BUSINESS IS GROWING



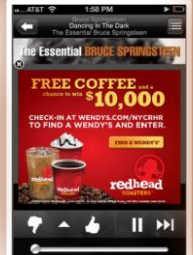
# Refining A.M. Access



Wendy's remains committed to a long-term solution

# Redhead Roasters™ Campaign Launched in NYC

- Redhead Roasters launched in 185 NYC restaurants during July
- Marketing support across non-traditional channels:
  - Free coffee promotion
  - Digital Ads
  - Mobile Sweepstakes
  - Radio
  - Mobile Website
  - Print Drops
  - POP & Store Wraps
  - Sampling Truck
  - NASDAQ Billboards



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## 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** Reliable & predictable every time

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# JOHN BARKER



**CHIEF COMMUNICATIONS OFFICER**

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# Q&A



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**A CUT ABOVE**

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**Appendix**

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

(In Thousands) (Unaudited)	Second Quarter		Six Months	
	2012	2011	2012	2011
	Adjusted EBITDA from continuing operations	\$ 89,073	\$ 89,415	\$ 152,954
(Less) plus:				
Depreciation and amortization	(35,947)	(29,842)	(68,258)	(60,156)
Impairment of long-lived assets	(3,270)	(365)	(7,781)	(8,262)
Costs associated with closed restaurants in other operating expense, net <sup>(a)</sup>	(1,477)	-	(1,477)	-
Facilities relocation and other transition costs	(9,426)	-	(14,957)	-
Transaction related costs	(562)	(5,039)	(1,174)	(6,923)
Arby's indirect corporate overhead in general and administrative (G&A)	-	(6,735)	-	(14,623)
SSG purchasing cooperative expense reversal in G&A	-	-	-	2,275
Operating profit	38,391	47,434	59,307	75,451
Interest expense	(28,002)	(28,089)	(56,237)	(57,531)
Loss on early extinguishment of debt	(25,195)	-	(25,195)	-
Gain on sale of investment, net	-	-	27,407	-
Other income, net	640	337	2,164	590
(Loss) income from continuing operations before income taxes and noncontrolling interests	(14,166)	19,682	7,446	18,510
Benefit from (provision for) income taxes	8,673	(8,308)	1,795	(7,432)
(Loss) income from continuing operations	(5,493)	11,374	9,241	11,078
Discontinued operations:				
Income from discontinued operations, net of income taxes	-	3,672	-	2,559
Loss on disposal of discontinued operations, net of income tax benefit	-	(3,780)	-	(3,780)
Net loss from discontinued operations	-	(108)	-	(1,221)
Net (loss) income	(5,493)	11,266	9,241	9,857
Net income attributable to noncontrolling interests	-	-	(2,384)	-
Net (loss) income attributable to The Wendy's Company	\$ (5,493)	\$ 11,266	\$ 6,857	\$ 9,857

<sup>(a)</sup> Excludes non-cash items included in impairment of long-lived assets

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## 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

	Second Quarter				Six Months			
	2012		2011		2012		2011	
	After tax	Per share <sup>(a)</sup>	After tax	Per share	After tax	Per share	After tax	Per share
Adjusted income and adjusted earnings per share from continuing operations	\$ 19,221	\$ 0.05	\$ 19,016	\$ 0.05	\$ 22,568	\$ 0.06	\$ 28,292	\$ 0.07
(Less) plus:								
Loss on early extinguishment of debt	(15,621)	(0.04)	-	-	(15,621)	(0.04)	-	-
Gain on sale of investment, net	-	-	-	-	17,978	0.05	-	-
Impairment of long-lived assets	(2,018)	(0.01)	(224)	(0.00)	(4,801)	(0.02)	(5,073)	(0.01)
Costs associated with closed restaurants in other operating expense, net <sup>(b)</sup>	(911)	(0.00)	-	-	(911)	(0.00)	-	-
Facilities relocation and other transition costs	(5,817)	(0.01)	-	-	(9,246)	(0.03)	-	-
Arby's indirect corporate overhead in general and administrative (G&A)	-	-	(4,243)	(0.01)	-	-	(9,213)	(0.02)
Transaction related costs	(347)	(0.00)	(3,175)	(0.01)	(726)	(0.00)	(4,361)	(0.01)
SSG purchasing cooperative expenses in G&A	-	-	-	-	-	-	1,433	0.00
Total adjustments	(24,714)	(0.06)	(7,642)	(0.02)	(13,327)	(0.04)	(17,214)	(0.04)
(Loss) income from continuing operations and earnings per share	(5,493)	(0.01)	11,374	0.03	9,241	0.02	11,078	0.03
Discontinued operations:								
Income from discontinued operations, net of income taxes	-	-	3,672	0.01	-	-	2,559	0.00
Loss on disposal of discontinued operations, net of income tax benefit	-	-	(3,780)	(0.01)	-	-	(3,780)	(0.01)
Net loss from discontinued operations	-	-	(108)	(0.00)	-	-	(1,221)	(0.01)
Net (loss) income	(5,493)	(0.01)	11,266	0.03	9,241	0.02	9,857	0.02
Net income attributable to noncontrolling interests	-	-	-	-	(2,384)	(0.00)	-	-
Net (loss) income and earnings per share attributable to The Wendy's Company	\$ (5,493)	\$ (0.01)	\$ 11,266	\$ 0.03	\$ 6,857	\$ 0.02	\$ 9,857	\$ 0.02
Reported number of shares used to calculate diluted (loss) income per share		389,978		419,239		392,001		419,415
Plus: Dilutive effect of stock options and restricted shares		1,748		-		-		-
Adjusted number of shares used to calculate adjusted earnings per share		391,726		419,239		392,001		419,415

<sup>(a)</sup> Adjusted earnings per share amounts, for the second quarter of 2012, include the dilutive effect of stock options and restricted shares, which were 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.

<sup>(b)</sup> Excludes non-cash items included in impairment of long-lived assets

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