



Wendy's

THE WENDY'S COMPANY

**Third-Quarter 2014
Conference Call
November 6, 2014**



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DAVID POPLAR

**Vice President
Investor Relations**



Today's Agenda



CEO Overview

Emil Brolick

Financial Update

Todd Penegor

Q&A

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 6, 2014 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 6, 2014 and posted on www.aboutwendys.com.



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EMIL BROLICK

President & CEO



HOW WE GROW

BRAND RELEVANCE + ECONOMIC RELEVANCE = GROWTH





**STRONG TWO-YEAR COMPANY-
OPERATED SRS OF 5.2 PERCENT**

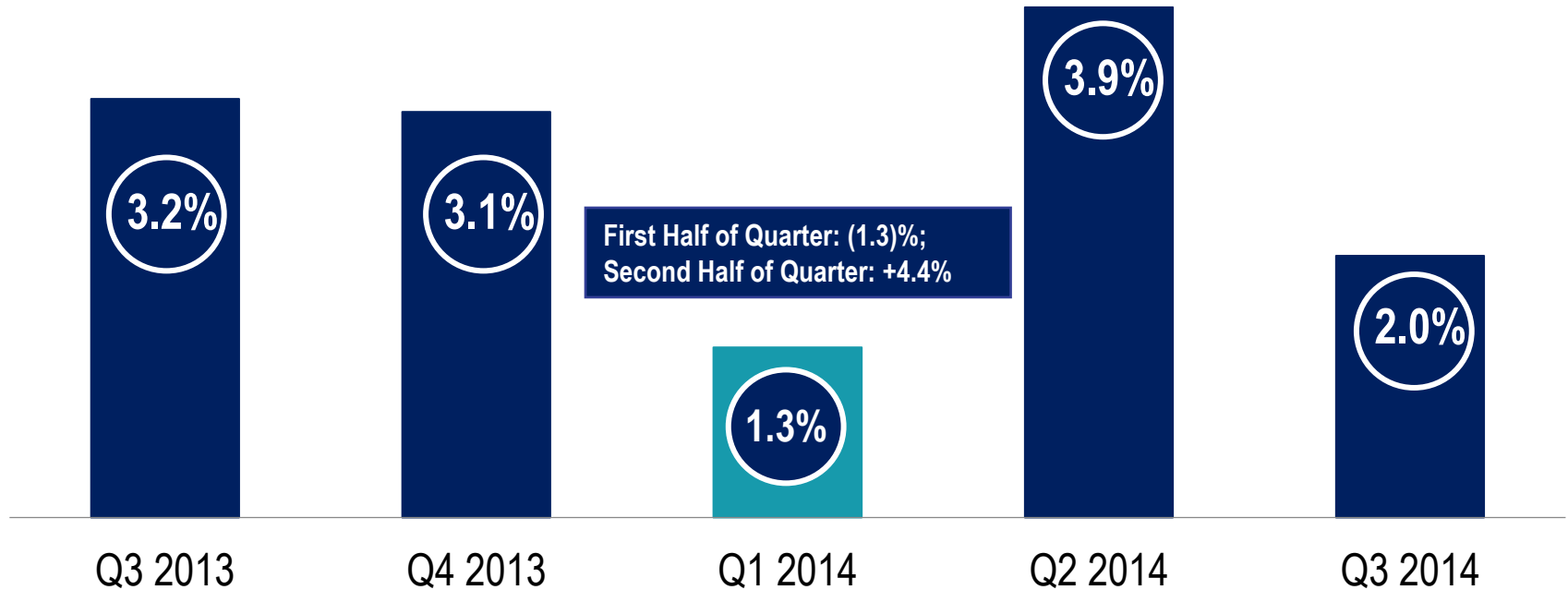
**OPENED 600TH IMAGE ACTIVATION
RESTAURANT DURING OCTOBER**

**REALIGNING RESOURCES TO FOCUS ON
GROWTH AND TECHNOLOGY INITIATIVES**

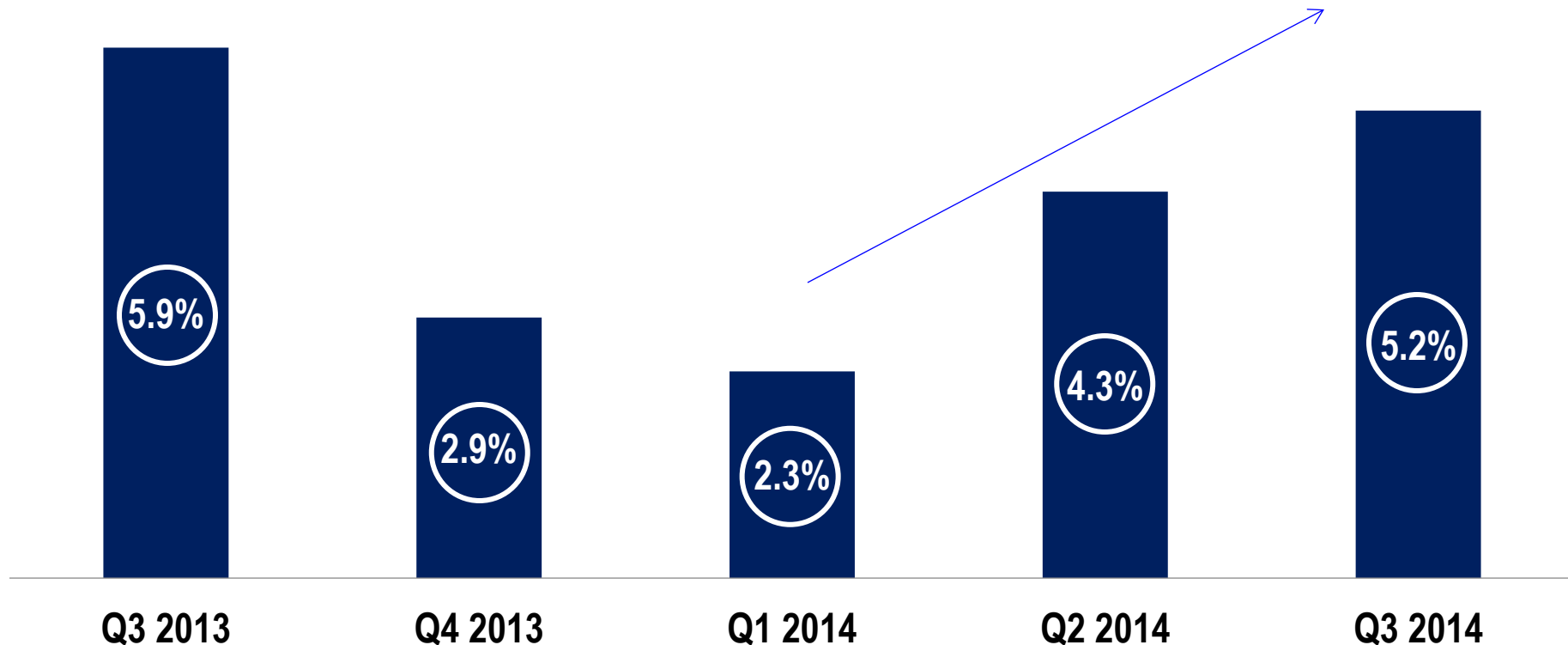
**INCREASED DIVIDEND RATE 10% TO
\$0.055 PER SHARE**

**REAFFIRMING 2014 ADJ. EPS OUTLOOK;
EXPECT ADJ. EBITDA OF ~ \$390 MILLION**

Five Consecutive Quarters of SRS Growth



Five Consecutive Quarters of Solid Two-Year SRS Growth



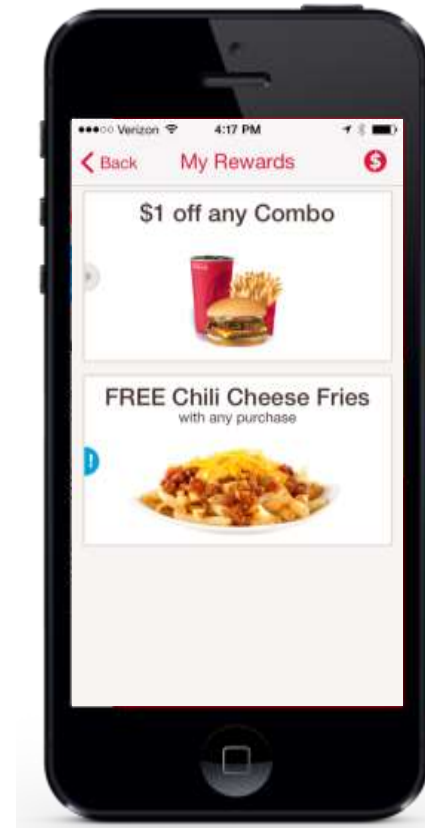
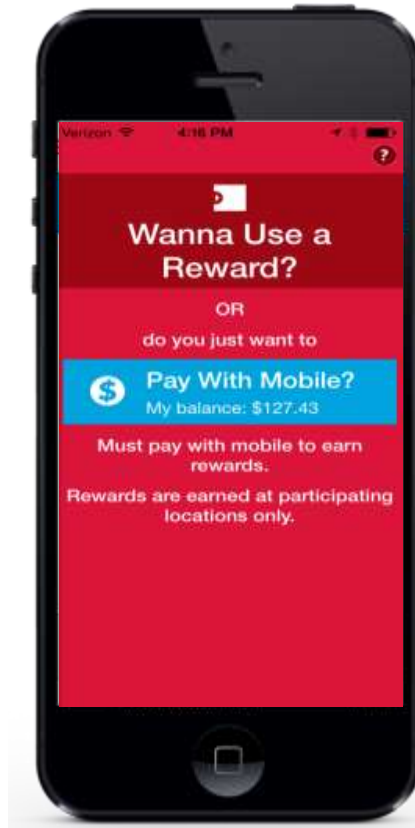
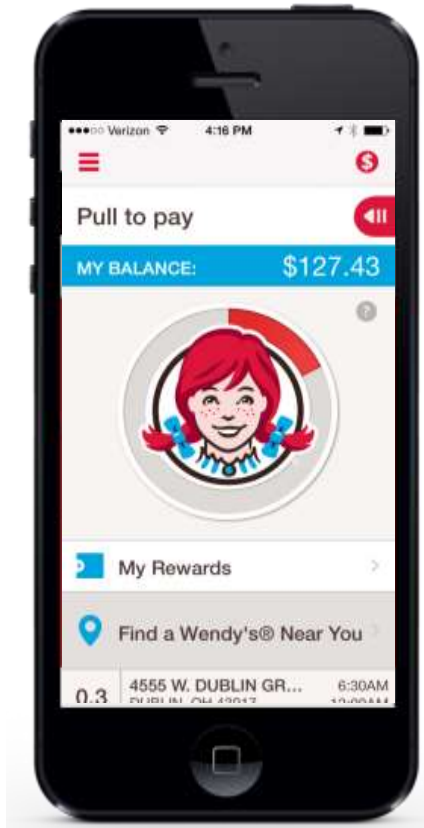
Leadership Through Product Innovation



Reducing Cost Structure & Driving Operational Efficiencies

- **Ongoing evolution**
 - U.S. system optimization
 - Canadian growth initiative
- **Expect cost headwinds to continue into 2015**
 - Beef-price inflation
 - Affordable Care Act
 - Wage inflation – Minimum wage (state and local)
- **Realign and reinvest resources in:**
 - Consumer-facing restaurant technology
 - Accelerated restaurant development
- **Reduce G&A to ~\$250 MM in 2015**

Investing in Technology





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TODD PENEGOR

Chief Financial Officer



Q3 2014 Highlights

(Unaudited)
\$ in millions

	<u>Q3</u> <u>2014</u>	<u>Q3</u> <u>2013</u>	<u>%</u> <u>Change</u>
SALES	\$409.1	\$558.0	-26.7
FRANCHISE REVENUES	<u>103.4</u>	<u>82.8</u>	24.9
TOTAL REVENUES	<u><u>\$512.5</u></u>	<u><u>\$640.8</u></u>	<u>-20.0</u>
ADJUSTED EBITDA*	\$94.1	\$98.7	-4.7

*See reconciliation of Adjusted EBITDA in the appendix.

Q3 2014 Highlights

(Unaudited)

\$ in millions, except per-share amounts

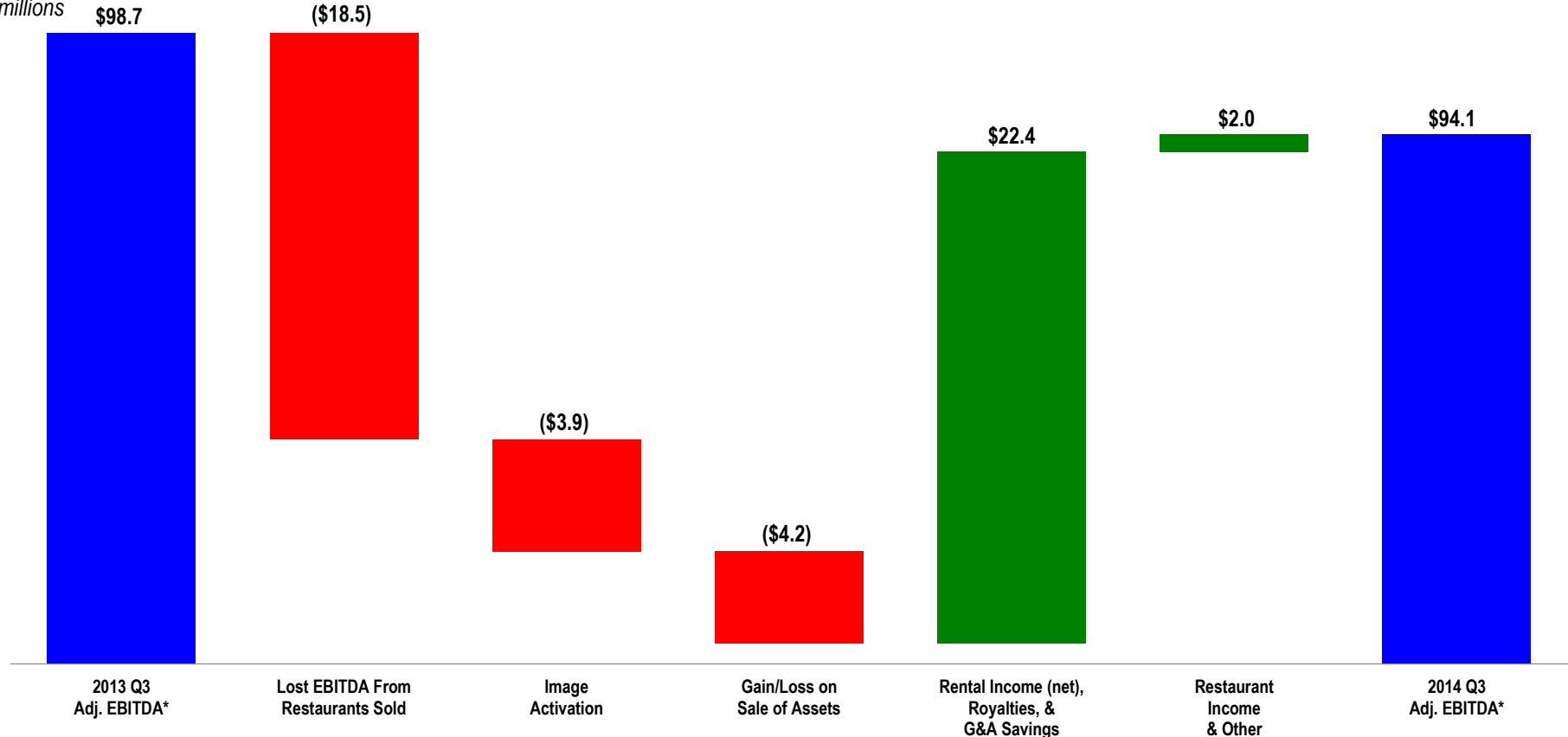
	<u>Q3</u> <u>2014</u>	<u>Q3</u> <u>2013</u>	<u>%</u> <u>Change</u>
G&A	\$65.8	\$76.5	-14.0
N.A. CO. REST. MARGIN	15.5%	15.6%	(10) bps
OPERATING PROFIT	46.9	26.8	+75.0
ADJUSTED EPS*	0.08	0.08	--
REPORTED EPS	0.06	0.00	N/A

* See reconciliation of Adjusted EPS in the appendix.

Q3 2013 vs. Q3 2014: Adjusted EBITDA

(Unaudited)

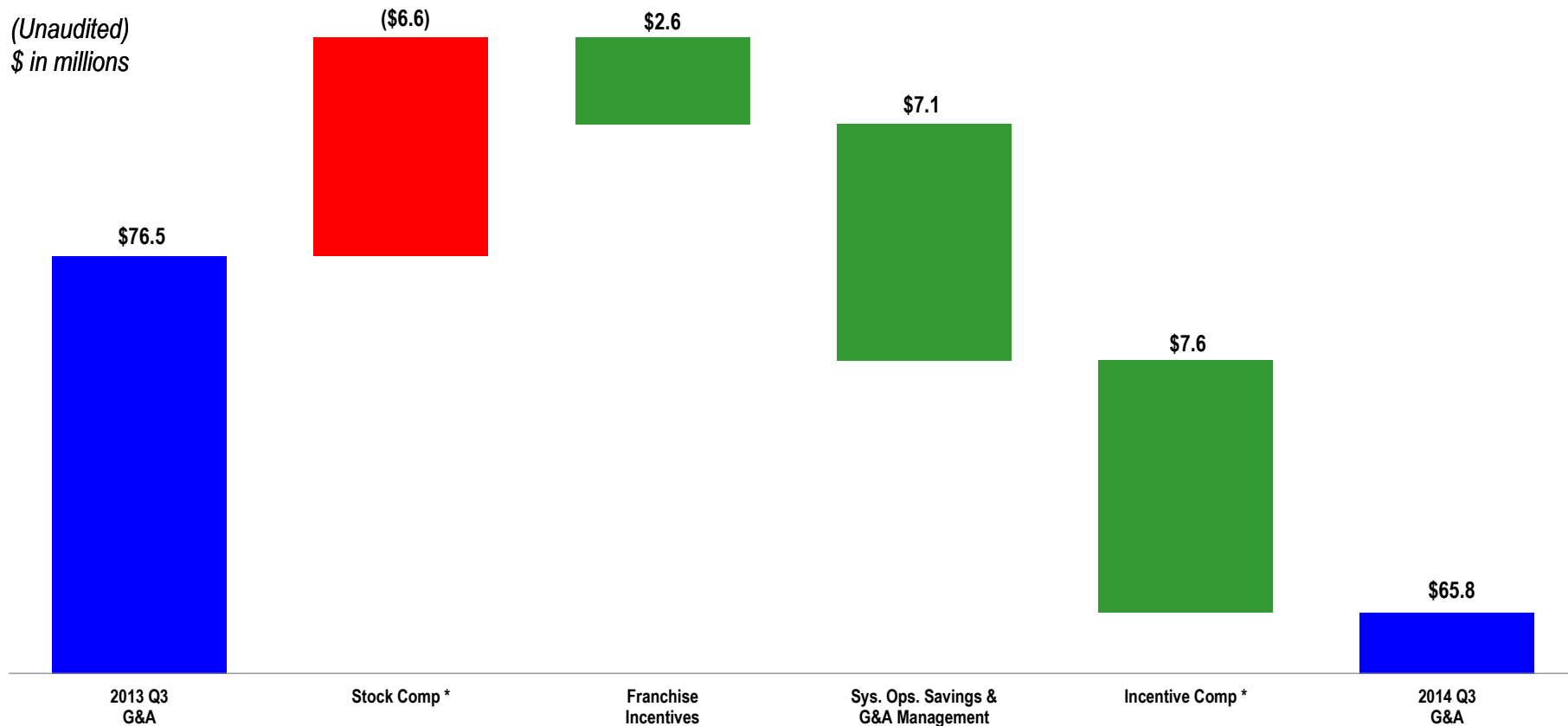
\$ in millions



* See reconciliation in appendix.

Q3 2013 vs. Q3 2014: G&A

(Unaudited)
\$ in millions



* Amounts are net of Sys Ops savings which are included in "Sys Ops Savings & G&A Management"

Cash Flow Highlights

(Unaudited)
\$ in millions

	<u>YTD 2014</u>
Cash Flow from Operations	\$182.6
Capital Expenditures	197.9
Beginning Cash Balance	\$580.2
Change In Cash	(237.8)
Ending Cash Balance	<u>\$342.4</u>

Returned nearly \$350 million to shareholders in dividends and share repurchases in 2014 YTD

CASH PRIORITIES

Ended 2014
Q3 with
\$342M
of Cash

Invest in our Business

- Image Activation Reimages, including Increasing Scrape & Rebuilds

Dividend Growth

- Announced dividend rate increase of 10 percent

Share Repurchase

- Offset ongoing equity award dilution beyond 2014

2014 Outlook

Adjusted EBITDA of ~\$390 million

Adjusted EPS of \$0.34 to \$0.36

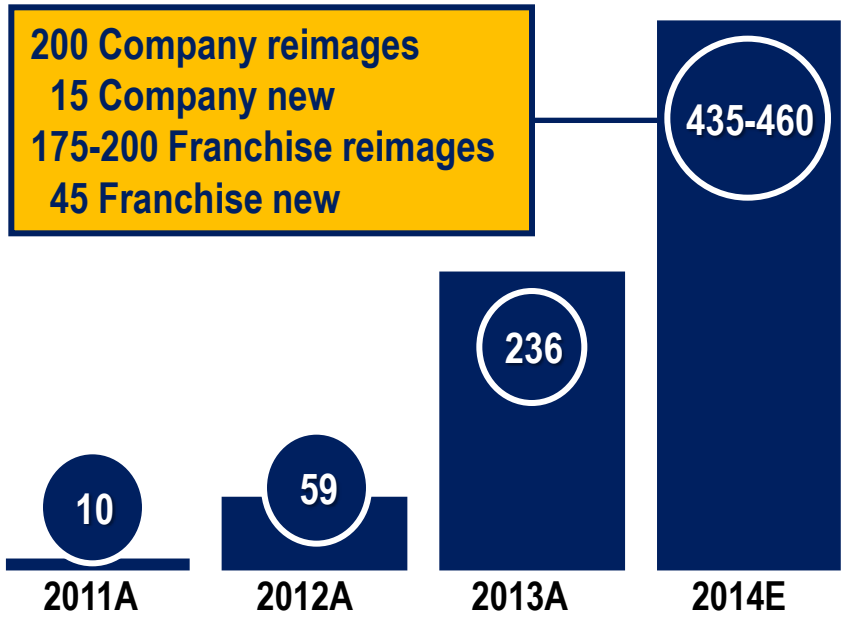
- Full-year Company-operated SRS growth of ~ 2.5%
- Reduction in interest expense of approximately \$15 million
- Capital expenditures of \$280 to \$290 million, including approximately \$215 million for Company-operated Image Activation restaurants
- Company-operated restaurant margin outlook of 15.5 to 15.7 percent
 - Reflects significantly higher beef costs
- Reported effective tax rate of 38 to 40%

Outlook: 2015 to 2017

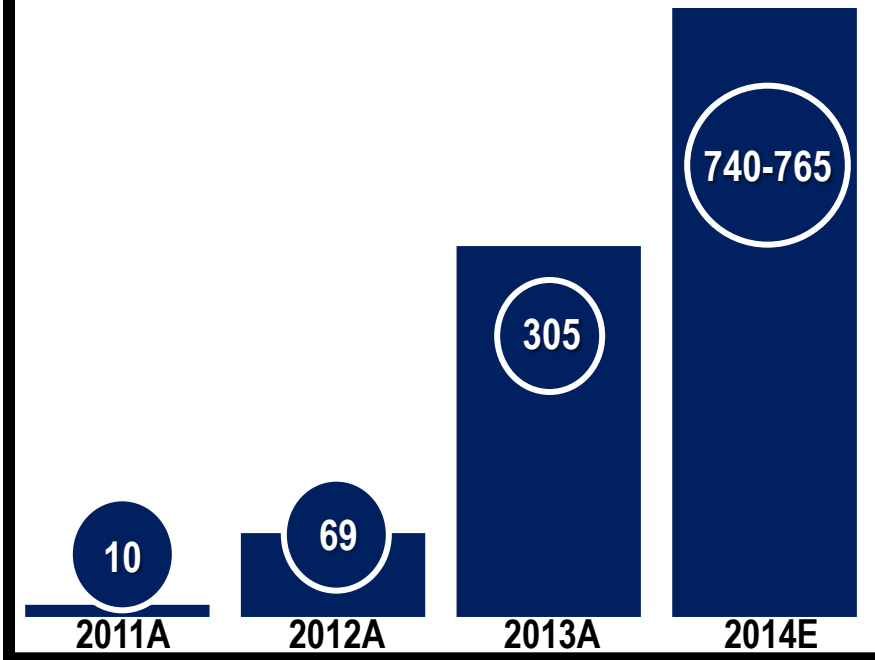
	<u>2015</u>	<u>2016</u>	<u>2017</u>
SRS	3%+	3%+	3%+
Adjusted EBITDA	Mid to High Single digits	High Single Digits	Low Double Digits
Adjusted EPS	Mid-Teens	Mid - Teens	Mid - Teens

Image Activation Franchise Adoption Accelerating

TOTAL SYSTEM ANNUAL REIMAGES AND NEW BUILDS



TOTAL SYSTEM CUMULATIVE REIMAGES AND NEW BUILDS



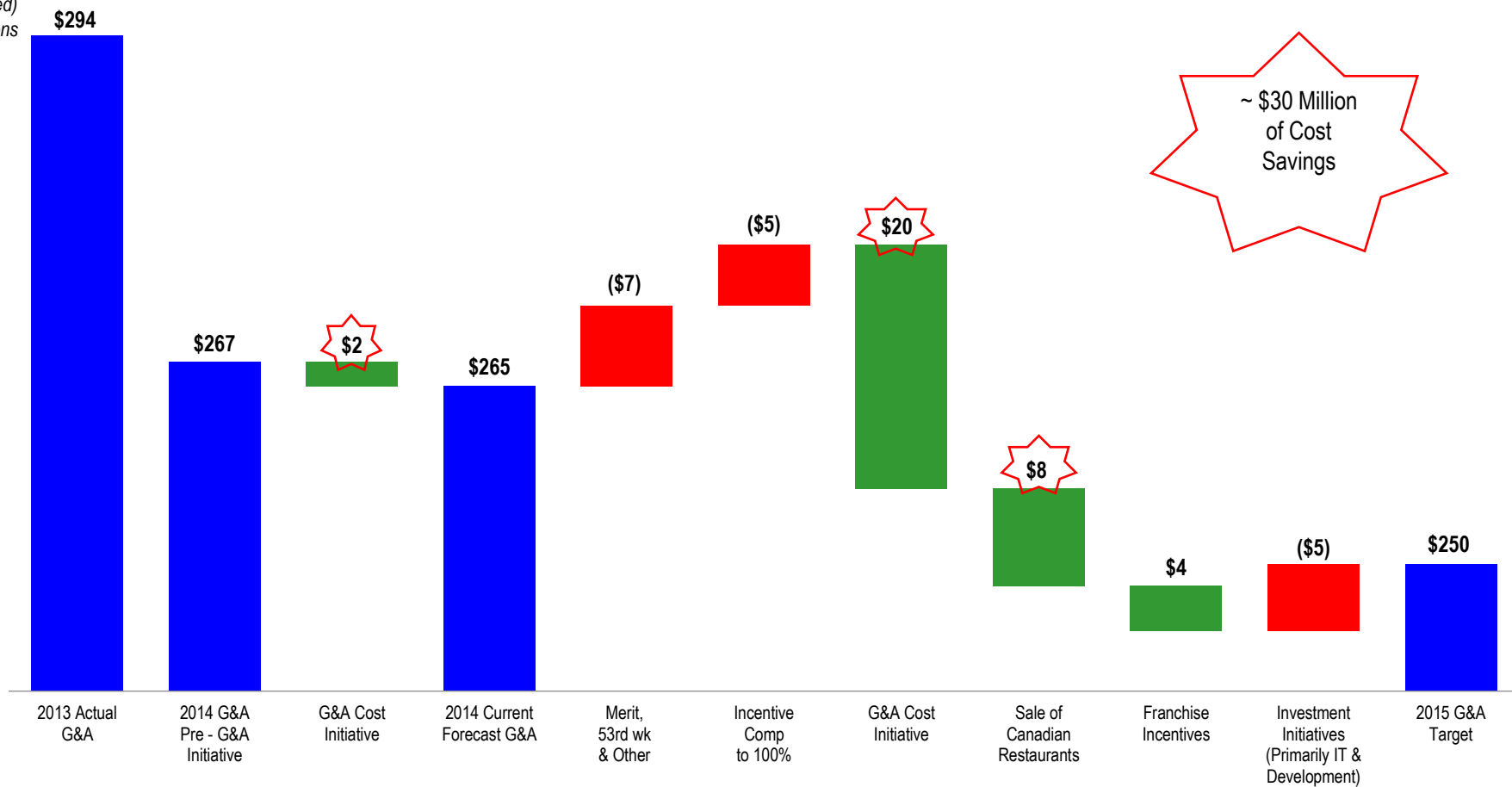
Facilitating Franchisee Commitments for Reimages and New Builds

- **Market planning**
- **Joint capital planning**
- **Multi-Year Investment Plan**
- **Construction support**
- **Turnkey services**
- **Incentives**
- **Canadian Build-to-Suit program**



2013 Actual to 2015 Forecast: G&A

(Unaudited)
\$ in millions



Restaurant Ownership Optimization

- **Selective Buying and Selling of Restaurants**
 - Declining Company ownership over time
- **Canadian Growth Initiative**
- **Focused on Building a Stronger Wendy's**
- **Commitment to Growth**
 - Image Activation and new restaurant development
- **Improved Economic Models for Company and Franchisees**
- **Strengthening of Franchise Base**



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DAVID POPLAR

**Vice President
Investor Relations**

Year-End Investor Relations Calendar

FEBRUARY 3, 2015

Preliminary 2014 Earnings Release and Investor Day
Dublin, Ohio

FEBRUARY 24, 2015

Issue Final 2014 Earnings Release
10-K Filing



Q&A



Appendix

Reconciliation of Adjusted EBITDA to Net Income

**Reconciliation of Adjusted EBITDA to Net Income (Loss)
Attributable to The Wendy's Company
(In Thousands)
(Unaudited)**

	<u>Three Months</u>		<u>Nine Months</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Adjusted EBITDA	\$ 94,125	\$ 98,737	\$ 285,691	\$ 278,122
(Less) plus:				
Depreciation and amortization	(36,274)	(44,325)	(117,790)	(134,841)
Facilities action charges (income), net	(7,520)	(22,275)	35,630	(31,690)
Impairment of long-lived assets	(3,408)	(5,327)	(3,740)	(5,327)
Operating profit	<u>46,923</u>	<u>26,810</u>	<u>199,791</u>	<u>106,264</u>
Interest expense	(13,204)	(15,620)	(39,328)	(55,548)
Loss on early extinguishment of debt	-	-	-	(21,019)
Other income, net	373	2,273	1,753	50
Income before income taxes and noncontrolling interests	<u>34,092</u>	<u>13,463</u>	<u>162,216</u>	<u>29,747</u>
Provision for income taxes	(11,262)	(15,625)	(64,076)	(17,774)
Net income (loss)	<u>22,830</u>	<u>(2,162)</u>	<u>98,140</u>	<u>11,973</u>
Net loss attributable to noncontrolling interests	-	223	-	445
Net income (loss) attributable to The Wendy's Company	<u>\$ 22,830</u>	<u>\$ (1,939)</u>	<u>\$ 98,140</u>	<u>\$ 12,418</u>

Reconciliation of Adjusted Income and Adjusted Earnings Per Share to Net Income and Earnings Per Share

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

	Three Months				Nine Months			
	2014		2013		2014		2013	
	Per share		Per share ^(a)		Per share		Per share	
Adjusted income and adjusted earnings per share	\$ 29,617	\$ 0.08	\$ 30,254	\$ 0.08	\$ 90,083	\$ 0.24	\$ 75,132	\$ 0.19
(Less) plus:								
Facilities action charges (income), net	(4,077)	(0.01)	(24,990)	(0.06)	20,238	0.05	(30,875)	(0.08)
Depreciation of assets that will be replaced as part of the Image Activation initiative	(728)	(0.00)	(3,591)	(0.01)	(9,994)	(0.03)	(15,312)	(0.04)
Impairment of long-lived assets	(2,103)	(0.01)	(3,332)	(0.01)	(2,308)	(0.00)	(3,332)	(0.01)
Gain (loss) on sale of investment, net	121	0.00	(503)	(0.00)	121	0.00	(503)	(0.00)
Loss on early extinguishment of debt	-	-	-	-	-	-	(13,137)	(0.03)
Total adjustments	(6,787)	(0.02)	(32,416)	(0.08)	8,057	0.02	(63,159)	(0.16)
Net income (loss)	22,830	0.06	(2,162)	(0.00)	98,140	0.26	11,973	0.03
Net loss attributable to noncontrolling interests	-	-	223	0.00	-	-	445	0.00
Net income (loss) and earnings per share attributable to The Wendy's Company	\$ 22,830	\$ 0.06	\$ (1,939)	\$ (0.00)	\$ 98,140	\$ 0.26	\$ 12,418	\$ 0.03
Reported number of shares used to calculate diluted income (loss) per share		372,152		392,579		377,892		398,101
Plus: Dilutive effect of stock options and restricted shares		-		8,145		-		-
Adjusted number of shares used to calculate adjusted earnings per share		<u>372,152</u>		<u>400,724</u>		<u>377,892</u>		<u>398,101</u>

^(a) Adjusted earnings per share amounts for the three months ended September 29, 2013 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 above is a reconciliation of the number of shares used to calculate adjusted earning per share amounts.

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