



## Fourth Quarter 2018 Conference Call

February 21, 2019

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## Greg Lemenchick

Director – Investor Relations

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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 21, 2019 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 revenue, adjusted EBITDA, adjusted EBITDA margin, adjusted earnings per share, adjusted tax rate, free cash flow and systemwide sales). 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.

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.



## Agenda

CEO Update

2018 Preliminary Results

2019 Outlook

IR Calendar

Q&A





**Todd Penegor**  
President & Chief Executive Officer

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◆ WE WILL BECOME ◆  
**THE WORLD'S**  
**MOST**  
*thriving*  
*beloved*  
**RESTAURANT**  
◆ **BRAND** ◆

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## Full Year 2018 Highlights

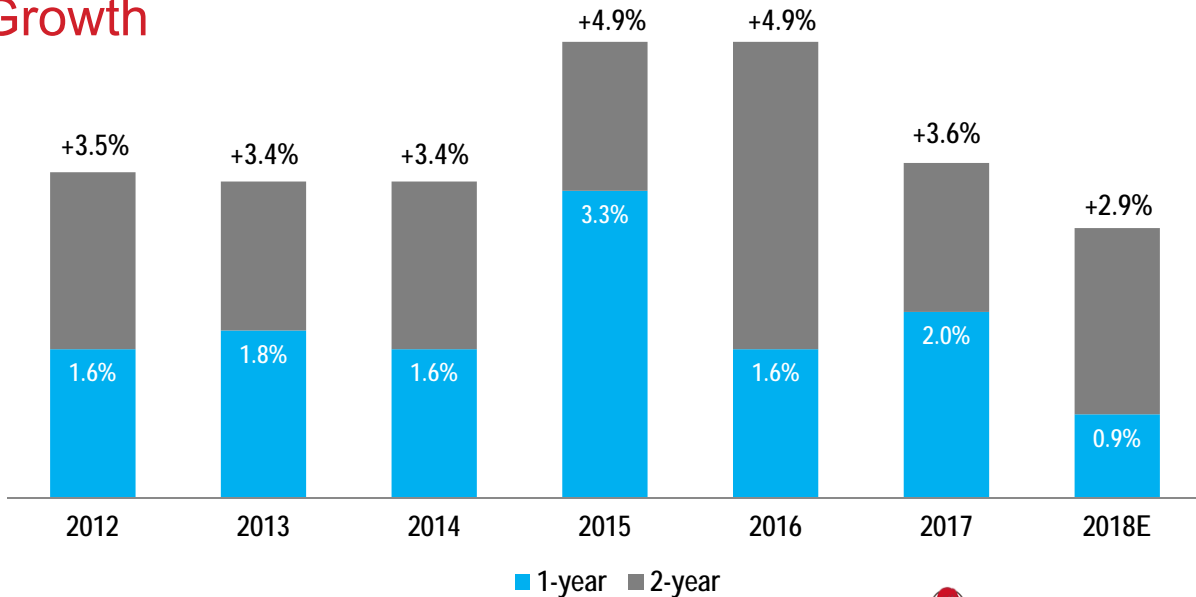
- Global systemwide sales growth of 2.5% to \$10.5B
  - Global expansion continues; opened 159 restaurants; 1.2% net openings
  - NA SRS 0.9%; 2.9% on a two-year basis
- Adjusted EBITDA\* growth of ~7%
- Adjusted EPS\* growth of ~51%
- Free cash flow\* generation of ~\$231M, an increase of ~37%
- Completed the sale of Inspire Brands stake for \$450M (~\$350M, net of tax)
- Returned ~\$350M of cash to shareholders

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



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## 8 Years of NA Same-Restaurant Sales Growth



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## Gunther Plosch

Chief Financial Officer

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## Fourth Quarter Financial Highlights \$ Mills (except per share amounts) (Unaudited)

	2018E	2017 Recast <sup>1</sup>	B/(W)
North America System SRS	0.2%	1.3%	2-Year 1.5%
Adjusted Revenues <sup>2</sup>	\$316.8	\$303.4	4.4%
Company Restaurant Margin	16.0%	16.6%	(60) bps
G&A Excluding Reserve for FI Case <sup>3</sup>	\$43.9	\$50.5	13.1%
Adjusted EBITDA <sup>2</sup>	\$107.8	\$98.2	9.8%
Adjusted EBITDA Margin <sup>2</sup>	34.0%	32.4%	160 bps
Adjusted EPS <sup>2</sup>	\$0.16	\$0.09	77.8%

<sup>1</sup> P&L numbers are presented on a recast basis to account for the impact of the new revenue recognition accounting standard as if the full retrospective method of adoption had been used. Please refer to the income statement, adjusted EBITDA and adjusted EPS recast reconciliations in the Appendix.

<sup>2</sup> See reconciliation of non-GAAP financial measures in the Appendix.

<sup>3</sup> Excludes the \$27.5 million dollar legal reserve that was recorded in the fourth quarter of 2018 relating to the settlement of the Financial Institutions case



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## FY2018E Financial Highlights

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

	2018E	2017 Recast <sup>1</sup>	B/(W)
Adjusted Revenues <sup>2</sup>	\$1,263.9	\$1,207.1	4.7%
Company Restaurant Margin	15.8%	16.8%	(100) bps
G&A Excluding Reserve for FI Case <sup>3</sup>	\$190.0	\$203.6	6.7%
Adjusted EBITDA <sup>2</sup>	\$415.4	\$389.9	6.5%
Adjusted EBITDA Margin <sup>2</sup>	32.9%	32.3%	60 bps
Adjusted EPS <sup>2</sup>	\$0.59	\$0.39	51.3%
Free Cash Flow <sup>2</sup>	\$231.3	\$169.3	36.6%

<sup>1</sup> P&L numbers are presented on a recast basis to account for the impact of the new revenue recognition accounting standard as if the full retrospective method of adoption had been used. Please refer to the income statement, adjusted EBITDA and adjusted EPS recast reconciliations in the Appendix.

<sup>2</sup> See reconciliation of non-GAAP financial measures in the Appendix.

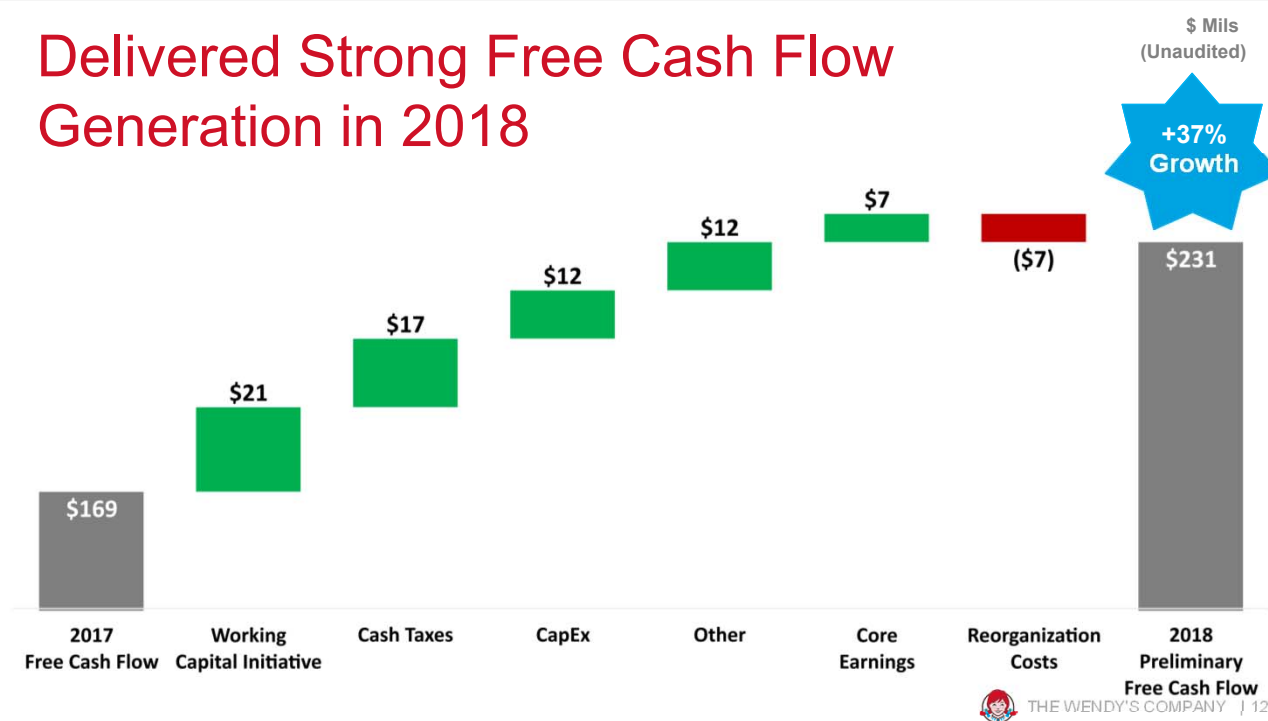
<sup>3</sup> Excludes the \$27.5 million dollar legal reserve that was recorded in the fourth quarter of 2018 relating to the settlement of the Financial Institutions case.



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## Delivered Strong Free Cash Flow Generation in 2018



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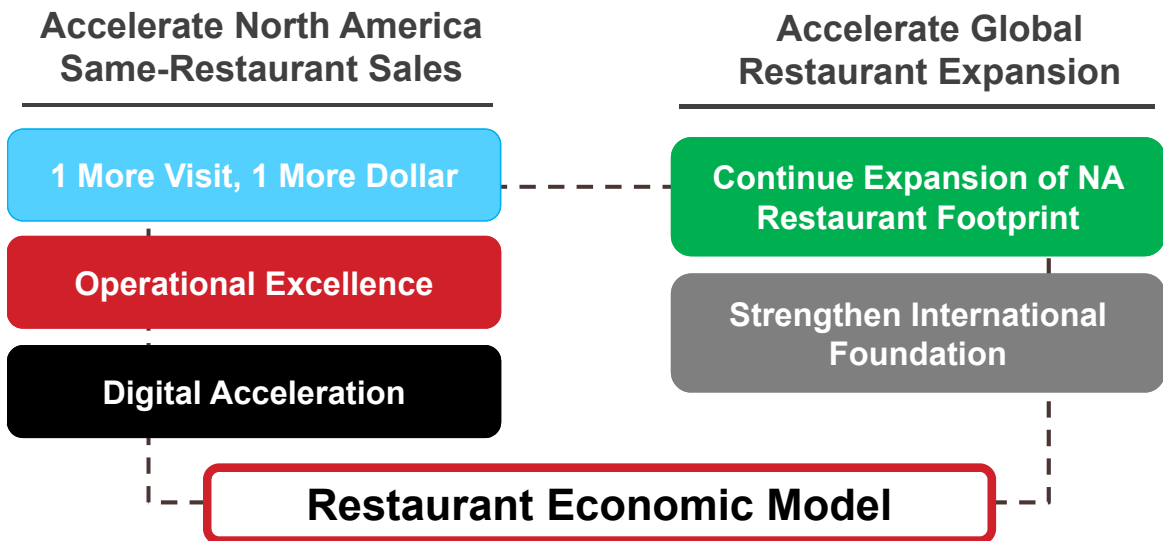


**Todd Penegor**  
President & Chief Executive Officer

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## 2019: Strengthening the Foundation for Growth



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# 2019: Strengthening the Foundation for Growth

**Accelerate North America  
Same-Restaurant Sales**

**1 More Visit, 1 More Dollar**

**Operational Excellence**

**Digital Acceleration**

**Restaurant Economic Model**

# Accelerate Same-Restaurant Sales through Mix Opportunity







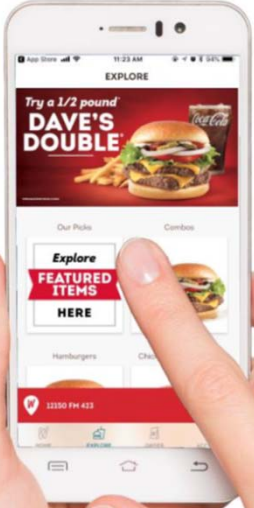
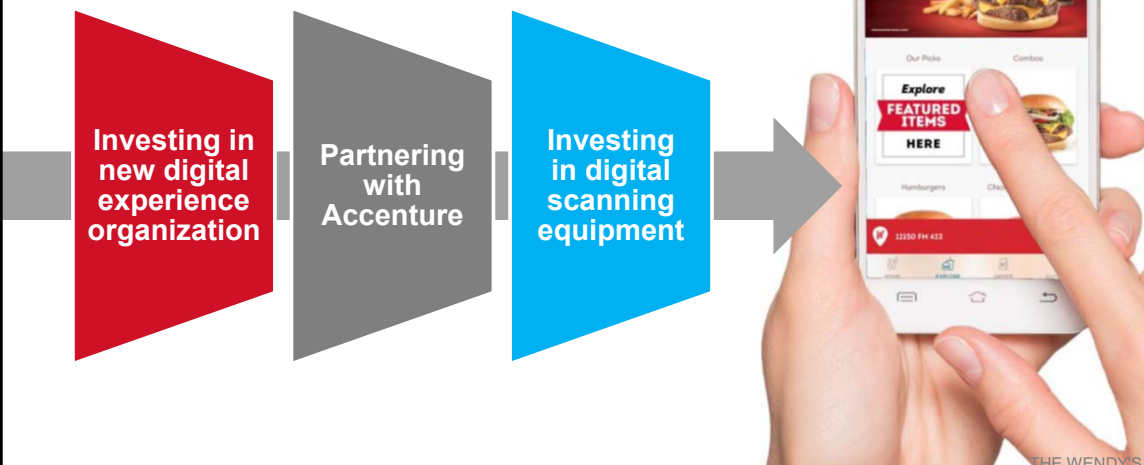
## Drive Same-Restaurant Sales Acceleration through Operational Excellence



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## Accelerating our Digital Platforms



Investing in new digital experience organization

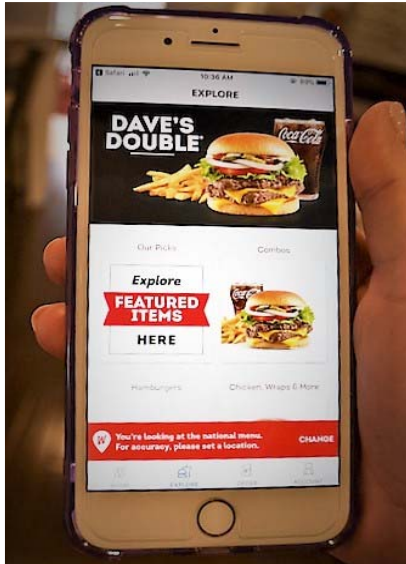
Partnering with Accenture

Investing in digital scanning equipment

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## Scaling Consumer Facing Technology



- ❖ Mobile ordering activated across the US system by the end of 2019
- ❖ Delivery footprint expected to expand to 80% by the end of 2019
- ❖ Continue to drive awareness across mobile ordering and delivery

## 2019: Strengthening the Foundation for Growth

**Accelerate Global  
Restaurant Expansion**

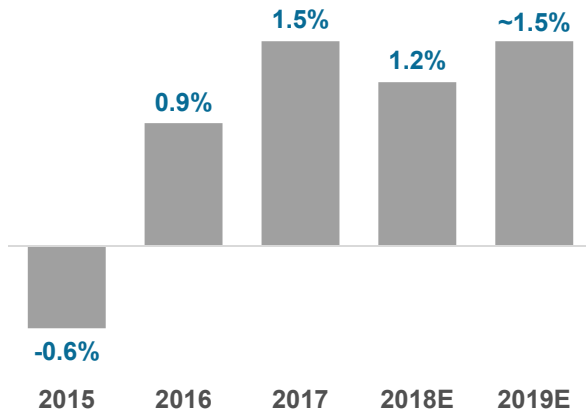
**Continue Expansion of NA  
Restaurant Footprint**

**Strengthen International  
Foundation**

**Restaurant Economic Model**

## Global Footprint Expansion Continues

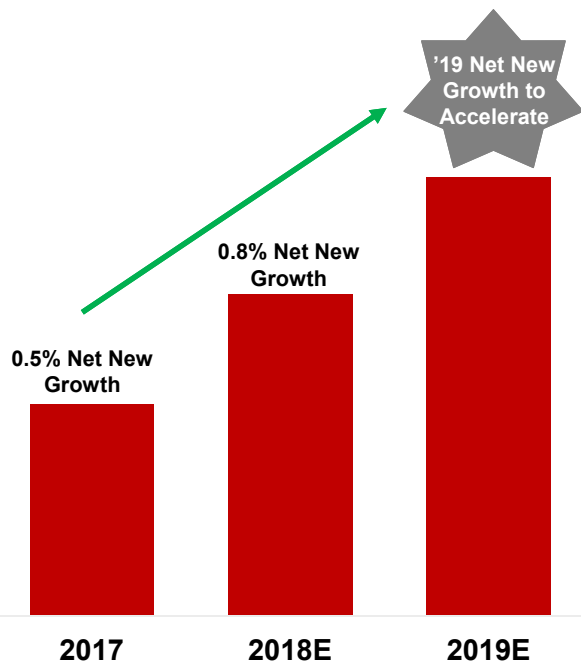
Global Restaurant Growth



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## North America Growth Continues



- ❖ Increased franchisee engagement
- ❖ Customer focused smart designs
- ❖ Attractive new restaurant incentives and support
- ❖ Compelling economics

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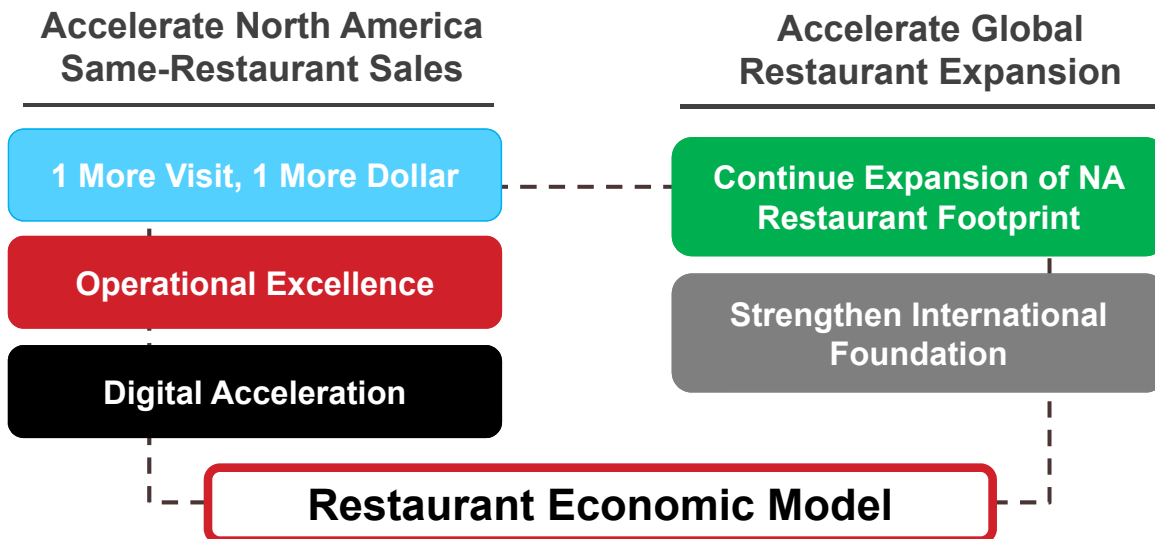
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## Foundational Year Ahead for International as we Prepare for Accelerated Growth



- ❖ Focused on healthy franchise partnerships to drive growth
- ❖ More focus & discipline to build stronger foundation
- ❖ New global development organization
- ❖ Building scale in existing key markets

## 2019: Strengthening the Foundation for Growth





## Gunther Plosch

Chief Financial Officer

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## 2019 Outlook

Global Systemwide Sales growth of ~3 to 4%

G&A Expense of ~\$195M

Adjusted EBITDA growth of ~2.5 to 4.5%

Adjusted Tax Rate of ~22 to 23%

Adjusted Earnings Per Share growth of ~3.5 to 7.0%

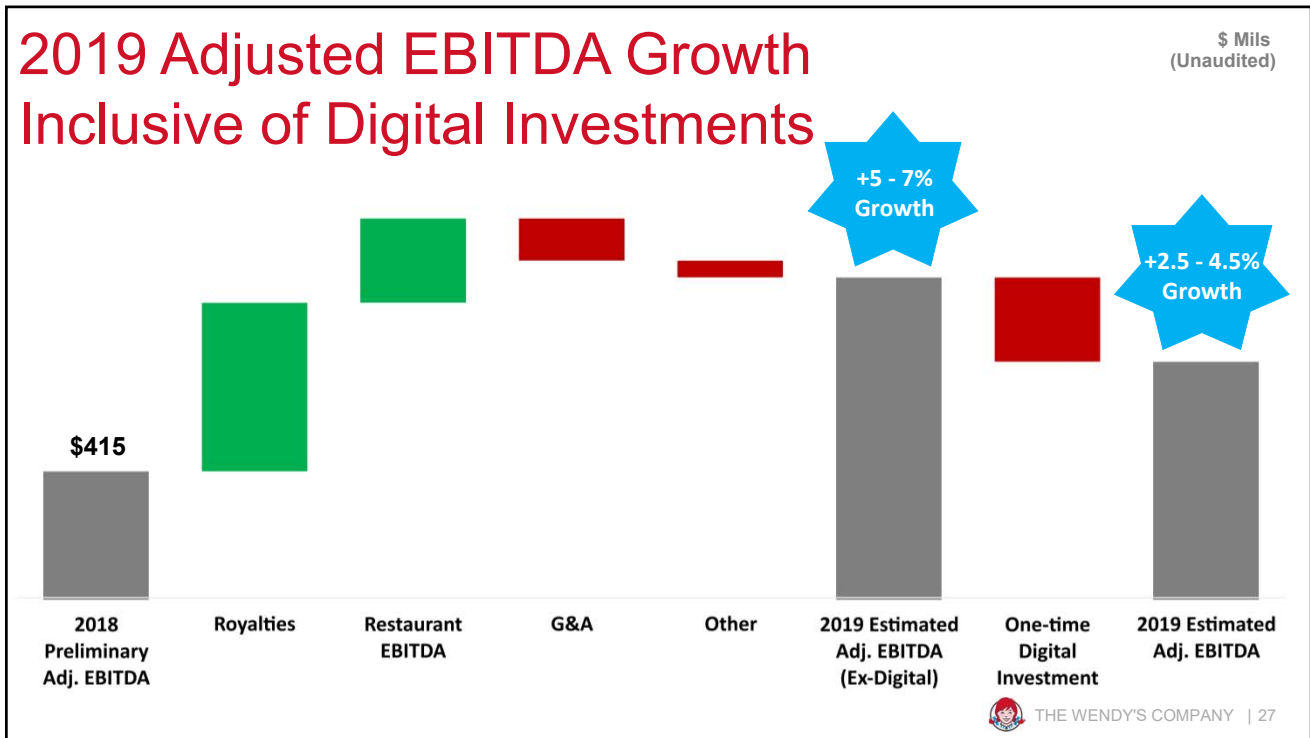
CAPEX of ~\$75 to \$80M

Free Cash Flow of ~\$230 to \$240M (excluding the ~\$20M tax effected impact from the settlement of the FI Case)

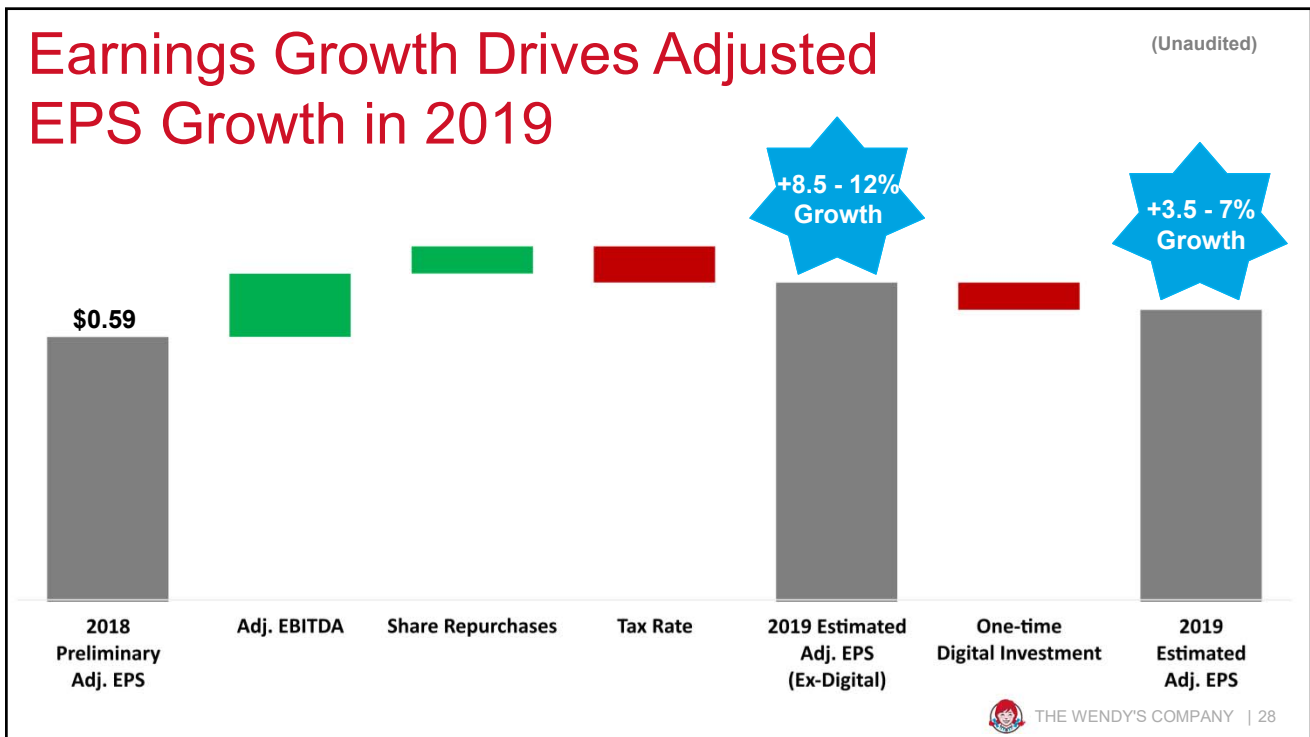


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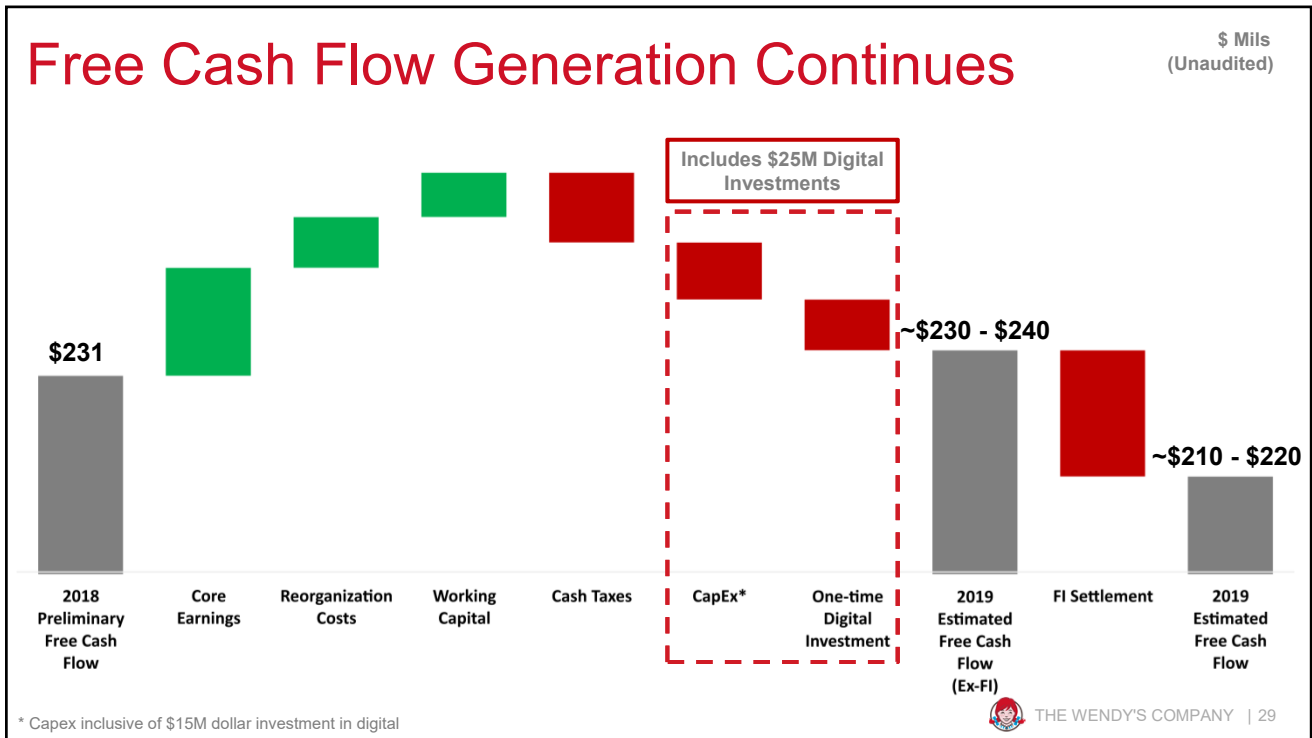
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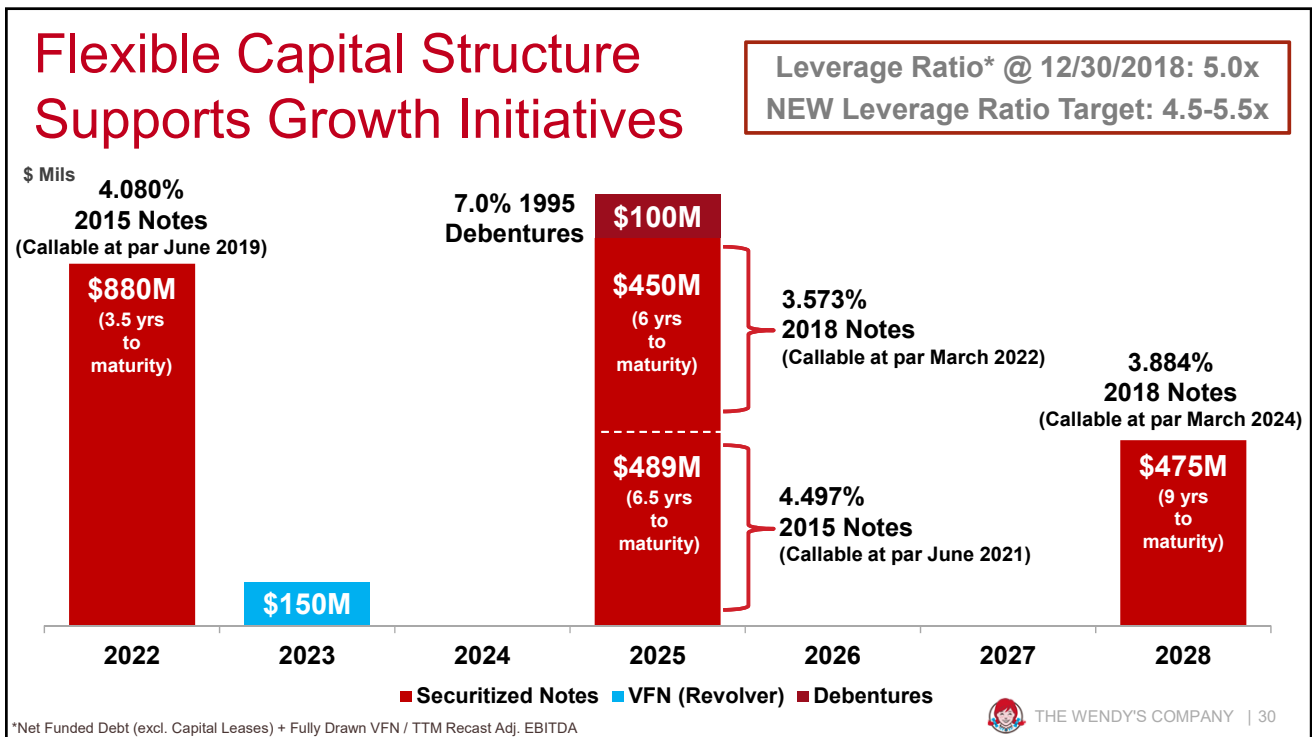
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## Executing Against Capital Allocation Strategy

- 1** Invest in the Business for Growth
- 2** Sustain an Attractive Dividend; Payout Ratio > 50%
- 3** Utilize Excess Cash to Repurchase Shares



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## Announcing New 2020 Goals

**Global Systemwide Sales  
~\$11.5 billion**

**Free Cash Flow  
~\$275 million**



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# Todd Penegor

President & Chief Executive Officer

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WENDY'S CREATES JOY & OPPORTUNITY THROUGH FOOD, FAMILY & COMMUNITY



### RESTAURANTS

A place I love to go

- CLEAN & WELL MAINTAINED
- UP TO DATE
- EASY & CONVENIENT
- UPBEAT & COMFORTABLE

### FOOD

Food I love

- FRESH
- HONEST INGREDIENTS
- CRAVEABLE TASTE
- MADE RIGHT



## The Wendy's Way

DELIGHT EVERY CUSTOMER.

WENDY'S KIND OF PEOPLE



### SERVICE

An experience that brings me back

- FRIENDLY
- ACCURATE
- FAST

### VALUE

Worth what I pay

- COMPETITIVE PRICE
- WENDY'S QUALITY
- GREAT EXPERIENCE



QUALITY IS OUR RECIPE

TREAT PEOPLE WITH RESPECT

DO THE RIGHT THING

PROFIT MEANS GROWTH

GIVE SOMETHING BACK

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**Greg Lemenchick**

Director – Investor Relations

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## Investor Relations Calendar (Tentative)

- February 27: 10-K Filing
- March 6: UBS Global Consumer & Retail Conference (Boston)
- March 14: JPM Gaming, Lodging, Restaurant & Leisure Forum (Las Vegas)
- March 19: Morgan Stanley NDR (NYC)
- March 20: Goldman Sachs NDR (Mid-Atlantic)
- October 10: Investor Day



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# 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 presented certain non-GAAP financial measures (i.e., adjusted revenues, adjusted EBITDA, adjusted EBITDA margin, adjusted earnings per share, adjusted tax rate, free cash flow and systemwide sales). 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, adjusted tax rate, free cash flow and systemwide sales. The Company excludes certain expenses and benefits from adjusted EBITDA, adjusted earnings per share, adjusted tax rate and free cash flow, such as impairment of long-lived assets, reorganization and realignment costs, system optimization (gains) losses, net, timing and resolution of certain tax matters, the impact of our advertising funds, and the legal reserve relating to the FI case. Due to the uncertainty and variability of the nature and amount of those expenses and benefits, the Company is unable without unreasonable effort to provide projections of net income, earnings per share or reported tax rate or a reconciliation of those projected measures.



## Reconciliation of Net Income to Adjusted EBITDA

	In Thousands (Unaudited)			
	Three Months Ended		Twelve Months Ended	
	2018	2017 (a)	2018	2017 (a)
Net income	\$ 18,831	\$ 159,276	\$ 460,115	\$ 194,029
Provision for (benefit from) income taxes	551	(121,649)	114,801	(93,010)
Income before income taxes	19,382	37,627	574,916	101,019
Other income, net	(2,958)	(595)	(5,381)	(1,617)
Investment income, net	(304)	(617)	(450,736)	(2,703)
Loss on early extinguishment of debt	—	—	11,475	—
Interest expense, net	29,679	30,172	119,618	118,059
Operating profit	45,799	66,587	249,892	214,758
Plus (less):				
Advertising funds revenue	(81,008)	—	(326,019)	—
Advertising funds expense	76,855	—	321,866	—
Depreciation and amortization	34,230	33,997	128,879	125,687
System optimization (gains) losses, net	(455)	(673)	(463)	39,076
Reorganization and realignment costs	2,377	1,806	9,068	22,574
Impairment of long-lived assets	2,541	2,293	4,697	4,097
Legal reserve for Financial Institutions case	27,500	—	27,500	—
Adjusted EBITDA	\$ 107,839	\$ 104,010	\$ 415,420	\$ 406,192
Revenues	\$ 397,820	\$ 309,247	\$ 1,589,936	\$ 1,223,408
Less:				
Advertising funds revenue	(81,008)	—	(326,019)	—
Adjusted revenues	\$ 316,812	\$ 309,247	\$ 1,263,917	\$ 1,223,408
Adjusted EBITDA margin	34.0%	33.6%	32.9%	33.2%

(a) 2017 reconciliation of net income to adjusted EBITDA does not reflect adjustments for the implementation of the new revenue recognition standard as the Company applied the modified retrospective method upon adoption.



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

In Thousands except per-share amounts (Unaudited)

	Three Months Ended		Twelve Months Ended	
	2018	2017 (a)	2018	2017 (a)
Net income	\$ 18,831	\$ 159,276	\$ 460,115	\$ 194,029
Plus (less):				
Advertising funds revenue	(81,008)	—	(326,019)	—
Advertising funds expense	76,855	—	321,866	—
Depreciation of assets that will be replaced as part of the Image Activation initiative	—	444	—	630
System optimization (gains) losses, net	(455)	(673)	(463)	39,076
Reorganization and realignment costs	2,377	1,806	9,068	22,574
Impairment of long-lived assets	2,541	2,293	4,697	4,097
Loss on early extinguishment of debt	—	—	11,475	—
Gain on sale of investment in Inspire Brands	(24)	—	(449,945)	—
Legal reserve for Financial Institutions case	27,500	—	27,500	—
Total adjustments	27,786	3,870	(401,821)	66,377
Income tax impact on adjustments (b)	(7,339)	4,571	82,997	(11,275)
Tax reform	91	(140,379)	2,167	(140,379)
Total adjustments, net of income taxes	20,538	(131,938)	(316,657)	(85,277)
Adjusted income	\$ 39,369	\$ 27,338	\$ 143,458	\$ 108,752
Diluted earnings per share	\$ .08	\$ .64	\$ 1.88	\$ .77
Total adjustments per share, net of income taxes	.08	(.53)	(1.29)	(.34)
Adjusted earnings per share	\$ .16	\$ .11	\$ .59	\$ .43

(a) 2017 reconciliation of net income and diluted earnings per share to adjusted income and adjusted earnings per share does not reflect adjustments for the implementation of the new revenue recognition standard as the Company applied the modified retrospective method upon adoption.

(b) The provision for (benefit from) income taxes on "System optimization (gains) losses, net" was \$202 and \$6,382 for the three months ended December 30, 2018 and December 31, 2017, respectively, and (\$1,119) and (\$598) for the twelve months ended December 30, 2018 and December 31, 2017, respectively. The provision for income taxes on the "Gain on sale of investment in Inspire Brands" was \$995 and \$97,501 for the three and twelve months ended December 30, 2018. The benefit from income taxes on all other adjustments was calculated using an effective tax rate of 25.10% and 39.86% for the three months ended December 30, 2018 and December 31, 2017, respectively, and 25.38% and 39.11% for the twelve months ended December 30, 2018 and December 31, 2017, respectively.



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## Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow

In Thousands (Unaudited)

	Twelve Months Ended	
	2018	2017
Net cash provided by operating activities	\$ 224,228	\$ 238,793
Less:		
Capital expenditures	(69,857)	(81,710)
Advertising funds impact (a)	(18,108)	12,230
Tax effect of sale of investment in Inspire Brands	95,038	—
Free cash flow	\$ 231,301	\$ 169,313

(a) Advertising funds impact for 2018 includes the net change in the restricted operating assets and liabilities of the funds of \$13,955 and the excess of advertising funds revenue over advertising funds expense included in net income of \$4,153.



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## Reconciliation of 2017 Recast Net Income to Recast Adjusted EBITDA

In Thousands (Unaudited)

	Three Months Ended 2017	Twelve Months Ended 2017
Net income	\$ 142,148	\$ 170,479
Benefit from income taxes	(113,076)	(88,504)
Income before income taxes	29,072	81,975
Other income, net	(595)	(1,617)
Investment income, net	(617)	(2,703)
Interest expense, net	30,172	118,059
Operating profit	58,032	195,714
Plus (less):		
Advertising funds revenue	(80,464)	(324,458)
Advertising funds expense	83,220	327,214
Depreciation and amortization	33,997	125,687
System optimization (gains) losses, net	(673)	39,076
Reorganization and realignment costs	1,806	22,574
Impairment of long-lived assets	2,293	4,097
Adjusted EBITDA	<u>\$ 98,211</u>	<u>\$ 389,904</u>
Revenues	\$ 383,912	\$ 1,531,578
Less:		
Advertising funds revenue	(80,464)	(324,458)
Adjusted revenues	<u>\$ 303,448</u>	<u>\$ 1,207,120</u>
Adjusted EBITDA margin	32.4%	32.3%

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The reconciliation of recast net income to recast adjusted EBITDA reflects adjustments for the implementation of the new revenue recognition standard as if the full retrospective method was applied upon adoption.



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## Reconciliation of 2017 Recast Net Income and Diluted Earnings Per Share to Recast Adjusted Income and Adjusted Earnings Per Share

In Thousands except per-share amounts  
(Unaudited)

	Three Months Ended 2017	Twelve Months Ended 2017
Net income	\$ 142,148	\$ 170,479
Plus (less):		
Advertising funds revenue	(80,464)	(324,458)
Advertising funds expense	83,220	327,214
Depreciation of assets that will be replaced as part of the Image Activation initiative	444	630
System optimization (gains) losses, net	(673)	39,076
Reorganization and realignment costs	1,806	22,574
Impairment of long-lived assets	2,293	4,097
Total adjustments	6,626	69,133
Income tax impact on adjustments	4,593	(11,253)
Tax reform	(129,673)	(129,673)
Total adjustments, net of income taxes	(118,454)	(71,793)
Adjusted income	<u>\$ 23,694</u>	<u>\$ 98,686</u>
Diluted earnings per share	\$ .57	\$ .68
Total adjustments per share, net of income taxes	(.48)	(.29)
Adjusted earnings per share	<u>\$ .09</u>	<u>\$ .39</u>

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The reconciliation of recast net income and diluted earnings per share to recast adjusted income and adjusted earnings per share reflects adjustments for the implementation of the new revenue recognition standard as if the full retrospective method was applied upon adoption.



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