Restaurant Research®

Concept Analysis & Benchmark Report

Wendy's 2024/2025

Executive Summary

"Choose wisely, choose Wendy's" QSR+ positioning is supported by a growth strategy designed to: reinforce its quality leadership around its cooked-to-order burgers (distinguished by square patties) made with fresh, never frozen North American beef; raise consumer expectations with its chicken products; leverage its equity in bacon (Baconator); drive unique visits through salads & beverages; innovate with on-trend flavors; and leverage its "one more visit and one more dollar" low/high marketing strategy which is designed to use value to drive frequency and premium trade-up to drive check. Value is expressed by competitively priced bundles that are operationally simple & margin friendly as opposed to discounted core menu items and breakfast is expected to drive 1/3 of total comp growth going forward, with U.S. breakfast sales per restaurant expected to double to $6k/per restaurant over the next 2 years. Digital sales mixed 16% during 1Q24 after increasing +35% y/y, reflecting a substantial +40% q/q increase in active loyalty members to 6MM and management's +3% to +4% comp guidance for full year 2024 reflects an expected benefit from the brand's investment in breakfast advertising & digital. Wendy's record high AUV now exceeds $2MM (outperforming the segment average) and long-term AUV growth drivers include: a high-low check building strategy; ramping breakfast sales; improving experience through people activation & customer service; and leveraging high ticket mobile pay/ordering & delivery. Notably, 200 "Global Next Gen" restaurants optimized for digital & featuring high-capacity kitchens are expected to be built by the end of 2024 and going forward development should benefit from attractive incentive offers. Having said this, it is notable that Wendy's has lost 1% domestic share in the $1B+ QSR chain segment over the last 10 years, reflecting: comp underperformance; an underperforming average check which is inconsistent with the brand's premium positioning; and struggles to drive net unit growth. In conclusion, while Wendy's is executing against a well-considered plan which magnifies its significant brand equity, the chain's positioning would further benefit from an increase in frequency, average check and store level profits.

Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt [1]/ EBITDA	EV/ EBITDA	Stock Performance		
					2023	TTM	Jun-24
The Wendy's Company	WEN	B3	7.15	13.80	-13.9%	-23.4%	
$1B+ Chains			5.49	15.52	21.1%	1.8%	

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(1) Net Debt includes operating leases.

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