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The Wendy's Company (WEN) Q1 2026 Earnings Call Transcript

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Q1: 2026-05-08 Earnings Summary

Insights



EPS of \$0.12 **beats by \$0.02** | Revenue of \$540.64M (3.28% Y/Y) **beats by \$22.66M**

The Wendy's Company ([WEN](#)) Q1 2026 Earnings Call May 8, 2026 8:30 AM EDT

Company Participants

Aaron Broholm - Head of Investor Relations

Ken Cook - CFO & Interim CEO

Suzanne Thuerk - Chief Accounting Officer

Conference Call Participants

David Palmer - Evercore ISI Institutional Equities, Research Division

Margaret-May Binshtok - Wolfe Research, LLC

Brian Mullan - Piper Sandler & Co., Research Division

Jeffrey Bernstein - Barclays Bank PLC, Research Division

Dennis Geiger - UBS Investment Bank, Research Division

Christopher Carril - KeyBanc Capital Markets Inc., Research Division

Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division

Sara Senatore - BofA Securities, Research Division

Brian Bittner - Oppenheimer & Co. Inc., Research Division

Andrew Strelzik - BMO Capital Markets Equity Research

James Salera - Stephens Inc., Research Division

Brian Harbour - Morgan Stanley, Research Division

Rahul Krotthapalli - JPMorgan Chase & Co, Research Division

Presentation

Operator

Good morning. Welcome to the Wendy's Company Earnings Results Conference Call.
[Operator Instructions] You may begin your conference.

Aaron Broholm

Head of Investor Relations

Good morning, and thank you for joining our fiscal 2026 first quarter earnings conference call. After this brief introduction, Ken Cook, Interim Chief Executive Officer, and Chief Financial Officer, will provide a business update; and then Suzie Thuerk, Chief Accounting Officer and Global Head of FP&A, will review our quarter results, share capital allocation priorities and our 2026 outlook. From there, we will open up the line for questions. Today's conference call and webcast includes a presentation, which is available on our Investor Relations website, ir.wendys.com.

Before we begin, please take note of the safe harbor statement that appears at the end of today's earnings release. This disclosure reminds investors that certain information we discuss today is forward-looking and reflects our current expectations about future plans and performance. Various factors could affect our results and cause those results to differ materially from the projections set forth in our forward-looking statements. Also, some of today's comments will reference non-GAAP financial measures. Investors should refer to our reconciliations of non-GAAP financial measures to the most directly comparable GAAP measure at the end of this presentation or in today's earnings release. If you have questions following today's conference call, please contact me.

I will now hand the call over to Ken.

Ken Cook

CFO & Interim CEO

Thank you, Aaron, and good morning, everyone. Let me start by thanking our franchisees, restaurant teams and company employees who together as One Wendy's, have stayed focused on improving restaurant operations elevating the customer experience and enhancing franchisee economics. Our focus in the U.S. continues to be on advancing our Project Fresh turnaround strategy. We are confident our actions will drive to improvement as we move through the year. Internationally, our business continues to expand in key growth markets, and we are excited to have recently signed a franchise agreement to expand into China, further strengthening our development pipeline, I'll share more on this in a moment.

Starting with the first quarter, results were largely in line with our expectations, though still not where we need to be, and we continue to execute on the early phase of our turnaround plan. We're focused on the customer and seeing progress on our key priorities. Global systemwide sales declined 5.5% in the quarter, driven by same-restaurant sales in the U.S., reflecting a challenging competitive environment. Results were also impacted by severe weather and the actions we're taking to optimize our restaurant footprint and operating hours. These factors were partially offset by international system-wide sales growth of 6%, driven by net unit growth. Adjusted EBITDA was \$111 million and adjusted EPS was \$0.12 for the quarter.

Before I discuss our progress in the U.S., I'll start with an update on our International business. We're excited to announce today that we recently signed a new franchise agreement to build up to 1,000 restaurants across China over the next 10 years. Our franchise partner is a large restaurant operator with decades of experience in China. They're known for strong hospitality and have a deep understanding of the Chinese consumer. We could not ask for a better partner. Together, we are well positioned to deliver an exceptional experience for Chinese consumers, and we can't wait for them to taste the best hamburgers in QSR, alongside locally inspired menu innovation.

Additionally, we're rolling out our future fresh restaurant design to help drive growth across international markets. This bold modern format enhances our visual identity through a blue color scheme and a digital-first layout that makes us stand out from the competition. A great example is in the Philippines where we used this new future fresh restaurant design to open our 100th restaurant in the country. These actions support our globally great, locally loved strategy, driving continued expansion around the world.

Now turning to the U.S. and the progress we are making on our Project Fresh turnaround strategy. The first pillar of Project Fresh is brand revitalization, which is about reestablishing Wendy's as the highest quality choice in QSR and connecting with our customers in more culturally relevant and distinctive ways. Through the customer segmentation study we completed at the end of 2025, we now know our customers better than ever. And during the first quarter, we used those learnings to create a brand essence framework that will improve the consistency of our messaging to consumers.

We are beginning to incorporate that into our menu and messaging efforts, which will increasingly show up throughout the year as we focus on the consumer segments that represent our greatest opportunities for growth. In January, we launched Biggie deals to provide everyday value that our customers can count on at \$4, \$6 and \$8 price points. This platform provides a foundation for us to compete on value by emphasizing the quality of our products, and we plan to introduce exciting innovation here later this year. We are also reestablishing our leadership in delivering the highest-quality hamburgers in the industry. In addition to using fresh never frozen beef, a key differentiator for Wendy's, we recently introduced new buns and upgraded catch up and mayo to make our hamburgers taste even better. These upgrades will be featured across our core hamburgers and upcoming LTOs supported by messaging throughout the year.

We're also leaning into quality differentiation with our new chicken sandwiches. Wendy's has served spicy chicken sandwiches since 1995, and they're an important part of our brand legacy. To reestablish their popularity, we've modernized this fan favorite with the most significant quality upgrade in its history, which we rolled out at the end of the first quarter. The upgrade includes a new marinade, crispy Panko-style breading with 9 distinctive spices and bold heat to deliver intense flavor in every bite. Paired with a new bun and updated toppings, this new sandwich is resonating with customers.

Both our hamburger and chicken sandwich enhancement are important steps that build on our heritage and align with our brand essence to deliver the highest quality food for our customers and be squarely better than anyone else in QSR. And there's more to come. We're strengthening our innovation pipeline with a rigorous screening of ideas, a more robust testing process and more in market trials. We'll prioritize the best ideas and move quickly on what's working to build promotions and programming that resonates with our target customers.

Our March Madness dunks campaign is an example of how we're beginning to connect with our customers in a more culturally relevant way. Built around the iconic duo of crispy fries and Frosty, along with the dunkable chicken tenders and nuggets paired with our new sauce lineup, this program targeted snacking occasions in a way that's distinctively Wendy's. In addition, during the height of March Madness, we introduced the Bring-It-Back Bracket, allowing fans to vote on which Wendy's item from the past, they wanted to see a return. This was a great opportunity to engage with our customers and give them more of what they want. Fans chose the Pretzel Bacon Pub Cheeseburger as the clear favorite, and we'll bring it back to the menu later this year.

Next month, we're partnering with Illumination and Universal Pictures on the upcoming Minions & Monsters movie with a collaboration designed to show up in the everyday moments family share. We're bringing together a widely beloved multi-generational entertainment franchise with a distinctly Wendy's meal complete with themed packaging and collectible items. We are also focused on reaching our customers more efficiently. To help us achieve this, we recently completed a media agency RFP, and we are switching to a new partner to improve our marketing effectiveness and maximize the impact of every dollar of ad spend. We're off to a strong start and expect the transition to be completed in the third quarter.

On social media, we expanded our presence in the first quarter with the President of our U.S. business, Pete Suerken, joining the wave of viral hamburger taste tests, as well as our Chief Tasting Officer contest, both generating strong earned media and engagement. Our Chief Tasting Officer will serve as a brand ambassador delivering social content that showcases the quality of our food while increasing cultural relevance. While we are still in the early stages of our brand revitalization work, the initial results are encouraging. We're seeing improvement in key leading indicators, including top-of-mind awareness and visitation intent and our brand essence framework will increasingly be integrated into our menu and messaging approach as we move throughout the year.

Our next pillar is operational excellence, which is about delivering consistently great experiences for our customers. The restaurants with the highest customer satisfaction scores are outperforming the lowest tier locations in same-restaurant sales by approximately 400 to 500 basis points. In addition, company-operated restaurants, which have fully implemented our operational initiatives outperformed the system by 310 basis points in the first quarter. We are continuing to roll out our people activation, enhance training and performance management programs, and will continue to see adoption expand across the U.S. system throughout the year.

As we do that, we are particularly focused on the areas with the greatest near-term opportunity to improve customer satisfaction, order accuracy and clean restaurants. We are expanding the use of our menu item label printers, which helps customers in 2 ways. First, it helps ensure that customers receive their food exactly as they've ordered it. And second, it helps customers quickly identify each item without unwrapping their sandwiches. Over the past 6 months, we've expanded implementation from less than half of restaurants using menu item label printers to 85% of restaurants using them now. We are also accelerating our efforts to ensure sparkling clean restaurants. In the first quarter, we launched our White Glove program with our field teams working closely with franchisees to reinforce consistency and provide support, ensuring every restaurant delivers on the clear standards that we have outlined day in and day out.

Moving to our technology and digital initiatives. U.S. digital sales grew 8.4% in the first quarter with U.S. digital mix reaching 22.7%. During the quarter, we integrated our AI recommendation engine into our mobile app, enabling order recommendations based on items in the cart, restaurant location and seasonality. We are continuing to invest in the end-to-end digital experience, leveraging consumer insights to drive frequency and engagement in the app while expanding payment options at checkout to create a more seamless experience and improve conversion. Together, these in-restaurant and digital initiatives will create a cycle of improvement, elevating the customer experience, which drives better sales performance and strengthens restaurant economics.

Our next pillar is system optimization, which is about enhancing franchisee economics and improving the customer experience. During the first quarter, we worked closely with franchisees and completed more than half of our planned footprint optimization and remain on track to be substantially complete by the end of the second quarter. This is unchanged from the expectation that we shared with you in February. In parallel, we're continuing to work with franchisees to optimize hours of operation, including reducing hours during the morning day part and extending late-night hours where the opportunity is greater.

While we're making targeted adjustments, the large majority of the U.S. system continues to serve breakfast. Together, these actions will strengthen the system by enabling restaurants to consistently deliver the quality and service Wendy's was built on, while strengthening franchisee economics.

Turning to capital allocation. We remain focused on driving long-term value creation. In the U.S., we have prioritized investments that support profitable AUV growth ahead of new unit development. This includes investing in more field team resources, digital infrastructure and restaurant technology to increase product and promotion testing, accelerate deployment timelines and bring innovation to life more efficiently. Internationally, we continue to invest in the expansion of our global footprint, including building in-market capabilities to support that expansion.

Now turning to our outlook. We are maintaining our full year 2026 outlook. Our outlook reflects the actions underway to strengthen the system and position the business for long-term success. We expect performance to continuously improve as these initiatives take hold while recognizing that the exact timing is difficult to predict. Our Project Fresh initiatives are designed to build on one another with the benefits compounding over time as additional actions are implemented.

I'll now turn it over to Suzie to provide more details on our first quarter results, 2025 franchisee economics and our outlook and expected cadence throughout the year. Suzie, over to you.

Suzanne Thuerk

Chief Accounting Officer

Thank you, Ken, and good morning, everyone. I'll begin with our first quarter results, followed by an update on franchisee economics and details on our 2026 outlook. I'll then touch on our capital allocation priorities before turning it back over to Ken.

In the first quarter, global system-wide sales were in line with the expectations we shared with you in February, declining 5.5% on a constant currency basis. This was driven by U.S. same-restaurant sales, which declined 7.8%. This was partially offset by continued strength in our International business with system-wide sales growth of 6%. The decline in U.S. same-restaurant sales was driven by a decrease in traffic, which included the impact of severe weather and optimizing restaurant hours, partially offset by a higher average check. We finished the quarter with improving sales trends and expect continued sequential quarterly improvement through the year, driven by our Project Fresh initiatives.

Operationally, company-operated restaurants have fully implemented the initiatives that Ken discussed, driving higher accuracy scores, improved customer satisfaction and stronger same-restaurant sales. In the first quarter, company-operated restaurants outperformed the U.S. system by 310 basis points. This continues to serve as a powerful proof point that when we execute with excellence, customers respond.

Turning to our International segment. We delivered 6% system-wide sales growth in the first quarter, reflecting continued strength of our globally great, locally loved strategy. Our growth was driven by new unit development in key growth markets such as the Philippines and Mexico, which supported solid results across Asia Pacific and Latin America. This growth is evidence that our targeted investments in regional infrastructure and talent continue to drive a growing pipeline of new unit development. Our new franchise agreement to expand into China represents an important milestone as we look to further penetrate the Asia Pacific region.

Turning to the P&L for the first quarter. Total adjusted revenue was \$432.3 million, an increase of \$9.2 million compared to the prior year. This was primarily due to system optimization related franchise fees and higher company-operated restaurant sales driven by the acquisition of franchise-operated restaurants during the third quarter of 2025. These were partially offset by lower franchise royalty revenue. As a reminder, for the full year, we expect system optimization to be a net headwind of \$15 million to \$20 million to adjusted revenue, but we believe this is the right decision for the long-term health of the system.

Global company-operated restaurant margin was 10.8% for the first quarter, and U.S. company-operated restaurant margin was 11.4%. U.S. company-operated restaurant margin declined compared to the prior year due to a decline in traffic, commodity cost increases of approximately 8%, including both continued inflation in beef prices and investments made to improve the quality of our products and labor rate inflation of approximately 4%. These increases were partially offset by a higher average check and labor efficiencies. Adjusted EBITDA was \$111.3 million, which was down \$13.2 million versus the prior year. This was driven by a decrease in U.S. company-operated restaurant margin, lower franchise royalty revenue and an increase in general and administrative expense, including investments in brand revitalization, our U.S. field support team and international resources to support continued expansion. These were partially offset by higher net franchise fees. Adjusted earnings per share was \$0.12 in the first quarter.

Moving on to cash flow and our balance sheet. During the first quarter, we invested \$16.5 million across capital expenditures and restaurant development. Capital expenditures included \$5.4 million in technology initiatives, including enhancements to the customer experience and enabling more targeted marketing within our app and digital capabilities. We also invested \$9.1 million in restaurant development, including our Build-to-Suit program.

Turning to free cash flow. We generated \$36.5 million of free cash flow through the first quarter. This was down \$31.5 million versus the prior year. The decrease is primarily driven by a shift in timing of vendor incentive payments and lower adjusted EBITDA. We ended the quarter with \$338 million of cash on the balance sheet and a net leverage ratio of 4.9x. Taken together, we believe we have the right balance of liquidity and leverage to support our priorities as we execute our Project Fresh initiatives.

Before turning to our outlook, I'll take a moment to provide an update on our franchisee financial performance. In 2025, our U.S. franchisees averaged a year-over-year net sales decline of approximately 6%, in line with our reported U.S. same restaurant sales in 2025. Average EBITDA margin declined by 270 basis points to 9.3%. Over half of the decline in average EBITDA margin was driven by commodity cost increases, primarily driven by the increases in beef prices. Within the U.S., there are a wide range of results across the system. The franchisees delivering the strongest customer experiences and satisfaction scores are producing materially better sales and profit performance, further validating the need to continue scaling our Project Fresh operational excellence work across our system. In Canada, 2025 average franchisee net sales growth was approximately 1%, and average EBITDA margin declined by 160 basis points to 12.6%, which was entirely driven by commodity inflation.

Now turning to our expectations for 2026. We are maintaining our outlook for the full year. We continue to expect global system-wide sales to be approximately flat for the full year. Our outlook reflects the expectation for global system-wide sales to decline by a mid-single-digit percentage in the second quarter and return to growth for the back half of the year. This includes our expectation for sequential quarterly improvement throughout the year, driven by U.S. same-restaurant sales as our Project Fresh initiatives to revitalize the brand and improve operations build throughout the year. Our adjusted EBITDA outlook of \$460 million to \$480 million remains unchanged, and we continue to expect U.S. company-operated restaurant margin of 13% plus or minus 50 basis points, including labor rate inflation of approximately 4% and a commodity cost increase of approximately 4%, reflecting continued inflation in beef prices and investments to improve the quality of our chicken sandwiches and hamburgers.

Additionally, we continue to expect general and administrative expense to be approximately \$295 million. We are also reaffirming our outlook for adjusted EPS in the range of \$0.56 to \$0.60 per share. Capital expenditures, including Build-to-Suit investments between \$120 million and \$130 million, and free cash flow between \$190 million and \$205 million. As a reminder, our outlook reflects the 53rd week in the fiscal year.

Moving on to capital allocation. Our first priority continues to be investing in the business. This means prioritizing investments to support profitable AUV growth in the U.S. and net unit development internationally. Our second priority is paying an attractive dividend. And today, we announced our regular quarterly dividend payment of \$0.14 per share. Third is maintaining a strong balance sheet. We continue to target a net leverage ratio of 3.5x to 5x adjusted EBITDA. We anticipate remaining around the top end of our range in 2026 as we implement our Project Fresh initiatives, but expect a natural reduction in our leverage ratio over time as we realize the benefits of our turnaround. Our fourth priority is returning excess cash to shareholders through opportunistic share repurchases.

While we currently have no plans to repurchase shares in 2026, we have approximately \$35 million remaining on our existing share repurchase authorization that expires in February 2027. In closing, in the first quarter, we made progress in strengthening our foundation for sustainable, long-term growth and value creation for our shareholders. We are taking a disciplined financial approach to support the company and franchisees as we advance our Project Fresh turnaround efforts. We look forward to keeping you updated on our progress throughout this year. Thank you for your time.

And with that, I'll turn it back over to Ken.

Ken Cook

CFO & Interim CEO

Thank you, Suzie. I'm proud of the early progress we are making to turn around our U.S. business. We are improving marketing effectiveness, taking the right steps to reestablish Wendy's as the highest quality choice in QSR and elevating the customer experience in our restaurants. We are moving with urgency to stabilize our business and build capabilities for sustainable long-term growth. At the same time, we continue to build on the strength of our international business, including the recent franchise agreement to enter China, which is another proof point that our international growth strategy is working. We are controlling what we can control and executing as One Wendy's to take care of our customers and create long-term value for franchisees, employees and shareholders.

I'll now hand it over to Aaron to share our upcoming Investor Relations calendar.

Aaron Broholm

Head of Investor Relations

Thank you, Ken. On May 12, we will participate in the Wolf Research Virtual Investor Conference. On May 21, we will be in Chicago for an NDR hosted by BTIG. On May 27, we will participate in the Bernstein Strategic Decisions Conference in New York City, followed by the Evercore Consumer and Retail Conference on June 10 also in New York City. If you are interested in joining us at one of these events, please contact the respective sell-side analyst or equity sales contact at the host firm.

We will now transition to the Q&A part of the call. [Operator Instructions] Operator, please queue up the first question.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question for today comes from David Palmer of Evercore ISI.

David Palmer

Evercore ISI Institutional Equities, Research Division

System sales were down over 5% in the quarter, and you're reiterating flat for the year, and that obviously implies a significant ramp in trend. Obviously, easier comparisons are going to mean something, but what else gives you confidence that Project Fresh is working and that performance will be improving going forward? And I have a quick follow-up.

Ken Cook

CFO & Interim CEO

Thanks, David. I appreciate the question. I would say we are in the early innings of our turnaround. We're working on all the right things. We're proud of the progress that we're making, and we're seeing proof points in 3 reinforcing areas. First is our food. We are leaning into our quality heritage of making the best hamburgers in QSR even better. We launched new bun this time, new and improved bun and condiments. We also launched the most significant spicy chicken sandwich upgrade in our history with distinctive new flavor in spices and rebuilt the innovation calendar, so there's consistent drumbeat of new news throughout the year. We had Biggie Deals in the first quarter, March Madness Dunks campaign, and it will get even stronger as we move throughout the year and can better incorporate the brand essence into our product launches.

Middle of the year, we have our Minions collaboration followed by the Pretzel Bacon Pub Cheeseburger, which we're confident are going to perform really well. Second is our marketing. We're aligning our marketing with our food story through our brand essence framework and our increased knowledge of our customers. Every programming window will be tied back to set Wendy's up as the everyday upgrade in QSR. If you look at the March Madness campaign, it wasn't just a generic promotion, it was built around it's distinctly Wendy's product in the Frosty and dunking fries in it, also in a culturally relevant moment. The spicy chicken launch was supported by messaging that directly positions us as an upgrade versus the competition, and we have seen top-of-mind awareness and visitation intent improve.

We're also changing media agencies for the first time in 18 years. That will be fully operational in the back half of the year to improve how effectively we spend every single dollar of advertising. And then third is our operations. We are making sure the in-restaurant experience delivers for our guests. Company-operated restaurants continue to outperform the system after fully implementing the playbook last year, outperformed the system by 310 basis points, and across the system, we have seen broad-based improvements in customer satisfaction scores between 100 and 200 basis points.

So our highest satisfaction restaurants outperformed the lowest by 400 to 500 basis points in QSR. We have over 25% of the restaurants now that have fully adopted performance management cycle. We have another 25% that are in the process of adopting it, and we'll continue to grow that number as we move throughout the year. So these 3 areas create a flywheel for us. The better food enhancements that we're making give marketing something to talk about, more effective marketing is going to help bring more customers in the door and better operations is going to help bring them back. So early innings, but we're excited about the progress that we're making, and we expect those things to compound as we move throughout the year.

David Palmer

Evercore ISI Institutional Equities, Research Division

I just wanted to ask one about the franchise system and the cash flow and leverage today. Obviously, not every franchisee is in line with average. And I just want to understand how you're thinking about the risk of additional unit closures beyond what you're anticipating in the first half.

Ken Cook

CFO & Interim CEO

Yes. Thanks, David. So I would say we are unchanged in terms of our outlook for system optimization, still expected to impact about 5% to 6% of the system. We are working very closely with our franchisees to build a healthy and more profitable system. Under the One Wendy's mindset, we know that our success is tied directly to the success of our franchisees and improving franchise economics is at the core of Project Fresh. Obviously, the combination of sales pressure and inflation does put pressure on franchisee economics. We do have a wide range of outcomes across the system, some performing well while others are under more significant pressure. So we're handling those on a case-by-case basis, but it does emphasize the importance of executing the system optimization pillar.

As we take action on the underperforming restaurants in our system, this helps improve franchisee profitability. As we provide flexibility in terms of hours of operation, this allows our franchisees to focus their resources on the day parts with the highest opportunity and also further increases franchisee profitability, cash flow and margins. So working on the right things, working hand-in-hand with our franchisees to improve economics. And we all know that the most important lever to that is increasing the top line profitably. And so that's why we're excited about the food innovation, the marketing effectiveness and that will continue to build throughout the year.

Operator

Our next question comes from Margaret-May Binshtok of Wolfe Research.

Margaret-May Binshtok

Wolfe Research, LLC

I just wanted to ask if you could give some additional color on how you guys saw comps progress through the quarter given all the weather in January? And then a little bit of a sense of where April and May trended? And then given the weather that we also saw in January, if you could give us a cleaner read on the underlying trend with Biggie Deals that you guys have launched in January?

Ken Cook

CFO & Interim CEO

Yes. Thanks for the question, Margaret-May. In terms of the cadence of comps in the first quarter, January was down about 8%. February actually got a little bit worse for us. So it was down in the high 8% range, we did see March improve. So March, SRS in the U.S. was down 6.2%, and April came in about the same. We're down about 6.4% in April. So continue to see that improvement. And happy with the way Biggie Deals is performing. So Biggie Deals is a strategic shift in how we approach value. We thought it was really important to have an everyday value platform that customers can count on as opposed to jumping from one price promoted offer to another. We're really excited about the structure of the Biggie Deals platform. The \$4 price point is really attractive and also allows us to appeal to an important part of our customer base, the snacking behavior. So we'll lean into that.

In terms of how it's progressed throughout the quarter, most of the Biggie traffic comes at that \$6 kind of full meal price point, we have opportunities to grow both the \$4 price point and the \$8 price point. We're really happy about how this value platform stacks up against the competition. Again, we have a lot of range, \$4 price point, 2 items, appeals to these incremental eating occasions, including late night. And then at the high end, the \$8 Biggie bundle is really about quality and abundance. And you can get 2 sandwiches in that, including 2 Junior Bacon cheeseburgers, or 2 Double Stacks. With the Double Stack option, you get 4 100% fresh, never frozen beef patties, 46 grams of protein with fries and a drink. So that's quality and abundance.

The other thing I would say is, when we launch a new platform, the first phase of that is about education. So first quarter was dedicated towards educating and increasing awareness to the platform. The second phase, we're going to be talking more directly to our target segments who over-index the Biggie platform like families and snackers. We also have the opportunity to drive some innovation into the Biggie platform later in the year to continue to accelerate adoption. So really happy that we made that change, confident that it will lead to good results long term.

Suzanne Thuerk*Chief Accounting Officer*

Yes. And Margaret, just in terms of weather impact for the quarter, it was about a full point to the quarter, both between -- more significantly in January, but between January and February.

Operator

Our next question comes from Brian Mullan of Piper Sandler.

Brian Mullan*Piper Sandler & Co., Research Division*

Ken, in a prior answer, you laid out some of the plans for the year that are giving you some confidence, all of which is helpful to hear. My question is, if you take a step back, do you think the system ultimately needs some sort of larger scale investment or capital infusion from corporate in order to support Project Fresh and make sure that the plan succeeds in the way that you'd like? Some of this stuff has happened before you got there, you're here, you have a smart strategic thoughtful plan. Just would love to get your perspective of if it might need a bit of more investment?

Ken Cook*CFO & Interim CEO*

Yes, it's a great question. It is something that we're talking about, something that we're looking at, evaluating all the various options. What we saw for 2026 under Project Fresh is the most important investment that we could make in the system right now is the system optimization pillar. So as Suzie laid out, that's going to be about a \$15 million to \$20 million headwind for us this year. So that -- I consider that an investment in the system to help improve franchisee economics. So that's number one.

We are also increasing investment in our U.S. field resources teams, evaluating doing even more of that to help support our franchisees roll out and implement these operational excellence programs. Again, we saw really good progress in the first quarter. When we focus on things, we do see results. We wanted to focus on accuracy and cleanliness. Why? Because those were the 2 areas that customers told us we had the biggest opportunity to improve it. So we rolled out menu item label printers from less than half of the system to over 85% of the system, we saw accuracy scores increased quarter-over-quarter by 170 basis points. We launched a White Glove cleaning program across the system and saw cleanliness scores increased by 160 basis points. And in fact, we saw all customer satisfaction elements increase quarter-over-quarter.

The other thing I would say is it was broad-based. So when we look at the bottom-performing restaurants, where we are applying the most focus, we saw 70% of those restaurants improved their scores quarter-over-quarter. And I do want to call out and say thank you to the franchisee community just for the energy and engagement that they have shown towards this to help us make progress most quickly. So we'll continue to evaluate what investments make the most sense. I think there is a sequencing process that goes on as well. Right now, we're focused on the pillars of Project Fresh operational excellence, and we'll move on from there.

Operator

Our next question comes from Jeffrey Bernstein of Barclays.

Jeffrey Bernstein

Barclays Bank PLC, Research Division

Great. Just a question on the broader consumer. Wondering whether you've seen a change in consumer behavior beneath the surface? There's lots of talk about the lower income consumer, increasingly cautious, more recently accentuated by the higher gas prices, assuming it's somewhat difficult for you to assess because it might be masked by early improvements with your Project Fresh, but anything you're seeing to demonstrate a change in behavior, whether it's a change in the value mix or a movement within the -- well, the Biggie Deals are relatively new, but maybe you could offer some color on the mix across the different price tiers?

And then my follow-up is just a clarification. I know in March of '25, which feels like a decade ago, but you offered 2028 guidance for unit sales, EBITDA. Obviously, the business has slowed a little since then. Should we be thinking that any of those components might be more or less at risk as we think about kind of the early turnaround strategy?

Ken Cook

CFO & Interim CEO

Yes. Thanks for the question, Jeff. In terms of 2028, we still plan on getting there, it's a question of when. Obviously, 2025 did not play out as we expected. I think we find ourselves in a different place than we were back in March. So probably too soon to talk about specifics around 2028. Still confident we have fantastic opportunities to grow outside the United States. We're working on all the right things inside the United States. Obviously, the EBITDA now is much different than we talked about then, so too early to get into 2028.

From a Biggie platform, again, it's early days in the Biggie platform. We just launched this in the first quarter. We're really excited about this new approach to value. We think it's going to pay dividends over the long term. From a mix perspective and a customer perspective, I'd say a little incremental weakness as we moved into March and April. Obviously, a lot of uncertainty, gas prices are top of mind, but Suzie, do you want to add any more color?

Suzanne Thuerk

Chief Accounting Officer

Yes. I mean, in Q1, we saw much of what we saw throughout the end of last year. So we're performing better with the higher income consumer than the lower-income consumer. We do see continued pressure on the lower income consumer, which is contemplated in our outlook.

Operator

Our next question comes from Dennis Geiger of UBS.

Dennis Geiger

UBS Investment Bank, Research Division

I wanted to ask a little bit more about day parts and specifically the reduction in some of the morning hours and extending the late night hours, if anything more that you could share on what you're seeing there, particularly at late night? And then if you could just remind us ballpark, what percent of the system now has breakfast? And is that a good long-term figure to think about? Or could that number change going forward?

Ken Cook

CFO & Interim CEO

Yes. Thanks for the question, Dennis. Breakfast remains an important day part and growth opportunity for many restaurants in the system. Under Project Fresh, we are optimizing the system, working hand-in-hand with franchisees by providing flexibility on hours of operation where it makes sense based on everything we've learned and based on the current environment. Obviously, breakfast has been the most challenged day part across the industry. That's true both last year and this year. And we're seeing the same thing. When we provide flexibility to the franchisees on the early morning hours, it does allow them to redeploy resources to other dayparts where the opportunity is larger. Late night is a great example of that.

When we look at the growth by day part, breakfast was our worst-performing day part in the quarter and late night was actually the best-performing day part in the quarter. I think we can continue to leverage our Biggie Deal platform to grow late night and excited about the opportunities there. We're still working with franchisees to get to the best ultimate solution on breakfast. So we'll come back and give you an update when all that work is complete. For the quarter, breakfast did negatively impact U.S. SRS by more than 100 basis points. A large part of that was the hours of optimization or hours of operation optimization that we implemented under Project Fresh.

Operator

Our next question comes from Chris Carril of KeyBanc Capital Markets.

Christopher Carril

KeyBanc Capital Markets Inc., Research Division

Could you maybe expand a little bit on your outlook around company-operated restaurant margins, I think, around 13%. Just I guess taking into account your inflation guide, I think you said around 4% for both labor and food costs, if I have that correct. And then just kind of how that company-operated restaurant margin compares to what you're seeing more broadly throughout the system, and your expectations here just going forward around that margin?

Suzanne Thuerk

Chief Accounting Officer

Yes, I'd say in terms of the sequencing and pacing of the margin, Q1 historically has the lowest margin, just with the weather pressure. So you can expect to see a more consistent margin Q2 to Q4 to get back into our outlook of 13% plus or minus 50 basis points. You had your points right of 4% in both commodity and then labor inflation. Commodity inflation will be first half heavy with the continued inflation in beef prices. So if you think about first half versus second half, first half will be in the high single digits in overall commodities on the backdrop of double-digit beef inflation. But then as you trail off into the second half as we start to lap those higher beef costs in last year and then overall commodities for the second half, you can expect in the low single digits along with beef inflation.

Operator

Our next question comes from Danilo Gargiulo of Bernstein.

Danilo Gargiulo

Bernstein Institutional Services LLC, Research Division

Great. And it's very encouraging to see that your own stores are performing better than the rest of the franchise system. And I'm wondering, why aren't franchisees following your lead on ops excellence? And one would think that they have greater incentive to strengthen the P&L, but they seem to be lagging despite your field ops effort. So have they given up and maybe directing their investment elsewhere in the portfolio? And if that is the case, how could you accelerate the transition from less committed franchisees to more committed ones?

Ken Cook

CFO & Interim CEO

Danilo, great question. I would characterize the franchisee partners that we have as very committed to this. So we've already had franchisees representing 25% of the restaurants in our system fully adopt the program, fully adopted. We have another 25% that are currently adopting the program. So that gets us to half the system. And when we think about this, we just launched these improvements, right? Project Fresh we launched in the middle of the fourth quarter. So we're still very early innings. I'm actually very pleased with the adoption that we've seen so far and expect it to continue to grow as we move throughout the year.

The other thing that we've done intentionally under the One Wendy's mindset increased engagement with the field. So every other week, we have a system-wide call with all franchisees where the President of our U.S. business, our Chief Marketing Officer for the U.S. meets with franchisees, gives them updates on what we're seeing, where they can do better and where we can learn that from them. So we ask the franchisees, hey, send in your best ideas about how to accelerate cleanliness, how to accelerate accuracy, and that partnership is really working well. That also helps create a lot of energy in the system.

I think that's one of the things that excites me most, as I attend these calls is just the energy that you hear from franchisees. We launched the White Glove cleaning program. A lot of franchisees will send us videos, before and after looks of the restaurants, really proud about how great they looked afterwards. So again, overall, really pleased with the adoption and expect that to compound with other initiatives to accelerate growth as we move into the back half of the year.

Operator

Our next question comes from Sara Senatore of Bank of America.

Sara Senatore

BofA Securities, Research Division

You mentioned that you're positioning Wendy's as kind of the everyday upgrade in QSR. But I think one of the things you've heard over this earnings season is that some of the fast casual burger restaurants are getting more promotional and sort of price points are slipping perhaps down to something that's competitive with QSR. So as you think about the broader competitive set, how are you -- I guess, first of all, who do you consider your competitors? And also, how are you distinguishing yourselves against perhaps like fast casual or even casual dining, where again, the price points are starting to creep into or have been creeping into the QSRs?

Ken Cook

CFO & Interim CEO

I think it's largely different markets. Our core competitors is QSR burger. That's who we're focused against, and we are going to reestablish our position as the highest quality choice in QSR starting with the highest-quality hamburgers in QSR. We started that journey in the first quarter of this year. We've seen the food improve, making the best hamburger in QSR even better. We've seen us upgrade our Spicy Chicken Sandwich and excited about those. And we're also enhancing the customer experience. All those things will work together, and they'll get even stronger as we move throughout the year. So when I think about the calendar, the first half, I was excited about the innovation that we had there. Cheesy Bacon Cheeseburger and Jalapeno Ranch Cheeseburger were a good start, but it's going to get even stronger as we continue to incorporate the learnings from the customer segmentation work that we've done and our brand essence as we move throughout the year.

Middle of the year, we have Minions & Monsters collaboration. So broadly appealing collaboration that's going to allow us to get a lot of new people into our restaurants, and they're going to have a much better experience because of all the operational excellence things that we did. We're also -- the Minions collaboration, we're going to feature our Big Bacon Classic and Spicy Chicken Sandwich, our big, high-quality premium sandwiches. We're going to pair that with a banana Frosty. And we're also going to be leveraging our Freestyle machine to have 2 character theme drinks, and we also have adult and kids collectibles. So excited about all that work positioning Wendy's as the highest quality choice in QSR.

Operator

Our next question comes from Brian Bittner of Oppenheimer & Co.

Brian Bittner

Oppenheimer & Co. Inc., Research Division

I'm just trying to figure out the math around your guidance for flat system-wide sales for this year. Can you perhaps maybe remind us what is embedded and that from a U.S. comp perspective for the full year? It seems like based on your 2Q guidance and where April trends are the comps going to remain pressured. So just as we look towards the back half, I'm really trying to get an understanding of how big of an inflection you are embedding and getting to this flat systemwide sales outlook?

Ken Cook

CFO & Interim CEO

Yes, it's a great question, Brian. I'll start, and then I'll let Suzie weigh in. But let me start just from a strategic perspective. The step-up in the second half is going to be driven by the compounding of several initiatives that are going to scale and be self-reinforcing throughout the year. I'll walk you through a couple of those, starting with marketing. We have seen improving top of mind awareness based on what we were able to do on social media. We see -- we completed the brand essence at the beginning of kind of in the middle of Q1, and we're beginning to incorporate that in our programming.

Media effectiveness. We have a new media agency coming on board that's going to help us with a more sophisticated audience-based approach that's going to leverage everything we've learned about our customers, which is going to help us be much more effective from a media perspective. And then when you look at the cadence of media spend on a national basis year-over-year, that gets a lot stronger in the second half of the year. If you remember, in 2025, our media spend was very front-end loaded. So that means this year, we've changed that approach and we have consistent spend throughout the year. But that means when you look at it from a year-over-year basis, media spend is still going to be down year-over-year in the first half and then significantly improve in the second half. So that is going to help.

And then when you look at operations, we saw great improvement in voice of customer scores in the first quarter. That's going to continue to scale as we move throughout the year. And when we do that, that helps improve frequency and helps increase the effectiveness of ad campaigns, especially things like Minions, when you get new people into the store, they have a great experience, they are going to come back.

And we talked a little bit about the calendar in Minions, but we're going to follow that up with the Pretzel Bacon Pub Cheeseburger, which we're really excited about. And if you look at the way we launched that, we had a Bring-it-Back Bracket during our March Madness campaign, and we let our fans vote on which item from Wendy's past they wanted to see us bring back. The Pretzel Bacon Pub Cheeseburger won, and we are going to bring that back in the second half of the year. So there is step up. I think all those things support it, some of the more tactical things from a media spend perspective, it helps, and then don't forget we have the 53rd week in the back half as well, which provides a boost. Suzie, anything to add?

Suzanne Thuerk
Chief Accounting Officer

Yes. No. I mean if you think about the 53rd week, obviously, an outsized impact in the second half and especially in the fourth quarter. But other than that, you hit on all points.

Operator

Our next question comes from Andrew Strelzik of BMO.

Andrew Strelzik

BMO Capital Markets Equity Research

Question. I wanted to ask about the international business, which has been a relative bright spot, but would love to hear some color on potential impacts from the geopolitical dynamics? And gas price is that environment that's going on, particularly in terms of the U.K. given the energy situation there?

Ken Cook

CFO & Interim CEO

Yes, Jim, thanks for the question. Let me start by saying that we're thrilled about the agreement to open 1,000 restaurants in China over the next 10 years. Just to put that in perspective for everyone, that is the largest development agreement in the company's history. So it's the largest development deal that Wendy's has ever signed, and it's in one of the most important markets in the entire world. So we're thrilled. I think that's a very strong proof point that the international strategy is working.

So thanks to E.J. and his team, E.J. Wunsch, our President of International, for making that happen. The decisions to invest in on-the-ground talents in the regions helped us reach that deal. And when you're entering a market like China, it's very important that you pick the right partner and we have a great one. We have a partner with decades of operating experience in China, who has a great understanding of the Chinese consumer, and we're working closely with them to develop launch plans that ensure success. We cannot wait until consumers in China get to taste the highest-quality hamburger in QSR. And we'll share the name when we get closer to opening our first restaurant there.

Overall, for International, I think there is some geopolitical noise, obviously, the situation in the Middle East. Fortunately, that's a very small piece of our total business. We are watching to see how that plays out from a construction supply material, from a cost perspective internationally. But if I look at percentage of international system sales, you're low single digits for that part of the world. So don't expect that to have a direct impact on international business.

Suzie, do you want to touch on?

Suzanne Thuerk

Chief Accounting Officer

Yes, we're definitely monitoring you mentioned U.K., highly inflationary both on the energy and the commodities front. But we're focused on controlling what we can control there. We have a new marketing agency that we're really excited about focusing on the delivery business over in the U.K. So the team has been doing a great job of really focusing on what they can control.

Operator

Our next question comes from Jim Salera of Stephens.

James Salera

Stephens Inc., Research Division

Two-part question for me. Ken, you had mentioned that the company-operated restaurants that have all the operational initiatives in place are seeing significant outperformance. Can you just give us a sense for what percentage of the franchisees in the U.S. have the same kind of optimized operational capabilities in place and maybe give us some sense of the timing of that rollout is part of that expansion embedded in kind of the back half acceleration implied in the guidance?

Ken Cook

CFO & Interim CEO

Yes, happy to, Jim. So we have franchisees in the system who operate restaurants exceptionally well, exceptionally well. Specific to the performance management cycle, the people activation, the enhanced training programs that we are rolling out, so far, we have 25 -- franchisees that represent 25% of the restaurants in the system have adopted those fully, have completed a full cycle of that performance management cadence and they are seeing good results. We have several proof points of franchisees who have adopted this and seen significant improvements in customer satisfaction scores, frequency and SRS. So happy that we are seeing that progress.

We have 25% -- an additional 25% that are in the process of adopting the same operating playbooks and initiatives, and we'll continue to grow that throughout the year. I think Pete Zark and the U.S. field teams have done a great job creating easy structures to help our franchisees adopt these. We are having regular business reviews with franchisees to help them improve in areas, and it comes to things like the menu item label printers. When we saw that, that would significantly increase accuracy, we accelerated the rollout of that. We got it to 85% of the system so far and seeing great results. So we'll continue to grow the number of restaurants that are fully -- have fully adopted that throughout the year, but really happy with the progress we've seen so far.

Operator

Our next question comes from Brian Harbor of Morgan Stanley.

Brian Harbour

Morgan Stanley, Research Division

In some of the consumer work you did recently, I guess anything else you've seen, do you feel like the, kind of, the burger quality you have, like the fresh beef things, do you feel like that's appreciated, do you feel like awareness is high? Or do you feel like that's shifted at all? And I guess more recently, as you've made some of these investments in both burgers and chicken, do you feel like that's something that's standing out and that you're able to get credit for?

Ken Cook

CFO & Interim CEO

Yes. Thanks for the question, Brian. I believe we have the best hamburger in QSR. We do a competitive taste test here and things like that. When I taste a Dave's Single versus or my favorite actually that Dave's Double, but when I compare that to our competition, there's clearly -- our product tastes clearly better than the competition. We are making it even better. We're excited about the new improved bun that we rolled out, a potato bun that's subtly sweet, softer. That's great, the improved condiments.

But I think you're right. We have an opportunity to tell that story more. That's also part of the transition to the Biggie Deal platform that we have. I think if you look over the last couple of years, we've spent a lot of marketing firepower doing price-promoted offers on individual products kind of focusing on the sales overnight as opposed to the brand over time, we're going to be more balanced going forward. We're going to have the reinforcing message of 100% fresh never frozen beef from farm to restaurant in days, not months, like our competition. And we think that is a winning proposition here in the U.S. So expect us to lean more into quality as we reestablish ourselves as the highest quality choice in QSR.

Operator

Our final question for today comes from Rahul Krotthapalli of JPMorgan.

Rahul Krotthapalli

JPMorgan Chase & Co, Research Division

Can you remind us on the CapEx breakout across the buckets for new development remodels and maintenance and technology on corporate CapEx? And the follow-up is on the 23 U.S. gross store open...

Suzanne Thuerk

Chief Accounting Officer

Yes. Rahul, in terms of the CapEx breakout about \$9 million of that is really development and that includes our Build-to-Suit program. In terms of IT spend, we have about \$5.4 million. And then operations and others make up the rest of the \$16.5 million here in Q1.

For restaurant openings, just to touch on that. We highlighted that we expect international net restaurant openings to be about similar to last year. As we execute on Project Fresh within the U.S., that's really our focus as we shift our priority in investing in profitable AUV growth versus net unit development in the U.S. So more to come on that in the future.

Aaron Broholm*Head of Investor Relations*

And that was our last question on the call this morning, I'll turn it over to Ken for final closing comments.

Ken Cook*CFO & Interim CEO*

Thanks, Aaron, and thank you all for joining us today. As we close today's call, I do want to reiterate that while we are still in the early innings of our turnaround, we are encouraged by the progress that we're making, including our brand revitalization work, the improvements in operational performance and customer experience and the progress we've made on our system optimization initiative. I also want to thank our franchisees, our restaurant teams and our company employees across the system for their continued commitment for delivering great experiences for our customers every day and for executing our Project Fresh turnaround plans with urgency and focus. So thanks again for joining us today. We appreciate your continued support and look forward to talking again soon.

Operator

This concludes today's conference call. Thank you all for joining. You may now disconnect your lines.

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