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Q2: 2025-08-08 Earnings Summary

Insights



EPS of \$0.29 **beats by \$0.04** | Revenue of \$560.93M (-1.72% Y/Y) **beats by \$2.90M**

The Wendy's Company (NASDAQ:[WEN](#)) Q2 2025 Earnings Conference Call August 7, 2025 8:30 AM ET

Company Participants

Aaron Broholm - Head of Investor Relations

Kenneth Cook - CFO & Interim CEO

Suzanne M. Thuerk - Chief Accounting Officer

Conference Call Participants

Brian Hugh Mullan - Piper Sandler & Co., Research Division
Danilo Gargiulo - Sanford C. Bernstein & Co., LLC., Research Division
David Sterling Palmer - Evercore ISI Institutional Equities, Research Division
Dennis Geiger - UBS Investment Bank, Research Division
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Jeffrey Andrew Bernstein - Barclays Bank PLC, Research Division
Jon Michael Tower - Citigroup Inc., Research Division
Margaret-May Binshtok - Wolfe Research, LLC
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division

Operator

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

Aaron Broholm

Good morning. and thank you for joining our fiscal 2025 2nd quarter earnings conference call. After this brief introduction, Ken Cook, Interim Chief Executive Officer, will provide a business update and then Suzie Thuerk, Chief Accounting Officer and Global Head of FP&A, will review our second quarter results, share capital allocation priorities and our updated 2025 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.

Kenneth Cook

Good morning. We appreciate you joining us today for our second quarter 2025 earnings call. Before we dive in, I want to say how honored I am to lead this great company. Wendy's has a powerful brand, a strong foundation and significant opportunity ahead. I want to start by thanking our franchisees and employees for their commitment to our customers and the progress we have made on our strategic initiatives.

Our U.S. top line results and rest of year outlook are below the expectations we set at the beginning of the year as the consumer and competitive environment looks much different today than we anticipated. While our long-term strategy remains unchanged, we are increasing our focus to improve both execution and performance.

I'll walk through the lessons we have learned and the actions we're taking as a result shortly. But first, I want to share why I'm so excited about the future and the opportunities we have to create value for our franchisees, employees and shareholders.

Wendy's is an iconic brand loved by generations around the world, built on having the highest-quality food in QSR made from the best ingredients like fresh, never-frozen beef and has a track record of successful innovation for more than 55 years. We have over 7,300 restaurants across 35 countries and territories, with significant white space opportunities to expand our global footprint.

Our franchisees and employees are deeply committed and passionate about the long-term success of the business, and we have a solid financial foundation with over \$315 million of cash on our balance sheet, over \$0.5 billion in annual adjusted EBITDA and significant free cash flow generation to continue investing in long-term growth and returning cash to our shareholders.

When I took on this role in July, the first thing I did was speak with our franchisees, reinforcing that our primary focus is enabling their success while accelerating long-term growth for the system. I firmly believe in the importance of a strong partnership between the company and our franchisees, part of a concept, you will hear me refer to as One Wendy's.

The next thing I did was spend time in our restaurants. And I saw firsthand the passion and enthusiasm our teams have for the brand and the quality of our food. These visits have provided me with valuable insights on areas for improvement that we will put into action. With that context in mind, I'd like to take a few minutes to share what's working, what's not and where we are taking immediate action to improve the business and strengthen our foundation.

Let's start with what's going well. First is net unit growth. We have opened 118 new restaurants in the first half of the year, and we remain on track to deliver between 2% to 3% net new unit growth for the full year.

Next, our International business continued its strong growth trajectory. In the second quarter, the International segment delivered systemwide sales growth of 8.7% and grew adjusted EBITDA by 23.9% while continuing to make investments that enhance our global capabilities.

Third, we are seeing early progress that our investment in operational excellence is paying off. In the U.S., we have improved both our traditional and our digital customer satisfaction scores. We know there is a high correlation between customer satisfaction and sales growth and are confident that the continued improvement here will result in increased frequency by our customers.

Turning to our U.S. business, we are not happy with our sales performance. Our recent results are driven by a combination of dynamic consumer behavior and a more challenging competitive environment. This highlights the need to sharpen our focus and execution.

Let me share the three key actions we are taking to drive improvement. The first is knowing our customers better and reaching them more effectively. You will see Wendy's be more agile in addressing changing consumer taste and the competitive environment. We are leveraging new data analytics capabilities to enhance our understanding of how consumers are behaving, both inside the Wendy's system and at our competition, all in close to real-time.

While we have historically done this through leveraging our loyalty program and third-party data, we now have the capability to analyze the large majority of our transactions. This provides us with better and more comprehensive insights and enables us to tailor both our marketing and menu innovations directly to customer preferences.

We've also initiated a review of our media effectiveness to ensure our advertising dollars are working as hard as possible in the areas that will have the greatest impact for our brand. We must be more precise and efficient in how we support key product activations, and we'll continue to evaluate and maximize our capabilities in this area.

The second is reducing programming complexity and increasing focus. This summer, we learned that when we have too many priorities, we have none. Our 100 Days of Summer programming included promotions on beverages, breakfast, meal deals, digital exclusives, our Takis collaboration and more.

This looked great on paper as it had something for everyone. However, the volume of initiatives made it challenging for our restaurant teams to execute effectively and sent too many different messages to our customers. Based on this experience, we have simplified our calendar for the back half of the year.

Lastly and most importantly, is strengthening the partnership with our franchisees. Our franchisees play a critical role in our success. We recently brought U.S. franchisees together to align on upcoming menu innovations, and they left excited about the new products and our strategy to drive growth.

In recent weeks, they provided feedback on the volume of change in the second half of the year, which helped shape our decision to retime some of our planned programming and innovation so we can execute them with excellence and continue elevating the customer experience across our system. By continuing to strengthen our franchise relationships, we will drive improved results and ultimately reach our full potential together as One Wendy's.

Additionally, we are thrilled to have Pete [Sirkin] leading our U.S. business. Pete has earned the trust of franchisees over his 5 years leading our purchasing co-op. He has a bias for action and is already working to better integrate franchisee perspectives into our plans.

Now turning to our second quarter results. Global systemwide sales declined 1.8%, driven by a decrease in U.S. same-restaurant sales. In the U.S., April results were soft. And while we did see improvement in the last 2 months of the quarter, driven by the launch of new additions to our Frosty platform, overall demand recovered more slowly than we expected. Moving to our International business, we continue to see strong performance with systemwide sales growth of 8.7%, including growth across all regions.

For the total company, we delivered adjusted EBITDA of \$146.6 million and earnings per share of \$0.29. Both were above the second quarter last year as we increased productivity in our restaurants and continue to manage costs prudently. We also returned over \$88 million to shareholders through dividends and share repurchases in the second quarter for a total of over \$262 million returned to shareholders through the first half of the year.

Now let me provide an update on our three strategic priorities that will fuel long-term profitable growth. Starting with Fresh Famous Food. Following the success of our Girl Scouts Thin Mints Frosty collaboration in the first quarter, we launched Frosty Swirls and Frosty Fusions in mid-May. These new launches performed well, with Frosty sales up over 30% year-over-year in the second quarter.

Looking ahead, based on the lessons from the first half of the year and feedback from our franchisees, we have simplified our programming calendar in the second half of the year to ensure that we can execute with excellence and effectively reach our customers. During the second half of the year, we're focused on two things: chicken innovation and the launch of our new beverage lineup.

Starting with chicken, we launched a collaboration with Netflix for Wednesday, one of the streamers most popular series. This coincided with the much anticipated season 2 premiere this week. We are featuring a Meal of Misfortune, including chicken nuggets, a new lineup of 4 mystery sauces hot and crispy fries and the Raven's Blood Dark Cherry Frosty Swirl, all with Wednesday-themed packaging.

In the fourth quarter, we'll be extending our chicken lineup by launching new chicken tenders. Our chicken tenders are crafted using the highest-quality ingredients, including 100% white meat, coated in light, crispy and flavorful breading.

Through testing, it was clear that consumers could taste the difference. I believe we are delivering exactly what customers want, a craveable, juicy and all-around delicious product in a fast-growing part of the protein market.

We're also rolling out a modernized and improved sauce lineup with the launch of our chicken tenders with 6 new varieties of sauces, including my personal favorite, sweet Chili and a new Wendy's signature sauce with a tangy kick I think our tenders and sauces are fantastic, and I'm confident our customers will love them too.

Now turning to beverages. Beverage innovation will be a key enabler of growth across multiple dayparts, especially breakfast and snacking occasions. Customers are deeply habitual in the morning, and behaviors often center around beverages. We're thrilled with our new beverage innovation.

Our new lineup that launched this week includes a cold brew formulation and indulgent offerings with cold foam, each crafted to elevate our breakfast and beverage experience. Over the past several years, coffee preferences have shifted towards cold brew as approximately 40% of QSR coffee servings are now cold. This new cold brew lineup allows us to better serve our existing customers and attract new ones.

And we aren't stopping there. For our customers who like their coffee hot in September, we're transitioning to a new hot coffee blend crafted for a lighter roast and made from 100% arabica beans. This week, we also extended our caffeinated offerings to include refreshing sparkling energy drinks, the fastest-growing beverage category in QSR with serving growing approximately 50% over the past year.

Our delicious new cherry limeade and pineapple citrus energy drinks are enabled by the customization available through our Coca-Cola Freestyle machines. We have the highest-quality food in QSR, and we now have a beverage lineup that is just as compelling.

Moving on to our next strategic pillar. We are focused on delivering an exceptional customer experience, which is a critical step to increasing customer frequency. We recently completed the staffing of our expanded U.S. field teams and are making progress on restaurant assessments and training. These investments are already showing positive results. Our teams are gaining valuable insights to drive greater accuracy, productivity and hospitality.

In addition to the in-restaurant experience, we are also improving the digital customer experience. Our U.S. loyalty sales grew 25% in the second quarter, driven by strong digital conversion that reached another all-time high. This drove global digital mix to 20.5% of total sales.

Additionally, our FreshAI platform is getting smarter and continues improving the drive-thru experience with unique menu recommendations for each order. Taking into account factors such as seasonality and popular items in the area, FreshAI is driving stronger sales.

We are pleased with how FreshAI is enhancing the customer experience and is one of the reasons same-restaurant sales at U.S. company-operated restaurants outperformed the U.S. system in the second quarter. While we are in the early innings of our customer experience journey, we are pleased with the initial results that our investments are generating.

Moving to our third strategic pillar, accelerating net unit growth. Global expansion continues to be a powerful growth engine for us. In the second quarter, we opened 44 new restaurants across the globe, 21 in the United States and 23 internationally, reaching a total of 118 new restaurant opens year-to-date.

In addition to these openings, I'm excited that E.J. and his team have strengthened our development pipeline this quarter with new agreements to build 190 restaurants outside the U.S. This includes 170 restaurants in Italy over the next 10 years and 20 restaurants in Armenia over the next 5. Our expansion into these European markets was enabled by the strategic investments we have made to enhance local resources, including our regional headquarters in London and the development of an integrated European supply chain.

These new agreements are in addition to commitments we shared last quarter for 25 new restaurants in Mexico and 30 in Chile over the next 5 years and are a proof point that The Wendy's brand continues to resonate around the world. These represent important steps that will help us reach our 2028 targets. And for 2025, we remain on track to grow net units between 2% and 3%.

Turning to our outlook. The environment today is very different than we anticipated at the beginning of the year, driven by dynamic consumer behavior and a more challenging competitive environment. Our updated outlook includes these factors as well as the changes we made to our programming plans in the second half of the year.

We now anticipate full year global systemwide sales to decline between 3% and 5%. We expect adjusted EBITDA to range between \$505 million and \$525 million and adjusted EPS of \$0.82 to \$0.89. Importantly, we are maintaining our guidance for net unit development and are well on our way to achieving our full year net unit growth target of 2% to 3%.

Before I close, I will turn it over to Suzie Thuerk to provide more details on our second quarter results and our outlook. Suzie is our Chief Accounting Officer and Global Head of FP&A. She has been with Wendy's for over 11 years, serving in finance roles of increasing responsibility.

Suzie, over to you.

Suzanne M. Thuerk

Thank you, Ken, and good morning, everyone. I'm excited to join today's call and continue supporting the teams as we execute against our shared strategic priorities. Together, as One Wendy's, we are focused on driving long-term value for our franchisees and shareholders.

I will start with our second quarter results, including an update on our operational initiatives and capital allocation during the quarter, followed by an update on franchisee financial performance. And last, I will share more details around our outlook for the remainder of 2025.

In the second quarter, global systemwide sales declined 1.8% on a constant currency basis. This was driven by a decline in the U.S., where same-restaurant sales were down 3.6%. This was partially offset by higher systemwide sales in our International business.

The decline in U.S. same-restaurant sales was driven by a decrease in traffic, partially offset by a higher average check. Same- restaurant sales at our U.S. company-owned restaurants outperformed the U.S. system by almost 300 basis points, declining 0.7%.

This [outperformance] was driven by a strong third-party delivery growth and the implementation of our digital menu boards and FreshAI automated ordering technology. We are encouraged by this performance because it demonstrates that the changes we're implementing in our company-owned restaurants are working and can be scaled across the system.

Shifting to our International segment. The Wendy's brand continued its strong momentum across the globe, delivering growth of 8.7% in systemwide sales and 1.8% in same-restaurant sales in the second quarter.

We achieved systemwide sales growth across all regions with some of the fastest-growing markets, including Japan, where we have brought to life local partnerships, driving a 27% increase in systemwide sales; and in Mexico, where we saw a 16% increase in system-wide sales and continue to bring innovation and value to our local customer. This underscores the strength of our global brand and the investments we are making in regional capabilities.

Moving to the P&L. Total adjusted revenue was \$449.6 million, a decrease of \$6.1 million due to lower U.S. systemwide sales. Company advertising spend decreased by \$5.5 million, and G&A expenses decreased by \$2 million. These items were partially offset by a modest decline in U.S. company-operated restaurant margin. This resulted in adjusted EBITDA of \$146.6 million, an increase of 2.5%.

Shifting to margins, global company-operated restaurant margin was 15.6% for the second quarter and U.S. company-operated restaurant margin was 16.2%, a contraction of 30 basis points year-over-year. The change in U.S. company-operated restaurant margin was driven by higher commodity costs, wage rate inflation and a decline in traffic.

These were partially offset by higher labor productivity, supported by lower turnover and improved training, which are a result of executing on our operational improvements in the restaurant as well as higher average check compared to the prior year. Adjusted earnings per share was \$0.29, an increase of 7.4% to the prior year, driven by 13.5 million fewer shares outstanding and the increase in adjusted EBITDA.

Turning to free cash flow. A hallmark of Wendy's is strong free cash flow generation. And we continue to do that, generating \$109.5 million of free cash flow in the first half of the year.

As we shared last quarter, our definition of free cash flow now reflects investments in our Build-to-Suit program to accelerate global net unit growth. Our new definition of free cash flow is net cash provided by operating activities less capital expenditures, less Build- to-Suit franchise development fund investments.

Moving on to capital allocation, our first priority is investing in the business, and we are optimizing spend to areas with the greatest growth potential. During the second quarter, we invested a total of \$32.1 million into the business, including capital expenditures and our Build-to-Suit development program. Capital expenditures included \$10 million in technology initiatives like our digital menu board and FreshAI rollout.

We also invested \$16.9 million in restaurant development for both company-owned restaurants and through our Build-to-suit franchise development program. Through the Build-to-suit program, we opened 6 new restaurants, 1 in the U.S. and 5 in the U.K. and Canada in the second quarter.

Our second priority is paying an attractive dividend. And today, we announced our third quarter dividend payment of \$0.14 per share. Our next priority is maintaining a strong balance sheet. We ended the second quarter with over \$315 million of cash on the balance sheet and a net leverage ratio of 4.5x, which is in line with prior quarter. Year-to-date, we have paid down \$14.6 million of our whole business securitization debt principle.

Finally, we believe cash belongs to our shareholders and have continued to use share repurchases to return cash to shareholders. During the second quarter, we repurchased 4.8 million shares for approximately \$62 million. And year-to-date through August 1, we have repurchased 13.8 million shares for approximately \$195 million.

Through the first half of the year, we have returned \$262.2 million of cash to our shareholders. This includes \$76.2 million in dividends and \$186 million through share repurchases. We are on track to return approximately \$325 million of cash to our shareholders in 2025. This is an increase of \$40 million compared to 2024. This return to shareholders highlights our focus on responsible and disciplined capital allocation that supports our long-term strategy.

Before I turn to outlook, I would like to provide an update on our franchisee financial performance. We recently completed the annual collection and analysis of financials across the system for 2024.

In 2024, our U.S. franchisees achieved average year-over-year sales growth of 1% and average EBITDA growth of 2%. And in Canada, 2024 average franchisee sales growth was 4%, with average EBITDA growth of 12%. This represents a healthy growth rate across a 5-year period, and our initiatives are squarely focused on continuing to strengthen the profitability of the system.

As a reminder, we implemented a new system to collect and analyze franchisee data at the restaurant level rather than collecting information at the franchisee level. This granularity is more useful to our franchisees as it enables them to benchmark performance against restaurants with similar characteristics.

It also enables our field teams to have more meaningful conversations with our franchisees. And now that we have the data, we're turning to the analysis and the insights to help both our franchisees and our company-operated restaurants improve profitability.

Now let's turn to our financial outlook. We continue to anticipate net unit growth between 2% to 3% for 2025. We also continue to expect strong sales and profit growth in our International business. However, based on our U.S. business second quarter performance, what we have seen so far in the third quarter and the shift of certain programming initiatives from 2025 into 2026, we have updated our outlook for the full year 2025 accordingly.

Our updated outlook assumes the dynamic consumer behavior and challenging competitive environment persist throughout the remainder of the year. For the full year 2025, we now expect global systemwide sales to range from down 3% to 5% year-over-year. U.S. company-operated restaurant margin is expected to be 14% plus or minus 50 basis points. This includes an updated commodity inflation outlook for the year of approximately 4%, primarily reflecting continued inflation in beef prices.

We expect G&A to be between \$260 million and \$270 million and continue to represent approximately 1.9% of systemwide sales for the full year. We will continue to invest in the resources and technology needed to deliver on our strategic priorities while tightly managing discretionary spending. And we expect incentive compensation to be lower than our initial outlook.

As a result, we expect adjusted EBITDA to be between \$505 million and \$525 million. Interest expense will be approximately \$130 million as we continue to expect to issue \$400 million of whole business securitization notes late in 2025. We will use these proceeds to pay off \$400 million of debt, which includes \$50 million that matures in December 2025 and \$350 million in September 2026.

Taking all of these items into account, we now expect adjusted EPS to range from \$0.82 to \$0.89 per share. We continue to expect investments between \$165 million and \$175 million across capital expenditures and our Build-to-Suit program, resulting in free cash flow under our new definition to be between \$160 million and \$175 million.

In looking at the shape of the second half of the year, we expect the third and fourth quarter to be uneven, with a significantly larger decline in the fourth quarter due to prior-year comparison.

In closing, we are focused on disciplined execution. And as One Wendy's, we are taking deliberate actions to better position our business for long-term growth.

And with that, let me now hand it back to Ken.

Kenneth Cook

Thank you, Suzie. In closing, I want to reiterate my confidence in Wendy's strategic direction and our ability to capture the significant opportunities in front of us. Our global footprint is expanding, and international sales growth continues to be strong. We are acting with urgency to improve our U.S. business by knowing our customers better, increasing our focus and strengthening our partnership with franchisees.

I'm confident that by operating together as One Wendy's, these actions will strengthen our foundation and enable us to reach our long-term potential.

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

Aaron Broholm

Thank you, Ken. On September 18, we will be in New York City for an NDR hosted by JPMorgan. Then on September 23, we will be in Boston for an NDR hosted by Truist Securities. If you are interested in joining us at either 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. Your line is now open. Please go ahead.

David Sterling Palmer

Great. Great. Forgive me if I'm going to make you repeat yourself on some of this stuff, but I just would love to hear your just honest assessment about what is working, what is not working from a marketing value, menu perspective so far this year.

It sounds like you're moving from some collaborations and flavors that maybe less about Wendy's brand in the first half and maybe you're doing some more significant platform innovation that's really more Wendy's branded in chicken and beverage in the second half.

I'm not really sure how much you're planning on the investment sort of levels changing in the second half, how much is contemplated in that second half guidance. So any color about how you're strategically shifting, given what you've seen in the first half and the plans for the second half?

Kenneth Cook

Excellent. Great question, David. So I think it would be helpful to zoom out for a minute and look at how things have transpired over the year, and then we can talk more specifically about what we're doing about it in the second half of the year.

If we go back in December of 2024, we went into 2025, expecting industry traffic to be better than in years past. This was supported by our own forecasts and also multiple third-party forecasts. And we built a programming calendar that was built to perform well in that environment. We had a combination of quality messaging and value with innovation in Frosty, chicken and beverage, and we had 3 big collaborations with Takis, Wednesday and Girl Scouts.

As we started 2025, it was a noisy start to the year. We had weather significantly impacting us in the first 2 months of the year. And then in March, we saw the biggest decline in consumer sentiment in recent history. Consumers are behaving very differently, which resulted in a very different environment than we originally expected.

So we then went to our inventory of tested marketing moves. And candidly, we were not confident that what was in there would resonate well with customers in that environment. So that was a big learning for us that we're addressing by building up that inventory of tested marketing place.

So then, we put together the 100 days of summer. It looked great on paper. It had something for everybody, and it did ultimately have some bright spots in there. Frosty's performed well. A core menu innovation, combined with a successful media launch, Frosty sales were up 30% year-over-year in the second quarter, which was in line with our expectation.

Other programming as part of the 100 Days of Summer did not perform as well as we expected, \$3 on a Baconator, \$1 drinks at breakfast did not drive the incremental sales lift that we had expected. And then with Takis, we had a good week 1 of Takis, it was little bit better than we expected. But then in July, we saw U.S. SRS down between 5% and 6%.

So that led to another important lesson for us that we can't throw more programming at our restaurants or our customers than what we have the capacity to deliver with excellence. And I'm talking about capacity from both an operations and an advertising perspective.

So what are we doing about it? Based on the lessons that we learned, we took a hard look at the capacity we had in the second half, both operations and advertising, to deliver programming with excellence. This was based on our own testing and feedback from our franchisees and restaurant teams.

So we significantly simplified the second half to focus on the handful of items that we can deliver with excellence. We changed the timing of some big product innovations and moved those out of the second half of 2025 and into 2026. We stopped some of the broad \$1 promotions that we were running, and we're moving to a more focused and targeted discounting through the app that drive incremental traffic.

And for the second half, we're focusing the system on two things: chicken, including our collaboration with Netflix and Wednesday, and our new beverage lineup. And these are all going to be supported by the new data analytics capability that we're really excited about and that can unlock a lot of potential for us.

Operator

Our next question comes from Jeffrey Bernstein of Barclays. Please go ahead.

Jeffrey Andrew Bernstein

Great. One thing, just to clarify, I think, Ken, you just said that the -- I guess, the July U.S. comps were down 5 to 6. I just want to make sure I heard that correctly.

Kenneth Cook

Yes, Jeffrey. That is correct.

Jeffrey Andrew Bernstein

Got it. Otherwise -- my question is just a bigger picture on the franchisees. You talked about the One Wendy's partnership. I'm wondering if you can share based on your conversations, maybe their current sentiment, their alignment to improve the comp.

It would seem like value is more critical than ever. So I'm just wondering -- I know in your prepared remarks, you talked a lot about in the second half, collaborations, beverage innovation and chicken tenders. Other than that, I think you just mentioned maybe more value on the app.

But just trying to get a sense for franchisee sentiment and their willingness to perhaps be more aggressive on value, which seems to be what the competition is pushing more aggressively.

Kenneth Cook

Thanks for the question, Jeff. I would say, I've spent a lot of time with franchisees over the past several months and even more in recent weeks. And I would say Wendy's has a good relationship with franchisees today, but we have an opportunity to make it great. And by moving from good to great here, we can unlock tremendous value by operating together as One Wendy's.

And when I say One Wendy, that means ensuring the entire Wendy's system, our employees, management teams, franchisees, restaurant teams are all aligned on where we are going and working together to get there.

So I'll share a few quick examples of the opportunities. One piece of feedback from franchisees is they shared examples of when the brand would share info that would affect them with others before sharing it with actually our franchisees. And one example of that is the earnings call today. This causes a lot of back and forth and waste of time tracking down the truth.

So it's a small change, but we committed to tell them things in advance. So earlier this week, the SLT and I had a call with franchisees to let them know about the changes to the second-half programming before we went out and announced that publicly on the call today. So that's a small thing, but it does go a long way to establish a stronger partnership and enhance trust.

Another thing from franchisees is prioritization. They want prioritization, and we can help them do that in a big way. We need to better prioritize and sequence initiatives that take up capacity in the restaurants and require change in the restaurants. And doing that will help better set up our restaurant teams for success.

In order to prioritize, it's really important that we get all the best ideas on the table, on the front end, something that we're calling fresh thinking. We want all the best ideas on the table regardless of where they come from. And so we have a big opportunity to proactively solicit ideas from franchisees on a continuous basis.

Part of this will be a cultural shift, part of this will be creating a more efficient mechanism to do it. And we are actively working on both of those things and then communicating back to the system on all those ideas and helping them understand why certain things were prioritized and other things weren't.

And really excited to have Pete [Sirkin] joining the team. He's going to play a big role here. He's worked hand-in-hand with our franchisees over the past 5 years, leading our supply chain co-op. He has great relationships with him. He does a great job building culture, and he has a bias for action. So I could not be more excited for him to be on the team.

And then I guess, specific to your question regarding value, I think value is an important component of our menu strategy. We've talked about having really three components of craveable core, impactful innovation and relevant value, and really excited about leveraging the new data analytics capabilities that we have to more effectively target customers with value, especially targeting the customers that will result in increased frequency instead of just buying 1 or 2 trips to our Wendy's store. So that's where the focus is from a value perspective.

And then the last thing I'd say is, we do have the best value offering in the business with Biggie Bag. You can get a Junior Bacon Cheeseburger, fries, a 4-piece nugget and the soft drink all for \$5.

I think one big opportunity we have in both value and the rest of the menu is to retell our quality story. Wendy's was built on having the highest-quality food in QSR, we still do. And I think we have a big opportunity to reemphasize that with our customers, both value and premium.

Operator

Our next question comes from Rahul Kro of JPMorgan.

Rahul Krotthapalli

Clearly, there seems to be a lot of opportunity ahead to improve franchise operations and profitability, especially given all the details and the road map you guys laid out.

Is there a thought process around revisiting the U.S. franchise development, '26 and beyond, especially the funded franchise development, given the fact like the operations improvement could take a while before we see the divergence close between company and franchise performance? And I have a follow-up.

Kenneth Cook

Yes. Great, Rahul. Thank you for the question. I think we are committed to doing everything we can to help improve franchisee economics. We have some really exciting initiatives underway today.

One of those is the new data analytics capability that we have historically. We've relied on third-party data that gave us a view of national customer behavior with our competition. We're going to get a lot more granular and eventually have regional and restaurant-level visibility to help them inform their decisions and help us inform our decision. So really excited about the potential for that.

And then the other thing is this is the first year we've collected granular P&L details at the restaurant level. So really excited about the opportunities that we have to unlock profit growth through that. Suzie, why don't you share a couple of more details?

Suzanne M. Thuerk

Yes. Thanks, Rahul. So we are really excited about getting down to that restaurant level. In my prepared remarks, I mentioned the franchisee right now is -- we're having conversations at a franchise entity level. And now we're able to get down into specific areas of the P&L.

So for example, we're having detailed conversations about line items like take food waste or labor supplies, for example, and we're comparing those to benchmark within the system. And so we can take a restaurant that has performance within those ranges and apply those learnings into the restaurants with similar characteristics, and we're making immediate impact on the actions we can take to improve restaurant economics.

So we're having really good discussions, and that's a testament to the investments that we're making in the field. So those investments are paying off, and we're really excited.

Kenneth Cook

Yes. And one thing I'd add to that, Rahul, the more we can improve the economics of a Wendy's restaurant, the more franchises that we're ultimately going to sell, the more restaurants that we're going to open. So that is where we are focusing.

Rahul Krotthapalli

Perfect. And at what point do we start to see the customer satisfaction scores translating to the same-store sales growth, not just in the company stores, but also the franchise stores? And are you tracking that actively as well?

Kenneth Cook

We absolutely are tracking that. We believe that hospitality and enhancing the customer experience is one of the most important areas that we can use to drive customer frequency. And we have tremendous opportunity to increase the frequency of the folks who are already visiting Wendy's today.

And that customer satisfaction is a big tool that we can use to get there, which is why we invested in significantly expanding the U.S. field team earlier this year. and we are already starting to see progress in those areas.

If we look at overall customer satisfaction at orders through employees, that's actually up 140 basis points year-over-year, second quarter of '25 versus the second quarter of '24.

And then we had an even bigger improvement in our digital orders. Those orders, the improvements have really centered around two things: accuracy. So we've talked about deploying scale so that we can weigh those digital orders to make sure we're not missing anything. That has resulted in a significant improvement in accuracy in our digital orders. And then our hospitality scores are also up year-over-year. We're really excited about that.

And when we think about when that's going to drive frequency, I think it's kind of like a flywheel that has a cumulative effect. So we're up 140 basis points on employee orders year-over-year. We're going to continue to build on that. And I think the higher you go, the more impactful it becomes to frequency, and the frequency also builds on itself.

So if you think about somebody now, for example, that's coming to Wendy's once every 2 or 3 months, okay, if I increase that frequency from 3 months to 2 months and then they continue to have great experiences, we have the potential to increase it from 2 months to 1 month, and those continue to build on each other.

And the more velocity we can drive through these restaurants, further enhances the quality of the food and the experience that customers get. So it's a flywheel. We're early innings right now, but pleased with the progress that we've made so far.

Operator

Our next question comes from Brian Mullan of Piper Sandler. Please go ahead.

Brian Hugh Mullan

Ken, I'd like to get your perspective of something else that maybe is influencing the same-store sales, but I would like to hear what you're thinking. Earlier this week, the largest player in the industry essentially said, for a lot of consumers, their perception of value comes from the core menu and the prices they see on the menu boards.

I'm just curious to get your take on that for the industry and for Wendy's separate from the programming which you've discussed and even the value with the Biggie Bag. Is there anything that needs to be done to address the pricing of the everyday core menu?

Kenneth Cook

I appreciate the question. I think it's absolutely something that we'll look at, and we will have more capabilities to precisely answer that question with the new data analytics capability that we have. Obviously, it's something we look at. We know when we start talking about price, it's about several things. It's about the quality of food, it's about the experience that customers have and price. So that's one component that we'll be looking at.

Again, I think when you look at the legacy of Wendy's, it's really built on having that highest-quality food in the industry. So you're going to hear us talk a lot more about that moving forward. But yes, price and pricing contracts is one thing that we will evaluate with this new data analytics capability.

Operator

Our next question comes from Jake Bartlett of Truist.

Jake Rowland Bartlett

I had a question, and then I had a clarification. Actually, the clarification first. And that is just the comments on kind of running too much and having kind of a little bit of a cluttered marketing calendar, and what you've done in the back half is decluttered that and decreased it.

I just want to make sure I understand, was that -- I mean, was the problem from an execution standpoint, was it from a marketing standpoint, where the consumer may be didn't get one big loud message? But what was the problem with your marketing calendar to date? And why do you see a need to change it going forward? And then I had another question.

Kenneth Cook

Great question, Jake. I think in hindsight, again, when we drew it up, it looked great on paper because it did have something for everybody. I think we're -- what we found out and what we learned was that it created confusing messages to consumers.

When I walked up to Wendy's and I've seen 8 different deals at point of purchase, I wasn't sure what I was coming for. And so we created some confusion with customers. And then I think from a restaurant execution perspective, when you start launching all this volume of programming at them, it does require training and change. So even the point-of-sale terminals, we have to update those, and then the cashier has to be trained on how that works.

A personal example, I was in a Wendy's and somebody came in and ordered one of the new promotions that we are running. And the cashier, it took them 30 to 45 seconds to actually find the right key on the POS. So that's one small example that's illustrative of just the complexity of executing this in our restaurants and trying to throw too much at the system at one time.

So we did simplify the menu programming in the back half of the year. We're going to focus on two big things. We're going to do it exceptionally well, while at the same time continuing to enhance the customer experience through hospitality and accuracy, and we're really excited about what the cumulative effect of those things will be as we look towards the future.

Jake Rowland Bartlett

Great. And then just a question on chicken. There are some reports that you've changed your patty. Maybe just to make some comments there, just some clarifications of what has been done to the chicken pie that you're offering?

And then the other question was just about -- or part of that was about your focus on chicken in the back half of the year. Obviously, a focus for others a pretty -- an important category for the consumer but also pretty clouded. What is the thinking in terms of really focusing in there? And any other details on testing of your tender for instance, and just your approach there?

Kenneth Cook

No, happy to. So we continue to use the highest-quality ingredients in QSR. Obviously, different products will source things different ways just to make sure we have the best mix of price and value for our customer. I think in terms of chicken, obviously, it's been a very fast-growing protein within QSR, and we really like how our product stacks up against the competition.

So in the test that we ran, our chicken tenders performed better than our largest competitor and it performed towards the top of the entire competitive set, including those who specialize in chicken.

So we're really excited about the quality of this offering. And with the launch of the tenders, we're also launching 6 new sauces that we're really excited about, including a Wendy's signature sauce. So I think that's going to be great. And then this also gives us the ability to innovate off of this core menu item going forward, which also gives us a lot more potential to do things differently in that protein chicken category.

Operator

Our next question comes from Dennis Geiger of UBS. Please go ahead.

Dennis Geiger

I wanted to ask a little bit more on the company comp outperformance and specifically, what you mentioned and alluded to that you're seeing in third-party delivery, but more importantly, the implementation of the digital menu boards and the FreshAI. Anything more to unpack there, what you're seeing and kind of the lift that you're seeing across those initiatives?

Suzanne M. Thuerk

Yes. Dennis, this is Suzie. We're really proud of our company investments in the technology initiatives. And fun fact that you asked for, so our mix in our company restaurants is outperforming that of the system, and that's really driven by that automated ordering technology, recommending products based on seasonality or popularity of certain products. So really happy about that.

In terms of other initiatives, the training and employee turnover that we recommended, those are -- those investments are paying off in our restaurants, and we're really proud of that.

Operator

Our next question comes from Andrew Strelzik of BMO Capital Markets. Please go ahead.

Jared Robert Hludzinski

This is Jared Hludzinski on for Andrew. In the first quarter, you called out the breakfast daypart is softer than rest of day. Just curious if this trend has continued into the second quarter and if you could provide any additional insights on performance across the other dayparts.

Kenneth Cook

Yes. Thanks for the question, Andrew. Yes, breakfast continued to perform worse than rest of day in the second quarter, which makes sense when you look at what's happening from a consumer behavior perspective. When consumer uncertainty increases and consumers choose to eat another meal at home, breakfast is often the first place that they do that with. So yes, breakfast continues to perform worse than rest of day.

What we're doing about it is we are excited about our new beverage lineup. Obviously, breakfast is also a very habitual daypart that often centers around beverage. And so we are launching a new cold brew coffee to take advantage of some trends that we see in the marketplace, with cold foam add-ins for somebody who wants a more indulgent drink in the morning.

This is also easy for our restaurant teams to execute on the cold brew side. And then really excited about sparkling energy, which we think also has potential to browse both the breakfast daypart and rest of day, leveraging the Coca-Cola Freestyle machines so that we can offer something that's uniquely Wendy's in the pineapple citrus and the Cherry Limeade Sparkling Energy drinks. So both of those things, we think, are going to help us at breakfast as well as rest of day.

Operator

Our next question comes from Danilo Gargiulo of Bernstein.

Danilo Gargiulo

Great. First of all, I encourage you to hear that the franchisee EBITDA grew by about 22% in '24. I was wondering if you can help us understand how you expect the pressure that you see this year in terms of sales deleverage and common inflation perhaps increase, and we heard some larger players talking about mid-single-digit inflation due to this.

I was wondering if you can help us understand, what's your expectations in terms of unit growth for next year in the context of the franchisee leverage in the system? And whether do you expect to see some higher pressure from a closure standpoint next year? And if so, what do you expect Wendy's to do to step in and support franchisees in case that would be a possibility?

Kenneth Cook

Yes. Thanks, Danilo. So I'll start and then turn it over to Suzie to give some additional color.

The good news with our franchisee system is we are starting from a position of strength. So in 2024 in the U.S. and Canada, franchisees grew sales, EBITDA and margin. So that's the trifecta, and we're happy about that.

Obviously, when sales are down, it does put pressure on the system. That is why we are working so hard to grow the top line to improve hospitality and focus on the things that we can execute with excellence in the second half of the year, setting ourselves up really well for the longer term.

So overall, we feel good about the health of the U.S. system. Of course, there will always be restaurants that are -- that underperform the average, and we'll work with them on a case-by-case basis.

We also are very excited about the new tools and visibility we have to help them like the granular franchisee restaurant-level P&Ls that we have. And Suzie, why don't you share an example of that?

Suzanne M. Thuerk

Yes, these are the conversations that we're having with franchisees on a regular basis with getting that information on the restaurant level, we're able to have more proactive conversations. And franchisees aren't just sharing information with us and us with them, they're sharing it amongst each other. So that's really exciting to see as well, is that they're sharing what works across the system. And that will provide a flywheel for the restaurant economic model.

As I stated, we're in the early innings of this, and we're transitioning into the analysis and insights part of that program. But what we've seen thus far is very encouraging and really exciting for the system.

Kenneth Cook

Yes. And regarding your question on net unit growth, what we're focused on is creating an exceptionally compelling economic model at the restaurant level. And we feel very confident that when we do that, it creates a flywheel where a big pool model where people want to build restaurants as fast as they possibly can. So interest outlined there, and we feel very good about our prospects to continue our net unit growth trajectory in 2025 and beyond.

Operator

Our next question comes from Jim Salera of Stephens.

James Ronald Salera

I was hoping you might be able to give us a little bit of a debrief on the Takis collab and why that fell short after kind of a strong opening. And then if you can maybe also give us an update on the Wednesday, LTO compared to something like SpongeBob last year, just so we can get a sense for how that's performing and guest engagement on that.

Kenneth Cook

Yes, happy to. So starting with Takis, we saw week 1 perform well, in line with our expectations. And then we saw the following weeks tail off and underperformed our expectations by a little bit. That was due to multiple reasons. One of them was secondary trial. So we didn't see as much secondary trial as we had expected.

This is another thing, a learning for us that we have the opportunity to do more robust testing on some of these collaborations in advance that could flag things like that for us and help us optimize things like duration of collaborations like Takis.

Regarding Wednesday, we just launched this week. I would say it's performing in line with expectations, so we're pleased about that and excited to continue to use collaborations to get new people into Wendy's restaurants and then leverage our core menu and exceptional customer experience to bring them back time and time again.

Operator

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

Margaret-May Binshtok

I just wanted to ask on the 100 Days of Summer campaign. I know you guys talked a little bit about some messiness there, but was there any silver lining in terms of a slight bump in value perception? And then I know last time you guys talked about that platform leading into a full winter value calendar. Is that something that is still on the table?

Kenneth Cook

Yes. Thanks, Margaret. I think we need to be very clear about what the focus is to make sure everybody knows where we're going and is working together to get there. So we have simplified the programming calendar in the second half of the year to focus on chicken and beverage, and we want to make sure that we do those two things exceptionally well.

That being said, we know value is an important part of the menu, especially in this environment. And so we will continue to leverage our industry-leading value offerings there like our Biggie Bag. We do have a big opportunity to retell the quality story and remind customers that even for \$5, you are getting the best quality food in all of QSR. And we think that's a really compelling value proposition. So we'll continue to look at that.

The other thing that I'll say is, with the new data analytics capabilities that we have, has the potential to unlock some really impactful learnings for us as we start digging into the details over the coming months.

Operator

Our next question comes from Jon Tower of Citi. Please go ahead.

Jon Michael Tower

I just want to unpack your commentary regarding advertising spend. And specifically, you had talked about the idea of, I believe, concentrating a little bit more of your spending on these fewer campaigns, more impactful. When we're thinking about that, are you going to be spending a similar amount of dollars in fewer campaigns? And how as consumers should folks expect that to show up through different mediums throughout the year?

And then more broadly, as systemwide sales dollars are lower than they were last year, are you contemplating maybe adding company to the advertising budget? I know it's something that the brand has done in the past when you built out the breakfast platform in order to keep -- in order to build that out. Is that something you're contemplating now, given the underperformance this year?

Kenneth Cook

Thanks for the question, Jon. Let me start by saying we are extremely excited about the opportunity we have to increase the effectiveness of our media programs. The first step of that is this new data analytics capability that we have to be able to precisely measure the performance of certain advertisements and certain media campaigns and really get our finger on the true incrementality of those transactions and then be able to tell how successful we are at bringing those people back after those campaigns end.

So we have a tremendous opportunity. And we're also looking at how to optimize our mix of spend. So from linear and digital and social perspective, we think we have big opportunities there as well, especially when you think about Wendy's history as a leader in the social space, how do we get that mojo back and do some great things on social.

So those are all things that we're looking at. In terms of the company spend, we'll continue to evaluate all alternatives. When we find things that make sense and provide a good ROI for our franchisees and the company, those are investments that we'll make all the time. So that's definitely on the table as we evaluate what opportunities we have to improve sales and accelerate the flywheel.

Regarding your question on advertising spend, we do expect advertising spend to be down in the second half of 2025 and both on a year-over-year basis and relative to the first half of the year, and we factor that into our guidance.

If you think about the mechanics of it, as sales have come in below our expectations so far this year, it does compress the overall media budget that we have, which ultimately gets compressed into the back half of the year. So it has a larger impact as we near the end of the year, and that has been reflected in our guidance, but makes it really important that we leverage these new data capabilities to maximize the effectiveness of our media spend. And that's a work stream that we have already kicked off.

Operator

That was our last question of the call. I will now turn it back to Ken for a few closing comments.

Kenneth Cook

While I know that 2025 is not shaping up the way we wanted it to, I am so excited about our future. I've spent lots of time with franchisees and our restaurant teams over the past few weeks. And one of the things I know for sure is that there is a tremendous amount of opportunity in the Wendy's system to accelerate growth and significantly increase profitability.

This requires a lot of work, it requires bold decisions, and it requires us to focus on the handful of things that Wendy's can do better than anybody else. Working together as One Wendy's, we will capture these opportunities and create tremendous value for our franchisees, our employees and our shareholders. Thank you for listening.

Operator

Thank you for joining us. That concludes our call today. You may now disconnect.

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