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The Wendy's Company (WEN) Q2 2026 Earnings Call Transcript

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Q2: 2026-08-07 Earnings Summary

Insights

EPS of $0.18 beats by $0.02 | Revenue of $570.57M (1.72% Y/Y) beats by $12.84M

The Wendy's Company (WEN) Q2 2026 Earnings Call August 7, 2026 8:30 AM EDT

Company Participants

Aaron Broholm - Head of Investor Relations
Robert Wright - President, CEO & Director
Steven Cirulis - Chief Financial Officer & Chief Strategy Officer

Conference Call Participants

David Palmer - Evercore ISI Institutional Equities, Research Division
Brian Mullan - Piper Sandler & Co., Research Division
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division
Margaret-May Binshtok - Wolfe Research, LLC
Dennis Geiger - UBS Investment Bank, Research Division
Brian Bittner - Oppenheimer & Co. Inc., Research Division
James Salera - Stephens Inc., Research Division
Lauren Silberman - Deutsche Bank AG, Research Division
Christopher Carril - KeyBanc Capital Markets Inc., Research Division
Sara Senatore - BofA Securities, Research Division
Hilary Lee - Morgan Stanley, Research Division
Peter Saleh - BTIG, LLC, Research Division
Jon Tower - Citigroup Inc., Research Division

Presentation

Operator

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

Aaron Broholm
Head of Investor Relations

Good morning, and thank you for joining our fiscal 2026 second quarter earnings conference call. After this brief introduction, Bob Wright, President and Chief Executive Officer, will provide a business update and then Steve Cirulis, Chief Financial Officer and Chief Strategy Officer, will review our second quarter results as well as our capital allocation priorities. 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 any questions following today's conference call, please contact me.

I will now hand the call over to Bob.

Robert Wright
President, CEO & Director

Good morning, everyone, and thank you for joining our call today. Let me begin by saying how happy I am to be here. Wendy's is an iconic brand with distinctive attributes that have traditionally set us apart from our competition. We're at our best when we leverage those distinctions to the advantage of our customers, our franchisees and our business. Today, we are not performing at our potential. Traffic is down. Our value proposition has slipped and franchisee economics are under pressure. That said, I've seen this brand at its best, and I know we can fix these issues. I'm incredibly optimistic about the power of the Wendy's brand and the future success we can create.

I'll start by sharing a little bit of my background. I spent my entire career in the restaurant industry, including previously serving as Executive Vice President, Chief Operations Officer and International here at Wendy's. I've seen firsthand the strength of our franchise system, the capability of our restaurant teams and the power of our differentiated quality position. More recently, I served as CEO of Potbelly Sandwich Works. You'll hear from our new Chief Financial Officer and Chief Strategy Officer, Steve Cirulis in a few moments. Steve and I worked together at Potbelly, where we drove meaningful sales growth, margin expansion, franchise unit development and created significant shareholder value. That experience reinforced an important lesson. Successful turnarounds are achieved through a focused strategy, guided by clear principles and executed with discipline and accountability. That philosophy will guide how we lead here at Wendy's.

Returning to Wendy's is especially meaningful to me. My first day with the company was over 28 years ago. In those days, I had the privilege to work alongside our founder, Dave Thomas. That experience shaped how I think about this business and helped me understand the foundations of our brand from Dave himself. Wendy's is a brand rooted in quality in everything we do.

We have exceptional assets, a differentiated brand, a strong franchise system with an international footprint, talented restaurant teams and passionate employees. Those strengths provide us with a solid foundation on which to build. At the same time, we're not executing to the standards we know we're capable of. Our quality differentiation has eroded. Our value proposition has weakened and we have not consistently delivered the experience customers expect from Wendy's. These issues have weighed on traffic and created pressure on the restaurant economic model, which is the heartbeat of this business. And this is reflected in our latest results.

Today, I will briefly review our second quarter performance. My main focus, however, is to give you an assessment of where the business is today, followed by an outline of the initial strategic focus areas needed to improve performance. And what near-term actions we will take to execute, then Steve will take you through the second quarter results in more detail.

In the second quarter, Global systemwide sales decreased by 6.5%. U.S. same-restaurant sales were down 7%, and International same-restaurant sales declined 2.3%. This sales decline drove lower adjusted EBITDA and adjusted earnings per share. These results reinforce the work needed to sharpen our execution across the system.

Now there were some bright spots during the quarter. U.S. customer satisfaction scores improved and U.S. company-operated restaurants outperformed the broader system in same-restaurant sales by 280 basis points. We also opened 21 new restaurants in the U.S. Internationally, systemwide sales grew as we continued to expand our footprint with 27 restaurant openings during the quarter.

Now let me share my assessment of where the business is today. I've invested a significant amount of time visiting restaurants, speaking directly with our customers, meeting with franchisees, listening to our restaurant support center teams and talking to employees across the system. What encourages me most is the passion I see throughout the Wendy's system. Our franchisees and employees care deeply about this brand. They're eager to sharpen our strategic focus on what makes Wendy's great, drive historic levels of performance and return to sustainable growth in traffic-driven sales, profit and cash flow for the company and franchisees. This level of commitment gives me confidence in what we can accomplish together.

Recommitting to quality is essential to rebuilding our competitive advantage. Customers recognize it, franchisees believe in it, and it's at the heart of what Dave Thomas built. Wendy's quality heritage provides a strong foundation for the turnaround, but success will depend on translating that equity into a proposition that's relevant for today's fast-evolving QSR landscape. That heritage is a meaningful asset, but we need to be clear-eyed about the issues weighing on the business today.

Based on what I've seen so far, several themes stand out, which together have contributed to our recent performance. They include quality degradation, challenges around our value offerings, inconsistent operations and marketing that is not driving customers to our restaurants. I'll walk through each of these in turn.

Wendy's has always been known for quality, fresh, never frozen beef, hamburgers made to order, bacon cooked in our restaurants and fresh produce prepared daily. But over time, we've drifted away from some of the standards that made Wendy's distinctive. While we've maintained core practices in some areas, we've led cost and efficiency drive decisions that weaken that differentiation. On value, the Biggie platform was built for value-conscious consumers, but the offering has become increasingly complex and value diluting, making it less compelling and less effective as a reason to visit Wendy's.

Operationally, our execution has become inconsistent and our performance management processes are not fully addressing the underlying challenges. Drive-thru is a good example where we need to better manage peak hour traffic, ensure restaurants are staffed appropriately for demand and equip teams with training, tools and systems they need to deliver consistently. And we need to sharpen marketing. We've been over reliant on a calendar of one-off promotions and collaborations rather than a consistent, relevant brand narrative grounded in our equity and what Wendy's stands for.

All of these factors combined have created persistent traffic pressure, particularly among our most frequent and loyal customers. It's going to take time, but these issues are within our control. In my conversations with franchisees, restaurant employees and customers give me strong conviction that attacking these issues head-on will yield results.

In addition to acknowledging where we are and how we got here, turnarounds also require deep understanding of what needs to be done to improve performance. Next quarter, we'll share more detail around the specific actions we're taking to drive our turnaround. But I can tell you already, we've aligned to 5 areas we believe are most critical.

First, strengthening our menu with quality food at a compelling value. We win when we have fresh, craveable food that our customers identify as distinctively Wendy's. We will rebuild the menu at the ingredient level, at the menu item level and the category level while also addressing the menu price architecture that brings value to our customers.

Second, distinct branding and marketing that drives demand. We have one of the most recognizable brands in the industry, and we need to make our messaging, media and creative drive a meaningful connection with our customers and drive traffic to our restaurants.

Third, driving operational excellence that delights customers. We must set clear performance standards, establish the processes and procedures needed to meet them, provide training that enables every team member to execute consistently and ensure the organizational structure supports our restaurants and reinforces our commitment to excellence.

Fourth, creating a digital experience that builds frequency. There are significant opportunities to improve analytics, customer-facing digital assets, fully-integrated restaurant technology solutions and our customer loyalty approach along with the integration with third-party aggregators.

Lastly, we must ensure our most visible and prominent brand asset, our restaurants, are leveraged as an engine for growth. Ultimately, that means getting back to market expansion and unit growth domestically. More immediately, our focus must ensure we have compelling 4-wall operating economics and a consistent deployment of high-return investments at existing restaurants. We must also have a franchise system that is well capitalized and poised for growth. This applies to every restaurant in the system, whether company or franchise owned.

Now in addition to adding Steve to the management team, I've already invested in critical professional services and utilized the expertise of several outside brand, business and strategy resources. This has been beneficial in accelerating the strategy development and organizational development work to this point, and it will be of great value in compressing the time to impact. Equally as important to developing our strategy is having the right structure and talent to deliver upon it going forward. This means ensuring the organization is aligned and able to deliver on these strategic focus areas with meaningful impact.

In some areas, that means enhancing existing capabilities. In others, it means building new capabilities that are essential to the work ahead. We've already started looking at necessary restructuring and reorganization efforts, and I look forward to sharing more details with you as they develop. I'll be closely engaged in key decisions across the organization and ensure we are moving with focus, speed and accountability.

In addition, we need to ensure we have the right level of funding for our strategic initiatives. That may include targeted investments alongside our franchisees, technology that elevates customer experience and improves efficiency, restaurant investments or acquisitions or actions that strengthen the balance sheet. Our decision to reduce the dividend creates additional flexibility to invest in initiatives to support the turnaround and create sustainable long-term value for shareholders.

I look forward to sharing more details on those strategic initiatives and the funding of our investments in them soon. We are committed to providing a full strategic plan by our next quarterly update. We're in the early stages of this work, and meaningful change won't happen overnight. What you should expect from us is transparent communication and measurable progress that builds over time. We'll measure our progress through the indicators that matter the most, including traffic, customer satisfaction, franchisee economics and return on the investments we choose to scale.

You should expect to see clear connection between the actions we take and the operating metrics and financial results we deliver. That's how we'll measure success, and that's how we expect you to measure us.

Now I'll turn it over to Steve to discuss the quarter and our financial outlook and then come back with some final thoughts.

Steven Cirulis

Chief Financial Officer & Chief Strategy Officer

Thank you, Bob. Good morning, everyone. I'm honored and excited to be here for my first earnings call as Wendy's Chief Financial Officer and Chief Strategy Officer. I have experience with turnarounds and transformation, and I look forward to partnering with Bob and the team to strengthen Wendy's performance and return the brand to growth. I'll begin with our second quarter results and our decision to withdraw our full year outlook, then touch on our capital allocation and balance sheet priorities before turning it back over to Bob.

Our second quarter performance fell short of prior expectations and reinforced the need for a thorough revision of the path forward. Global systemwide sales declined 6.5% on a constant currency basis, primarily driven by U.S. same-restaurant sales, which declined 7.0% and the impact of 289 U.S. restaurant closures in the first half of the year. The decline in U.S. same-restaurant sales was driven by a 12.5% decrease in traffic, which included the impact of less discounting and reducing or eliminating breakfast operating hours at certain locations, partially offset by a 5.6% increase in average check. While our new product innovation and collaboration with the Minions & Monsters movie delivered average check benefit, traffic did not increase as expected. The U.S. business did see sequential improvement in same-restaurant sales of 80 basis points from quarter 1 to quarter 2 this year.

International systemwide sales grew 3.4%, supported by continued new restaurant development. This was partially offset by softness in same-restaurant sales, which declined 2.3%, primarily driven by a challenging consumer and competitive environment in Canada. Excluding Canada, International sales grew 8.6%, including positive same-restaurant sales.

Turning to the company P&L for the second quarter. Total adjusted revenue was $443.2 million, a decrease of $6.4 million, down 1.4% compared to the prior year. This was primarily driven by lower franchise royalty revenue and lower rental income. These were partially offset by higher company-operated restaurant sales following the acquisition of franchise-operated restaurants during the third quarter of 2025.

Global company-operated restaurant margin was 13.6% for the second quarter and U.S. company-operated restaurant margin was 13.8%. U.S. company-operated restaurant margin declined compared to the prior year, primarily due to commodity cost increases of approximately 9%, including both continued inflation in beef prices and investments in upgrading our products, a decline in traffic and labor rate inflation of approximately 4%. These were partially offset by higher average check and labor efficiencies.

Adjusted EBITDA was $124.1 million, which was down $22.5 million versus the prior year. This was driven by lower franchise royalty revenue, an increase in general and administrative expense, a decrease in U.S. company-operated margin and lower net franchise fees. Adjusted earnings per share was $0.18 in the second quarter.

Moving on to capital expenditures and free cash flow. During the second quarter, we invested $26.0 million across capital expenditures and restaurant development. Capital expenditures included $8.3 million in technology initiatives, including enhancements to the user experience and enabling more targeted marketing within our app. We also invested $12.8 million in restaurant development, including the Build-to-Suit program.

Turning to free cash flow. We generated $120.3 million of free cash flow through the first half of the year, an increase of $10.8 million versus the prior year. The increase was primarily driven by a decrease in cash taxes, capital expenditures and investments associated with the company's franchise development fund, partially offset by lower net income adjusted for noncash items.

Moving on to capital allocation and our balance sheet. Our priority is investing in the key focus areas Bob described earlier to create durable performance improvements. As we continue to develop our strategic plan, we will provide more detail on how that funding will accelerate the turnaround. Every dollar of capital will be evaluated against one question, will this materially improve traffic, restaurant economics or long-term shareholder value.

On shareholder returns. Today, we announced a quarterly dividend payment of $0.07 per share. While we do not anticipate repurchasing shares in 2026, future buybacks will remain a component of our capital allocation framework as appropriate. We have approximately $35 million remaining under our existing authorization, which expires in February 2027.

Turning to the balance sheet. We ended the quarter with approximately $380 million in cash and a net leverage ratio of 5.0x. Given current performance, we expect leverage to remain elevated in the near term. As we improve operating performance, leverage should trend lower over time. Later this year or in early 2027, we anticipate refinancing approximately $430 million of debt that matures in March of 2028. With the second quarter behind us and our attention directed on the strategic focus areas of our turnaround, let me spend a moment on what investors should expect.

The trajectory of the business in the first half of the year suggests similar sales performance in the back half of the year. Traffic in July was consistent with second quarter trends. And as a result, we expect continued traffic headwinds to impact our ability to return to year-over-year system-wide sales growth in either the third or fourth quarter. We expect continued pressure on company-operated restaurant margin and adjusted EBITDA in the second half of the year from sales deleverage, full year commodity inflation of approximately 5% to 6% and a step-up in G&A driven by investments in our people and in professional services in support of our turnaround plan. This will also pressure adjusted net income as we work to refine and deploy elements of our plan. Traditionally, the dividend payout was 50% to 60% of adjusted net income. Today's dividend announcement implies an annualized rate slightly above this range for the year.

As noted in our press release this morning, the company is withdrawing its 2026 financial outlook. As a new leadership team, we are fully assessing the business and our opportunities within a comprehensive turnaround plan, including the optimal deployment of capital. At the same time, we are continuing to take actions to improve performance with a focus on strengthening our core value perception, elevating restaurant operational performance and enhancing the digital experience for our customers.

Before I turn the call back to Bob, I want to emphasize that we are approaching this next phase with an objective view of both the challenges and the opportunities ahead. As we move forward, our priorities will be maintaining financial discipline, making thoughtful investment choices and supporting the actions needed to improve performance across the system. My role in this organization is to bring these disciplines to life, both as we plan strategically and as we execute on behalf of every stakeholder in the business.

With that, I'll now turn it back over to Bob.

Robert Wright
President, CEO & Director

Thank you, Steve. As I said, Wendy's is an iconic brand built on quality with talented people, committed franchisees and a strong foundation to build from. At the same time, we have been clear today that our performance is not where it needs to be, we have plenty of work ahead. But I'm confident we are focused on the right priorities and taking the decisive actions needed to drive meaningful change and restore our performance. We've been deliberate and meticulous in our diagnosis to ensure we have a deep understanding of those issues.

We've already begun taking the right steps to shape the path forward on a turnaround and have identified 5 key strategic focus areas that will support growth and value for our franchisees and shareholders. You can expect us to communicate transparently, execute with discipline and accountability and work to earn your confidence through consistent, measurable progress over time.

Before I close, I want to thank our employees, franchisees and restaurant teams for their continued commitment to Wendy's and for the important role they play during this time. Their feedback, partnership and willingness to confront challenges directly are essential as we work to turn around the business.

With that, operator, I'll turn the call over to you so we can take questions.

Question-and-Answer Session

Operator

[Operator Instructions] Your first question comes from the line of David Palmer with Evercore ISI.

David Palmer
Evercore ISI Institutional Equities, Research Division

Thanks for all the detail in your opening comments, Bob. A lot of us remember you from happier times at Wendy's, and I know you have a great reputation, especially in the system, and that's obviously a great start. But investors are probably also thinking this is the third CEO in about as many years and the challenges are much different than the last time you were there. So could you perhaps give a little bit more detail on why you think a turnaround can happen now and under your leadership? And I'll have maybe a quick follow-up.

Robert Wright
President, CEO & Director

Sure. Thanks, David. Good to hear your voice again. Look, the thing I would say about that confidence measure is that I think there's something we have to really understand about the restaurant business and restaurant companies in general. And they are so dependent upon execution. It's a very execution-dependent industry. From the customer experience all the way to the support center, every level of the organization. It isn't about developing a strategy, understanding what needs to be done, it's also about knowing how to get it done. And this is my 40th year in the restaurant business. This is all I've ever done. I started with Wendy's 28 years ago, and I know this brand, like I mentioned -- I knew Dave Thomas before he passed.

The other thing is that I have turnaround experience. Steve and I worked together on a very significant turnaround at Potbelly here over the last 5.5 years. And I think what you heard in my remarks is step one is making sure that you have a clear diagnosis of what's going on. And then being clear and candid about what those issues are and developing a plan that will address the core issues that will turn that performance around. We outlined those 5 strategic focus areas, and I'm confident that with the brand that we have and a clear understanding of the issues that are facing us that I know we can win.

A mentor of mine told me a long time ago, when you have a strong brand and you have a strong culture, you have the opportunity to do something really special. It becomes a performance issue. And that's what we're facing. And that's what we try to outline very clearly is the performance matters that are facing us and the things that we own are within our control. And I'm just delighted to see when I came back that we still, in fact, have every bit of that strong brand at the core and the foundation, whether it's our employee base or the franchisees that make up our culture is still intact, and we can build from that.

David Palmer

Evercore ISI Institutional Equities, Research Division

I just wanted to ask you about just on the marketing side, often these turnaround flywheel franchise turnarounds start with innovation, marketing, sort of that jump-start that kind of you can build upon and getting some operational wins and bigger and bigger asks of the system after that. How is the pipeline of innovation and marketing as you see it today? Are there any near-term wins that might bend the trend perhaps in the second half? And I'll pass it on.

Robert Wright

President, CEO & Director

Yes. I think in my comments, you hear me talking about where I think we stand because of the efforts that we need. And it's not just marketing, I know you know that. It's really branding and marketing that draws people in. And I'm not satisfied with how effective our marketing has been. I love the part of your question, though, is what is it that you're marketing? Is there a breakthrough in the world of product innovation or even the core menu? And I know we'll talk about this in the coming weeks and months and years, but that is what we're so focused on in that first area of focus is having a menu that's rebuilt at the item level and at the ingredient level and at the category level that breaks through to the customer, it is a very competitive environment out there.

We can't just do what we've always done better. We do have to innovate, and we have to lead in the things that are core to the brand. We also have to stay close to home. Our marketing, David, has been -- our calendar, frankly, has been somewhat focused on promotions and collaborations without the continuity of the brand building that goes underneath it and a story that the customers really kind of connect with and resonates with them that, that has them drawn back to Wendy's. That's still ahead of us, but I think we've got everything we need at the core of the brand to be able to do that.

Operator

Your next question comes from the line of Brian Mullan with Piper Sandler.

Brian Mullan

Piper Sandler & Co., Research Division

Thanks for the prepared remarks. You talked about the quality differentiation has maybe eroded. I'm wondering if you could just unpack that a little bit. How much do you think is the actual quality differentiation with the product itself, either on a stand-alone basis versus peers? And then maybe how much of that is just a marketing or a messaging issue, which you were just talking about, but whereby maybe just the consumer isn't as aware of the quality of Wendy's as the consumer should be. Any comments on that would be helpful.

Robert Wright

President, CEO & Director

Yes. Look, it's always a multi-variant equation because what we say about our brand, with our marketing and how we bring that to life in a compelling way is really important. But I do want to be clear, the quality comments that I made are related directly to the quality of our food. And we don't have anything to share today to kind of talk about what we've already done or what we're working on, but in the diagnosis phase, you saw me talk about ingredients, and you heard me talk about that.

There are issues that we've created for ourselves. There are decisions that we've made in the interest of cost and efficiency that maybe have degraded a little bit of our quality. There are certainly some execution elements to that. And there's also the innovation component that David asked about, are we bringing to life the food in the very best way possible. Those are things within our control, though. And I think that's the beauty of what we're facing today is we can take advantage of the core elements of the Wendy's brand that have always been there. Fresh, never frozen beef, prepping vegetables inside our restaurants and handmade sandwiches that are made to order every single time a customer orders them.

Those are things that we still own. I do think, to your point, we can leverage them far more than we have, and we can focus on the operations systems, processes and oversight and leadership that helps execute it more consistently. But the customer notices when you make a few changes, and we need to make sure that we're putting that experience ahead of everything else we do when it comes to quality.

Operator

Your next question comes from the line of Danilo Gargiulo with Bernstein.

Danilo Gargiulo
Bernstein Institutional Services LLC, Research Division

Great. I wanted to ask about the U.S. system and the number of stores that are currently available at Wendy's. I think you mentioned that in the near term, there is an assessment still in place. I'm just trying to understand whether you think that the system is in a healthy place right now in terms of the number of franchisees that you have, the number of unit per franchisee that you have? And should we be expecting some additional restaurant rationalization as part of the turnaround? Or is the portfolio already optimized and we're going to be growing from this moment onwards?

Robert Wright
President, CEO & Director

That's a great question because as we talk about all the things we plan to do strategically with the brand. We have to do that in the context of how healthy the system is and our capabilities to execute against those things. Let me start by telling you that I mentioned, I've spent a lot of time in the field. I've been with a lot of franchisees in these few short weeks as well as the Board and employees and analysts, and we met some of you guys in New York.

And this is really personal to me. This is not a system filled with private equity ownership. It's filled with family ownership of our businesses. And these are people that I know. I know their families, and I know their personal situation. So the health of this system is a personal matter for us. And understand that the health of franchisees certainly is pressured right now because of the sales declines that we've had. You guys know this business. When you see some of the sales declines, it's going to show up in restaurant profitability and it's going to pressure the franchisees and create a little bit of fragility there.

But when it came to closures, I think what you heard in some previous quarters was closures addressed more as a program for the system. And you'll see us take a much more targeted approach. We're going to come alongside our franchisees if they need our help. And if we need to use closures of a few restaurants here and there to make a portfolio a little bit healthier and help that franchisee get to the right place, maybe a trade area has moved on, and it's no longer a business that's viable going forward, then we'll certainly help them make that decision close a restaurant and get their portfolio healthier.

But overall, the health of the system is tied to the health of the brand. And I'm just thrilled to say that franchisees are invested in the work that we're doing. They're excited about the work that we're doing, and they're certainly looking forward to the progress on the top line, because at the end of the day, nothing cures financial health in the restaurant system like top line growth. Everything we're doing is going to be pushing that to the top of the list, and that will help everybody.

Operator

Your next question comes from the line of Margaret-May Binshtok with Wolfe Research.

Margaret-May Binshtok
Wolfe Research, LLC

I just wanted to ask if you could walk us a little bit through how you saw comps progress through the quarter on monthly? And then relatedly, kind of what you're seeing across the different income cohorts? Are you seeing the gap between the higher and the lower income consumer widen or what you're seeing there?

Steven Cirulis

Chief Financial Officer & Chief Strategy Officer

Sure. Thanks, Margaret-May. It's great to meet you in this environment. Stepping into this role and seeing the progression of sales in the quarter. It's kind of an interesting dynamic, right? The early part of the April period, we saw system -- same-restaurant sales, I should say, in the U.S. dropped 6.4%, which was kind of in keeping with the trend coming out of P3 or March. I think the challenge, though, was as we moved into May, we saw that actually slip back to negative 7.5% same-restaurant sales in the U.S. system. Some of that due to some promotions from the prior year, which like we had a $3 Son of Baconator promotion, which was pretty powerful, and it was a little bit of a tougher challenge to lap that.

And then as we moved into P6, we expected and we thought we would see some improvement in the progress of the business. This was -- we had launched our new Chicken Sandwich platform. The P6 period saw us launch our Minions & Monsters promotion. And honestly, those did not perform. They did not drive the traffic that we expected. They pushed a little bit on average check. But the real challenge for us has been that underlying traffic trend. So while comps bounced around a little bit, negative 6.4%, negative 7.5%, back to negative 7%, the traffic trend is the one that we pay the most attention to. And we had negative double-digit traffic each period of the quarter, and it did not improve over the quarter, and we ended it with a negative 12.5% as we discussed.

Operator

Your next question comes from the line of Dennis Geiger with UBS.

Dennis Geiger

UBS Investment Bank, Research Division

Bob, recognizing you probably don't want to give any kind of rigid time line at this early juncture. But can you help us think a little bit about how you think about timing or cadence of some of the turnaround plan implementation across the 5 key points of focus that you outlined? And generally, again, from your experience, how you think about where traction comes first versus what takes a little bit longer, generally speaking?

Robert Wright

President, CEO & Director

Yes, happy to. Hopefully, what you see and the fact that we're having this conversation after only a few weeks is we are moving with urgency. And we're pulling out all the stops to make sure we have the right support to be able to get this work going and get the strategy moving. The way that we like to operate, when I say we, I'll start with just Steve and I, but that applies to the team, too, is that establishing that strategy is the first step. And frankly, you all should recognize those areas of focus as critical to any restaurant company, but especially to us in the current situation that we're in.

What we're working on now already is the strategic initiatives that underpin those areas and those specific things that we will take action on with an expectation of what it will cost to invest in those things and what our expected returns on those things will be.

Now you often want to do the biggest thing first, but it may have a little bit more time to develop that bigger thing, but we'll go ahead and take advantage of the quicker wins in those strategic initiatives as well. Our franchisees expect that -- we know that the investors expect us to do that, and our employees are counting on the same thing. There's a lot of energy around action in the organization. And I think a lot of enthusiasm for what those things might be. We committed to you that when we come back to have our next update, we'll have the full strategy. I think you'll have even more clarity than we've given you today. We hope to give you quite a bit today, but we'll give you some more.

And then the other thing you can count on is for us to develop a pattern of talking about what we are doing, not what we will do. I -- candidly, it's just the way I like to manage the business is once we start working on something, we're going to prove that it's worth it, that the investment makes sense. The returns are there. And when we're ready to scale, that's when we'll start investing that time and communicating those things to you. And it's just a cadence that comes for a long time to come. That's our process for operating a strategic plan. Yes, in a turnaround situation like I've most recently done, but frankly, on an ongoing basis, like successful companies do year-on-year on year-on-year, that is what we're entering today.

Operator

Your next question comes from the line of Brian Bittner with Oppenheimer & Co.

Brian Bittner
Oppenheimer & Co. Inc., Research Division

And Bob, for those of us that perhaps weren't as close to monitoring your success at Potbelly over the last 5 years, can you just maybe touch on or help us understand if there's anything specific from a skill set perspective or an experience there that benefited you at Potbelly that you can utilize here at Wendy's that's worth talking to?

And secondly, just as it relates specifically to improving the quality degradation, which you pointed out, is that something you have experienced doing? Can you help us understand the steps and how you actually take that idea into action and actually improve the quality of the product?

Robert Wright
President, CEO & Director

Absolutely, Brian. Thanks for the question. Yes, and I understand for a smaller company, you may not have a lot of that story. But look, there are some similarities to the starting place there. First of all, it's a great brand, had been off track for some time, years of traffic losses and yet a culture and a connection to the customer that was, if I can say this, we're kind of rooting for it to be its best again. There were significant issues with quality and value when we walked in the door there as well. And this strategic approach that you're hearing us discuss today is the same approach that was used there. I think you'll note Steve's titles, Chief Financial Officer and Chief Strategy Officer. And he was there already when I walked in the door.

So this approach is similar. You've got some similar foundations. Let's be clear though, every brand and every system is different. There is no one-size-fits-all, but I like your question about lessons. You asked specifically about some of those learnings. It was clear to us that the decisions of the past around food quality, food portions, ingredients, sizes, sandwiches, the lineup of the sandwiches, how they're presented on the menu, the other add-ons, the price architecture of the menu and the promotional aspects of the way that was delivered needed so much work that, frankly, there, we had to rebuild the menu from the bottom up and did so successfully.

The results were fantastic, we put over 40% more sales on the top line inside of 5 years. And I'm not promising that here, but I'm telling you that customers respond to a great brand that recognizes the problems they've created for that relationship and they begin to reward you for it. And I think that's some of the stuff that we can do here. It is a significant opportunity for us for our franchisees. One of the great things about being here at Wendy's, which is different than Potbelly, we expanded through franchising there. Here, we have a mature and strong and a storied generational franchise system who understands what we're talking about and can be a massive advantage for us as we start to move forward and make many of these improvements.

Operator

Your next question comes from the line of Jim Salera with Stephens, Inc.

James Salera
Stephens Inc., Research Division

Bob, I appreciate all the detail and your thoughts around where the business sits today. I wonder if you can give us some thoughts about managing some of these changes with a pretty challenging macro backdrop and if that maybe shuffled around the rank order of your priorities about what to address first to get the trends to start to bend towards the right direction?

Robert Wright
President, CEO & Director

Yes, absolutely. Thanks, Jim. Look, we have to take a near-term, long-term approach to our strategy. The strategic initiatives are going to be year-long, multi-year-long things that we need to do to build the business. And I think if we're too reactive to the current situation with the macros, then we can find ourselves off strategy. I think the danger of being eager to respond to the matters of the day, it is some of what maybe we've been dealing with here recently. So of course, we have to be aware of those things.

I think one of the big ones that you see in the news and other brands talk about it, we certainly talked about where we thought we were losing some of our customers. Customers today are extremely value conscious. But I think it's important that you all understand, we think about value differently. I think traditionally in the QSR space, you would think of value as that bottom right-hand side of the menu board, where it may even have the title value menu, and that's where value was compartmentalized.

And today's consumers, especially as the broad-based pressure on consumer spending is what it is, are looking for value everywhere. And not to go back to the Potbelly question, but that's one of the things we understood very clearly there is that having value across all of the offerings, what you get for what you pay equation must make sense to the customer. In fact, we established sort of a tiered approach to, and we'll be using that same thinking here at Wendy's.

This notion that the menu itself, the core menu, not the bottom right-hand side of the menu, but the core menu has to be infused with what I call intrinsic value. You should buy a double with cheese and medium-sized combo and walk away from that meal and you take that last bite of that double with cheese and feel like that was a good deal. That's something that I got what I paid for, maybe a little more as well as when you buy something off the Biggie platform. And so there's this intrinsic value in the core menu. There's the everyday value in the bottom right-hand corner of the menu, if you allow me that lingo to compartmentalize that a little bit. Today, for us, it's the Biggie platform.

And then there's the promotional value that you deliver with promotional activity in the digital world as well as sometimes promoting things on television nationally. All 3 of those have to work. I know I've strayed deeper into value. But your question about the customer is at the root of that. That's what customers are looking for, whether they're super pressured because gas is $5 a gallon or they're feeling a little flush because it's $3 a gallon or whether it's the day after they got paid, or it's 2 days before they got paid. They have to know that they can count on their relationship with your brand to be there for them in the way that they need. And I think you can see where those various consumer need states fit with that overall approach to being there for them. So it is our strategy, but I think it will apply to the pressures of the day for the consumer as well.

Operator

Your next question comes from the line of Lauren Silberman with Deutsche Bank.

Lauren Silberman
Deutsche Bank AG, Research Division

I think you mentioned the potential for targeted investments. Can you expand on this and whether this is more like franchisee support through royalty relief, investments in the assets or more about marketing? And then the second part, if I could follow up on Daniel's question. Wendy's already previously announced plans to close, I think, 5% to 6% of the store base. Do you see potential for additional closures above what's already been identified?

Robert Wright
President, CEO & Director

Yes, absolutely, Lauren. Thank you. Look, we're not going to make a lot of news on those targeted investments today. I think the main thing that we wanted you to hear is that we see in these strategic focus areas, opportunities to push this business further than it's ever been, and that's going to take investment. Some of those targeted investments will be in the form of initiatives, things that we will do with and on behalf of and alongside our franchisees to make our restaurants more profitable to grow the business at the restaurant level to maybe enhance or expand or add something to what we have as a restaurant brand and facing the consumer.

Those things will be those strategic investments. Those are the things we'll work on to prove the model and come to you when we're talking about scaling those things. There certainly will be some unique and specific situations with franchisees. I mentioned earlier, we may have to come alongside franchisees and do some things to help them with their business. The closures question that you followed up on is an example of that. We will look to fill that toolbox that we'll use to help franchisees when they need us, and that may include some investments.

You heard me talk about the restructuring and the reorganization. Traditionally, here at Wendy's, restructuring has meant job cuts and pulling resources. And that isn't always the case. When I think about the first thing that follows a solid strategic plan is the structure of the organization to be able to deliver on that strategic plan. And we are going to need additional capabilities. We're going to need beefed up capabilities in certain parts of the industry -- or business, I'm sorry. And we're going to need additional talent in places that we may not have talent today. So those will be investments in the business, all of which though will have to stand the test of the returns that they provide for us and for our franchisees.

On the closures, again, I think what I said was, and that is really the state of affairs here is that it really was presented to you all as a program. We've decided we're going to close or need to close a certain number of locations that was a fairly large percentage. Will there be additional closures? I'm sure there will be additional closures. I just put it on the table in that targeted approach that we would use when we're working with franchisees to help get their portfolios healthy.

But not as a matter of programmatic closing just to shrink the brand. It's all about creating brand health, and it's brand health at a level that makes the most sense for the owners, whether we're the owner or the franchisees the owner and where we connect with the customer. The trade area has moved on and it is a financial drag on that portfolio, then we're going to support the closing of that location for the health of the system.

Operator

Your next question comes from the line of Chris Carril with KeyBanc Capital Markets.

Christopher Carril
KeyBanc Capital Markets Inc., Research Division

Thank you for all the detail and looking forward to the evolution of the strategy here in the coming quarters. I did want to ask about breakfast and your assessment so far on the viability of the daypart for the broader system. I know you mentioned pressure on the comp in the 2Q from reducing or eliminating breakfast operating hours at certain locations. So curious how you're thinking about breakfast as part of the business going forward here? And then any detail on where breakfast sales mix is today would be helpful.

Robert Wright

President, CEO & Director

You are welcome. Thanks for the question. This is a big one. Breakfast is important to us, and it's a complex topic that, frankly, we're still analyzing very deeply. It can't be disconnected from the broader strategy and the work that we're doing there. But let's sort of baseline everything. The large majority of the system continues to serve breakfast. We did have some opt-out activity. And frankly, it was very helpful for some of the franchisees that took advantage of that opt-out because it was a drag on their business, just like I said, that about the tool of closing.

For some franchisees, the opt-out was really helpful and provided a little bit of a relief valve, but it's still a key area that's under evaluation for us. And as I said, we need to get our footing on the remainder of the strategy before we start deciding exactly where breakfast fits into that. Steve can provide some color on the specifics of what it meant for the system sales.

Steven Cirulis

Chief Financial Officer & Chief Strategy Officer

Sure, sure. Look, overall, the pressure to same-restaurant sales from the daypart itself was about 120 basis points. And you asked the contextual question on what's the sales mix for breakfast. For us, it's about 5 -- between 5% and 5.5% of overall sales. Now the specific actions around opt-outs impacted the same-restaurant sales for the quarter by about 70 basis points. So as Bob said, this is a component of our overall approach to thinking about the strategy. We want to make sure that we're looking at this as a brand, as a complete menu in the context of the consumer, the franchisees and where we think growth is going to come from in the years ahead.

Operator

Your next question comes from the line of Peter Saleh with BTIG. [Operator Instructions]

Your next question comes from the line of Sara Senatore with Bank of America.

Sara Senatore

BofA Securities, Research Division

A follow-up on the point you made about intrinsic value. If you were to sort of diagnose the reason customers aren't walking away thinking something was a good deal, is it because the quality, the service, is it about production? I guess, how much of this is an operational issue that needs to be addressed? And as you think about that, is there an opportunity, whether it's for kind of process engineering or technology? I guess I was surprised that the Chicken Sandwich relaunch didn't -- that platform didn't move the needle on traffic because it does seem to address kind of the quality issues that you mentioned at the beginning very directly. So any thoughts on how much of this can be fixed through just -- I don't know if it's listening to franchisees or operators and improving the process.

Robert Wright

President, CEO & Director

Yes. You sound like an operator, Sara, it is all of those things, honestly. But obviously, we can't throw everything into this and solve it. So we try to work on these things in their component parts, recognizing that they all come together for the value equation for the customer. And you are 100% right. That's what intrinsic value is, how it is derived.

Look, there have been some decisions that have been made on the menu that I think we can address on the core menu that we have today and then on the innovation of the core menu that we have that can bring additional excitement and enthusiasm towards those products.

Price is a significant component of that. People have this mental model based on all of the consumption they have in the restaurant space about where that price neutrality seems to be from a competitive perspective, we have to evaluate that, and we have to have a pricing architecture for the menu. So not only do we fit well with our competitive set, but even reference pricing on our own menu always has to make sense, and that's an area of opportunity for us. So we will be addressing that as well.

I did mention the operations inconsistency as a challenge. As soon as we lose consistency as a brand, you start to lose confidence and trust really in the minds of the customer that they can get the overall experience that they're looking for.

The execution comments I made when David asked his question, I think these really come to life in this area because every one of these elements, some of it is brand, it's design, it's sort of the menu price architecture, the menu itself, the ingredients. We control quite a bit of that as a brand. But at the end of the day, even for digital orders, and I say this all the time, even a digital order that's placed on your phone and picked up or delivered or whatever. At the end of the day, it's a human being, making food for another human being, that's made fresh when they order, that's going to be consumed. Every single experience ends analog, not digital. And the digital business is promising that also.

And so there are tools and systems and processes. And as you heard me talk about training. Candidly, I think we have a lot of great work we can do in the area of training. It could be one of our elements of creating additional consistency and really tightening that consistency gap on execution. You may not be satisfied with my answer is kind of yes, all of the above. It is all of the above, but the real secret is to unpack those individually and attack each one of them individually to their very best. And then they come back together for the customer and they start to come to life. So that's kind of how we think about it.

Operator

Your next question comes from the line of Brian Harbour with Morgan Stanley.

Hilary Lee
Morgan Stanley, Research Division

This is Hilary Lee on for Brian Harbour. So I just want to kind of ask, how would you compare your plans to like the prior Project Fresh? And do you kind of see it as a continuation or expansion or just kind of a complete overhaul of it?

Robert Wright
President, CEO & Director

Yes, good question. We're not talking about Project Fresh. It's really not a continuation of it. I think you'll recognize some elements of what was discussed in Project Fresh in these areas that we're focused on. That makes sense. I mean there are certain sort of indisputable truths that you have to battle for in the restaurant space and here at Wendy's, too.

But there was some work that was done on the brand. I think previous leaders talked about a partnership with an outside resource that was helping us kind of diagnose what was going on at the branding level. And I've tried to pick up everything that we had during this early diagnosis phase and understanding the situation that we're in, including Project Fresh, including some of that early work that was done. But this is our strategy. This is a sort of a declarative position on the things that are going to be the most important to strengthen this company and strengthen the brand and restrengthen our franchisees going forward. So I think you can draw a hard line between the two.

Hilary Lee
Morgan Stanley, Research Division

Got it. And I guess just as a quick follow-up, could you share any of the key talking points that you've had with franchisees?

Robert Wright
President, CEO & Director

That's the beauty of this conversation. We've been doing a lot of work with franchisees in market. We've had them in. In fact, we've got all of our franchise leadership together next week to actually tear apart this strategy and start working on those initiatives that I told you about. They are fully engaged. I mentioned my personal relationships with many of the franchisees, so you can only imagine the number of individual phone calls I've had and text messages and communications. This goes up as well in our first Board meeting together was just a couple of weeks ago.

And I think one of the things that is unique about our situation is we're finding very close strategic alignment with the Board, with the management team, with our employees, with our franchisees, these are the things we need to work on. This isn't just something that was developed and delivered. It was something that we developed in partnership with those, including the franchisees. And sure, they have a lot of feedback, but they're thrilled to know that we saw the business the way we saw it, and we spoke openly about it and that we've developed these 5 areas to focus on.

Operator

Your next question comes from the line of Peter Saleh with U.S. Bancorp BTIG.

Peter Saleh
BTIG, LLC, Research Division

Hey, guys, can you hear me okay?

Robert Wright

President, CEO & Director

Yes. Thanks for jumping back in Peter.

Peter Saleh

BTIG, LLC, Research Division

Yes. No, some technical difficulties. Bob, I wanted to get your pulse on the image of the system as we sit today. How do you feel about the look and feel of the restaurants? Do you feel like there's more CapEx needed to get up to speed and up to par with the rest of the industry? Just curious if you have any thoughts on remodels and how you're thinking about that going forward?

Robert Wright

President, CEO & Director

Look, I mentioned that as the fifth area of focus is our restaurants, our #1 asset have to be a source of high-return investments that we can make in the system. I don't want you to read into that, that we've got a remodel program we're going to unveil. I think in my visits in the field, I've been across the country already, we still have a strong base of assets in the hands of our franchisees and in the company hands. I'll be honest with you, some of them are not being maintained and supported and cleaned and sort of giving our best faith.

But the core asset base is still very strong. And I think we've got something we can work with there. We can lean on the execution elements of how we support, maintain and invest maintenance capital in our existing restaurants for the near term. Long term, what we call image activation here at Wendy's is more than a decade old. And so sure, I think we're going to want to look at what we can do to put an even better face on our restaurants going forward. But again, always tested for, and we're going to be dogging about this, dollars that would go into our restaurants should be dollars that provide returns on that invested capital for our franchisees and for our company business, too.

So those will always be. And that may be in the areas of image. It could be -- you can imagine all kinds of investments, digital, capabilities, could be in the transaction-driving capabilities with how we operate. It could be equipment potentially that is connected to the menu. I'm not giving you insights. These are all categories you would expect restaurants to think about investing in, but again, with those returns. We're in a good place to start.

Operator

Your next question and last question comes from the line of Jon Tower with Citi.

Jon Tower
Citigroup Inc., Research Division

Maybe just two quick ones from me. Obviously, you mentioned that you're not happy with the state of the marketing these days. I'm just curious if we should expect, aside from the store closures that have taken place already, an actual retrenchment in the dollar spend from a marketing perspective in the near term as you're kind of adjusting the system and working your way back to the right messaging for the brand in the marketplace. And then two, do you feel like you have the right level of field leadership in the system to get this turnaround going today?

Robert Wright
President, CEO & Director

Great questions. Thanks, John. Great last questions, in fact, I appreciate it. No, I think we all have to be honest about the performance of our marketing efforts are not delivering what we want, but that would not suggest that we would pull back from the marketing spend. It really is more about messaging. It's about creative, and we're exploring media as well. So where the marketing is being delivered.

And pulling ourselves out of a cycle of promotion and collaboration type of events and getting back to a much more cohesive and long-term approach to the calendar, that's reflective of the things that we want to continue to communicate to the customer. Pulling back on the spend does not make any sense. We need to adjust while we're going forward, not the other way around.

And I love your question about the field staff, too. I know that the company has made some recent investments in additional support in the field. I've been with many of those field leaders here recently, and I'm impressed with some of what we've done. I will say, this is an area I have a lot of experience in. I think you guys know that. This is kind of a home base for me when it comes to ops. And I'm eager to learn more and eager to make sure that we have the right structure, that we have the right balance of support for franchisees and even down to the level of what our field teams are being asked to do. We want to set them up for success and make sure that they're -- certainly, there are activities that need to be performed, but we need outcomes out there, too, and empowering them to be the most helpful and supportive and impactful leaders that they can be.

I continue to say that I think training is an area of significant opportunity for us in the field. Don't read that as we need to invest a bunch more in training individuals. I think the training systems actually are areas we can invest in first, and that gives our field staff unique and special and new things to work on as well. So we have something to build from here, but we really have to scale up in the field, too.

Aaron Broholm

Head of Investor Relations

That was our last question of the call. Thank you, everyone, for joining us this morning. I hope everybody has a great day. You may now disconnect.

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