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The Wendy's Company (WEN) Q3 2026 Earnings Call Transcript

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Q3: 2026-11-05 Earnings Summary

Insights

EPS of $0.13 beats by $0.04 | Revenue of $546.99M (-0.46% Y/Y) beats by $15.55M

The Wendy's Company (WEN) Q3 2026 Earnings Call November 5, 2026 8:30 AM EST

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
Rahul Krotthapalli - JPMorgan Chase & Co, Research Division
Danilo Gargiulo - Bernstein Institutional Services LLC, Research Division
Margaret-May Binshtok - Wolfe Research, LLC
Brian Bittner - Oppenheimer & Co. Inc., Research Division
Christopher Carril - KeyBanc Capital Markets Inc., Research Division
James Salera - Stephens Inc., Research Division
Arian Razai - Guggenheim Securities, LLC, Research Division
James Sanderson - Northcoast Research Partners, LLC

Presentation

Operator

Good morning. Welcome to The Wendy's Company Earnings Results Conference Call. [Operator Instructions]

You may begin your conference.

Aaron Broholm
Head of Investor Relations

Good morning, and thank you for joining our fiscal 2026 third 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 third quarter results as well as our capital allocation priorities. 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 Bob.

Robert Wright
President, CEO & Director

Good morning, everyone, and thank you for joining our call today. Before I start, I'd like to briefly touch on the press release we published this morning in response to an unsolicited offer we received on October 28 from an investor group regarding a potential acquisition of the business.

A committee of independent directors unaffiliated with Trian Partners and their investor group has, in consultation with its independent financial and legal advisors, carefully reviewed and unanimously rejected the proposal. The press release includes the rationale for the independent committee's rejection, and we won't be commenting further on the proposal today. We are confident that we have the right strategy, execution and resources to restore Wendy's to its full potential and drive meaningful shareholder value.

During our second quarter call in August, we provided a candid assessment of our business, the opportunities in front of us and the priorities we needed to address. Since then, we've developed a strategic plan. We are executing it with urgency, and it is producing early results across many important measures of success. Today, I'll outline our strategy in more detail and share some of our early actions.

You'll hear about the work we've started to improve our menu, a new approach to media and creative already in market, using restaurant-level data to target operations metrics more closely linked to traffic, proven delivery initiatives that have moved from test to broad participation across the system and decisive actions to strengthen franchisee economics, including our plans related to the breakfast daypart.

Importantly, we are continuing to build the team and capabilities to execute our plan, and we strongly believe we have the financial resources to make it happen. Before I turn to the strategy, let me briefly address the third quarter. Total revenues were approximately flat, down only 0.5 point. Global systemwide sales decreased 5.9%, driven by lower U.S. systemwide sales, including the impact of expected restaurant closures, partially offset by international system-wide sales growth. U.S. same-restaurant sales declined 5.7%, improving 130 basis points sequentially from the second quarter.

We're clearly not satisfied with that performance, but we are encouraged by several early signs of progress. Traffic improved sequentially through each period of the third quarter. Restaurant closures slowed with net U.S. restaurant count down only 13 restaurants in the quarter. And we've seen improvement in our U.S. sales trajectory in recent weeks. These are early signs of progress and the direction reinforces our conviction in our strategy and in the initial actions that we're taking. Our International segment continues to have momentum. Significant white space opportunities exist around the globe, which the team is aggressively pursuing.

International system-wide sales grew 3.5%, supported by 30 new restaurant openings in the quarter, totaling 84 this year through the end of the third quarter. Not only are we seeing continued growth, but with more than 1,400 restaurants in our International segment, our increasing scale creates opportunities to identify successful ideas from around the world and bring them to other markets, including the U.S. We continue to be excited by the growth potential of our international business and our growing global footprint.

Let me now turn to a more detailed look at our strategy and the actions already underway to drive the turnaround and the encouraging results we are seeing. Wendy's was built on a foundation of quality food, compelling value and a differentiated QSR hamburger experience that customers love. Dave's Way is our multiyear strategy designed to put those strengths and values back at the center of how we compete while also continuing to build the capabilities that enable us to grow and win over time. It's also the standard for how we operate, make decisions and hold ourselves accountable.

Our objective is clear: grow customer traffic and market share while strengthening restaurant profitability. We've moved quickly to align the Wendy's system to support the strategy, organize our leadership and our teams around our priorities and put resources behind execution. First, we've aligned the Wendy's system behind Dave's Way. At our convention in September, we introduced the strategy to our global franchisees and suppliers and established a common set of priorities focused on improving customer traffic and restaurant economics.

Franchisees responded very positively with survey results that showed a substantial increase in both business optimism and confidence in leadership coming out of the convention. I continue to be in constant contact with our franchisees, and I can't emphasize enough just how important they are to our success. Our franchisees are committed to the Wendy's brand, aligned to our strategy, and they continue to make smart investments to grow their business and Wendy's.

They have been investing in new restaurant development, staffing and training in their restaurants, digital and delivery initiatives, capital and maintenance in their facilities, acquisition of units and in many cases, investing equity to strengthen their balance sheet. I'm proud to work with such an amazing group of dedicated franchisees who are building on years of their own success and in some cases, spanning generations. They're focused on near-term results while investing for the long term, just as we are at the brand level.

Second, we began aligning our leadership and organization to our strategy. We appointed our new Chief Marketing and Customer Growth Officer, Tariq Hassan, and we added additional resources to accelerate the work of rebuilding our menu. We also began restructuring our U.S. business, including creating a Chief Operations Officer role to bring greater focus and accountability to restaurant execution. I look forward to updating you as I continue to build out my leadership team.

Third, we're putting greater discipline and resources behind strategic execution. We've established a strategic activation office to coordinate and accelerate initiatives across our strategic pillars with clear executive sponsorship, accountable owners and dedicated cross-functional teams that include franchisee representatives. With the strategy set, the system aligned, execution is underway across the strategic pillars. And they're based on the same 5 focus areas I outlined in our last earnings call, our menu with quality food at real value, distinct branding and marketing to drive demand, operational excellence that delights customers, a winning digital experience to build frequency and restaurants as the engine for growth.

I'll walk through what we're working toward in each one, the actions underway and how we'll measure progress. Our first pillar is our menu with quality food at real value. We're rebuilding our menu around distinctive, fresh and craveable food with quality that is always the best in QSR while delivering value across the menu that leaves our customers feeling like they got their money's worth when they come to Wendy's. That means optimizing our menu, improving ingredients and core menu items and developing a pipeline of innovation supported by disciplined development and testing, all with a pricing structure that delivers real value.

Actions that are already underway include implementation of a new menu board design that puts our signature offerings front and center and highlights what makes our food distinctive and craveable. We're also rebuilding our food offerings and have begun testing improvements to quality and craveability of our core items, including thicker, crispier bacon, a richer and creamier Frosty, whole leaf lettuce on sandwiches and improved salads. As part of that work, we're testing a more focused menu structure built around the core items our customers crave most and removing lower volume items that add complexity in our kitchens.

We'll be disciplined in what we scale, moving forward with the innovations that resonate with customers, work best operationally and drive sales and profits to our restaurants. We'll scale the improvements as they are ready, resulting in a fully refreshed menu experience in 2027. Across this work, we'll measure success through leading indicators of stronger quality and value perception in our brand health metrics and ultimately through traffic and visit frequency among our most loyal customers.

I'm also excited to share an important menu and daypart decision that reflects our focus on the dedication to the core Wendy's business. We've revised our breakfast strategy to be location-specific. That means we're making breakfast optional for all U.S. restaurants, allowing franchisees to focus on the dayparts with the greatest opportunity for profitable growth in their business. This option directly supports stronger restaurant economics, improves the employee experience and importantly, allows operators to concentrate on the food offerings and dayparts that have always been at the heart of Wendy's.

We've studied restaurants that have previously exited the breakfast daypart and here's what we've learned. They have improved profitability across lunch, dinner and late night, and they're recapturing sales later in the day. In fact, many restaurants have already fully recaptured all of their breakfast sales. As this optionality is expanded more broadly later this year, we estimate this could add up to $200 million in restaurant-level EBITDA for our franchise and company restaurants while bringing the focus to the menu, dayparts and experiences most important to our customers and our business.

We look forward to sharing our progress going forward. Our second pillar is distinct branding and marketing to drive demand. Our marketing must be clear about what Wendy's stands for, strengthen our connection with customers and culture and drive traffic through the right media, message and creative. Wendy's has enduring brand equity, and our goal is to translate it into more frequent visits. We're strengthening the marketing team, creating more leadership roles and putting data to better use to drive performance.

We're establishing clear ownership for brand building, customer engagement and growth, each with accountability for results. Following our transition to a new media agency 6 weeks ago, we evolved our media placement strategy using new data and tools. We're also continuing to improve how we test and measure creative, offers, and channels before broader deployment, so we can direct spending towards programs that most effectively drive visits.

Just last month, we sharpened our marketing around Wendy's emphasizing made-to-order hamburgers with fresh, never-frozen beef. We also improved our media strategy to expand reach and share of voice and recently paired that quality messaging with compelling value through our $7.99 Dave's Single combo promotion. Going forward, a longer-range marketing calendar will help us tell a more consistent brand story. We'll measure progress on our marketing pillar by the return on our advertising spend and competitive brand health measures, which ultimately supports traffic improvement.

Our third pillar is operational excellence that delights customers. This is where the brand promise comes to life, taking care of the customer every visit in every restaurant every day. We are returning to rigorous brand standards supported by a metric-driven performance system that rewards top operators and improves execution through ongoing coaching and feedback. We're developing that system around the metrics more closely linked to traffic. Our analysis of restaurant-level data, combined with input from the field is helping us focus on the areas of execution that matter the most.

We know these levers matter because the data is clear. Restaurants in our top quintile on customer satisfaction scores are outperforming the bottom quintile on traffic by over 500 basis points. And the gap on lunch drive-thru speed of service between those groups is nearly 2 minutes. Closing even part of that gap is a traffic opportunity we control and is why we are directing field resources to our lowest-performing restaurants first.

We've also taken early steps to improve our analysis with data and analytics tools that link traditional customer satisfaction surveys with feedback from online reviews and social media. This aggregated customer satisfaction measure is far more directly linked to sales growth. We're developing operational excellence playbooks and redesigning training to help teams consistently deliver quality, speed and accuracy as well as hospitality. We've reestablished our expectations for cross-training also, and we're now tracking it across company and franchise restaurants.

We're expecting to pilot new and simplified cross-training tools to the system early next year. I'm excited to see us focus on the basics like grill operations, fries, sandwich making, hospitality, accuracy and cleanliness. We're also better aligning staffing with demand, particularly during peak hours, to drive greater throughput. Developing great operators and restaurant leaders was once a defining strength of Wendy's, and it will be again.

We'll measure progress through 2 leading indicators. The first is an aggregated customer score measured by our own feedback sources, coupled with online and digital feedback. The second is peak hour throughput across all sales channels, measuring speed and customer counts at the pickup window, in the dining room and across digital orders. Ultimately, those improvements should translate into traffic growth. Our fourth pillar is a winning digital experience to build frequency.

We're building a digital ecosystem that connects our app, website, third-party aggregators and restaurants to make the customer experience more seamless from ordering through fulfillment. This starts with winning in delivery. Delivery is the fastest-growing channel in our industry, and we've made it a priority to capture more of that opportunity. While our delivery business is growing, it has lagged the market. Through a disciplined approach, we've completed testing across a range of delivery opportunities, and the results are very encouraging.

Both company and franchise restaurant tests delivered low double-digit to 20% sales lifts in delivery. We shared those proof points with franchisees at our recent convention. And today, more than 90% of our U.S. franchise restaurants are participating in delivery promotions, nearly double the level it was just a few months ago. Additionally, we're improving our presence on delivery marketplaces, including how we showcase our menu, food and value to increase visibility and drive orders. Beyond delivery, we plan to make ordering easier using personalization and more relevant offers to give customers reasons to return.

We'll measure progress across our digital and delivery channels through market share growth and customer frequency. That brings us to our fifth and final pillar, restaurants as the engine for growth. We must have the right owners and operators in the right markets with the right assets, delivering strong restaurant economics and returns that fund reinvestment and over time, return to net unit growth. Our restaurants are where every part of the strategy comes together, great food, effective marketing, digital capabilities and operational excellence all create value at the restaurant level and generate stronger returns for our franchisees.

We've established a portfolio optimization team to proactively address franchise financial health. The team is partnering with franchisees, their lenders and other business partners to determine the best path forward where it's needed. Depending on the circumstances, that could include operational support, deferral of royalties, advertising or other fees, targeted closures of underperforming restaurants, transitioning restaurants to other operators or the company acquiring restaurants.

Where we acquire restaurants, our objective is to improve performance and, in certain cases, position them for refranchising. The team is operating with discipline and rigor in alignment with our investment discipline and tailoring our engagement to each unique situation. Our work with Meritage Hospitality Group shows what this looks like in practice. We have recently reached an agreement that we believe provides a clear path toward resolving the Meritage bankruptcy process. Earlier this week, the party signed a letter of intent where Wendy's would acquire up to 163 restaurants.

The Meritage restaurants included in the letter of intent are concentrated in markets where we already have a presence, giving us operating experience and scale to improve performance. We expect the other Meritage markets that we don't plan to acquire to be sold and transitioned to other franchisees through a bankruptcy facilitated process. These additional markets offer similar geographic concentration and represent attractive acquisition opportunities to franchisees. We've aligned with Meritage to support those transitions as well.

The agreement for the 163 restaurants also allows for higher and better offers with approved franchisees. As this process moves forward, our portfolio optimization team will support the transition of those restaurants to new franchise ownership who will be well positioned to invest for the future. Taken together, these actions demonstrate the disciplined approach we're taking to strengthen the system. We will measure progress in this pillar through improved franchise economics and portfolio health.

In closing, let me once again commit to ongoing transparency with how we measure the business. We will share leading indicators of success in employee training, customer satisfaction, speed and throughput, marketing, media, digital business measures and franchise financial health. Our business is food, people and customers, pennies and seconds that lead to sales, profit and restaurant unit growth. That's how we drive value for our shareholders and for our franchisees' businesses as well.

So to briefly summarize what you've heard so far today, we finalized our strategy and aligned resources across the organization. We began rebuilding our menu and are testing new items and ingredients leading to the rollout of a new core menu in 2027. We finalized our approach towards breakfast that will support improved franchisee economics, including higher margins and up to $200 million in restaurant-level EBITDA across the system.

We refined our media placement approach and launched new creative highlighting our quality differentiation and paired it with a compelling value offering that yielded encouraging results. We're improving restaurant-level execution through clearer standards and increased training while using new data and analytics tools to measure performance and throughput. We're growing our digital business with more than 90% of the U.S. franchise system now participating in our new delivery approach. This drove low double-digit to 20% sales lifts in delivery during our testing.

And we established a dedicated team that is working alongside franchisees to improve the health of the system, including plans to acquire up to 163 restaurants and support the transition of restaurants to franchisees well positioned to drive growth. These are tangible actions towards improving performance and the health of the system. They demonstrate the speed with which the Wendy's system has moved from strategy to execution. I'm encouraged by the alignment and determination I've seen across the Wendy's system, and I'm confident our best days are ahead of us.

With that, I'll turn the call over to Steve to walk through the quarter in more detail.

Steven Cirulis
Chief Financial Officer & Chief Strategy Officer

Thank you, Bob, and good morning, everyone. Our third quarter results reflect a business that is not yet where it needs to be, but one where our early actions under Dave's Way are beginning to show progress. We're not satisfied with the absolute level of performance, but these early outcomes give us confidence that we are focused on the right priorities.

Let's start with a recap of sales. Our third quarter global system-wide sales declined 5.9% on a constant currency basis, primarily driven by lower U.S. same-restaurant sales and the impact of U.S. restaurant closures. U.S. same-restaurant sales declined 5.7%, driven by traffic, which declined 11.9%, partially offset by average check growth of 6.2%. Same-restaurant sales improved 130 basis points compared to Q2, supported by targeted promotional activity added to the calendar as we began executing Dave's Way in the quarter.

These programs included the $1 Frosty and $1.99 10-piece Chicken Nugget offers. International system-wide sales grew 3.5%, driven by continued momentum in new restaurant development, partially offset by a 2.2% decline in same-restaurant sales, primarily due to weakness in Canada.

Turning to the company P&L for the third quarter. Total adjusted revenue was $435.6 million, a decrease of $6.9 million, down 1.6% compared to the prior year. This was primarily driven by lower franchise royalty revenue, 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 11.3% for the third quarter and U.S. company-operated restaurant margin was 11.7%.

U.S. company-operated restaurant margin declined compared to the prior year, primarily due to a decline in traffic, commodity cost increases of approximately 4%, including both continued inflation in beef prices and investments in upgrading our products, and labor rate inflation of approximately 4.5%. These were partially offset by higher average check and labor efficiencies. G&A was $73.1 million, up $15.2 million from the prior year. $11.9 million of the increase was investment in the Dave's Way strategic plan and other strategic and transformation activities.

As Bob shared, we are building the organization, leadership and execution capabilities needed to grow customer traffic and strengthen restaurant profitability. These expenses include third-party consulting and professional fees as well as costs associated with organizational actions. G&A also included an increase of approximately $3.3 million, primarily from higher stock compensation, including the prior year benefit related to the former CEO's departure. The G&A costs associated with strategic initiatives are excluded from adjusted EBITDA and adjusted EPS.

The health of our business relies on the health of our franchisees. In addition to the breakfast daypart option Bob outlined earlier, where appropriate, we supported our franchisees in other ways that showed up in the quarter. One mechanism is royalty payment deferral agreements. The elevated franchise support costs in the quarter reflect an increase in doubtful accounts of $9.1 million for accruals related to those deferral agreements and amounts past due from franchisees.

Adjusted EBITDA was $113.4 million, down $24.6 million from the prior year. The decline was primarily driven by same-restaurant sales and net franchise fees. Adjusted earnings per share were $0.13 in the third quarter.

Moving on to capital expenditures and free cash flow. During the third quarter, we invested $20.9 million across capital expenditures and restaurant development. Capital expenditures included $10.7 million in technology initiatives, including enhancements to the digital user experience and enabling more targeted marketing within our app. We also invested $6.6 million in restaurant development, including the Build-to-Suit program.

Turning to free cash flow. We generated $174.2 million of free cash flow through the first 3 quarters of the year, a decrease of $21.4 million versus the prior year. That was primarily driven by a decrease in net cash provided by operating activities resulting from lower net income, partially offset by a decrease in capital expenditures and investments associated with the company's franchise development fund.

Moving on to capital allocation and our balance sheet. Our priority remains investing in the business to enable the turnaround and to create durable performance improvements. Importantly, we're confident that we have the balance sheet, cash flow and financial capacity to invest in Dave's Way. These investments include franchise unit acquisition capital and site improvements, digital infrastructure, kitchen equipment, operations training and marketing. We will provide investment ranges as each initiative develops to the level where we can scale it and have confidence in the returns.

We ended the quarter with approximately $413 million in cash and a net debt leverage ratio of 5.2x. Given current performance, we expect leverage to remain elevated in the near term and to come down over time as operating performance improves. Subject to market and other conditions, later this year or in 2027, we anticipate refinancing approximately $430 million of debt that matures in March of 2028.

During our last earnings call, we said first half trends would persist into the second half without direct actions to influence that trajectory. We took actions in the third quarter and as a result, modestly improved our trend and are pleased with our early performance in the fourth quarter. 2026 has been about setting and activating the strategy while improving performance. As the business stabilizes, on our next earnings call, we will look to provide additional details on the trajectory of the business going forward.

Finally, as a reminder, the fourth quarter of fiscal 2026 includes a 53rd week. With that, Bob and I are happy to answer your questions. Please note, we will not be making any comments on the Investor Group offer beyond what we have stated in our press release this morning.

Operator, I'll turn the call back over to you.

Question-and-Answer Session

Operator

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

David Palmer
Evercore ISI Institutional Equities, Research Division

I'm sure you're aware that investors in Wendy's have seen other turnaround plans before for the brand. And many of those talked about emphasizing food quality and modernizing the restaurants, operational consistency. So with the interest of perhaps explaining why this is different, could you maybe give us a sense, you have a lot of history with the brand going back a while. Why do you think this plan is different and the likelihood of success is higher this time?

Robert Wright
President, CEO & Director

I think that's a great question. Thanks, David. It's one I would ask, what's different about this time, this strategy, this brand, even in the context of the marketplace and where we are. And quite simply, I'd say, look, it's one thing to identify the right strategy. It's another thing to build a team with restaurant expertise, operating discipline, the accountability and the execution centricity that we're building here.

And I've said this before, the restaurant business is deceptively simple to understand. So writing a strategy that makes sense is the easy part. It's unbelievably difficult to execute. And it requires that execution strength across all disciplines and our strategy kind of represents those disciplines. The other thing I think is so much fun about the restaurant business. This is my 40th year. And I know that you know this, too. I mean, gosh, my time with Wendy's goes back to the late '90s.

So one of the great things about the restaurant business also is it's unbelievably responsive to execution. So running a restaurant really well is the way to success. So the other thing we hope we did today is we're not just talking about it at the strategic level, but within each of those strategic initiatives that we began to unpack, we've been hard at work already. And it is about things like thicker bacon. And it is about doing the analysis on the data that we have on our operations so that we know what are the things that are most closely linked to success and what is the key to solving for that 500 basis point gap that I talked about in performance from our top quintile to our bottom quintile.

And then building the systems that you follow up on through your teams in the field and close that gap and drive more throughput and drive more consistency and have the training systems in place to deal with concerns when they come across. The digital business has been huge. And I've talked about that as well. The delivery business is the fastest-growing segment in the restaurant space. And we should be getting our fair share of that incremental business, and we haven't been.

And again, it comes down to what are the specific initiatives and what are the tactical application of those initiatives and how do you get the system aligned around that and get busy taking care of that portion of the business. This is really the first time in years. And I think this is an incredibly important point of differentiation, first time in years that we have the franchise organization as aligned as we do. Going into convention and coming out of convention, we asked a lot of questions about alignment, support for the plan, support for leadership.

And as long as we've been measuring those sentiments pre and post convention, there's never been a bigger swing to the positive from our franchisees. So -- and it showed up. I mean, I mentioned it, over 90% of the franchisees, which is more than double the participation we had pre-convention are now participating in some of those digital efforts and those third-party efforts that I talked about. So it's the plan, it's the tactics, it's the strategic initiatives. It's building a team around it.

And of course, it's creating alignment with the franchise community, so that we begin moving in the same direction and taking advantage of what is so special about this brand. We've always stood for something different. We've let that go. And I'm hoping I'm giving you several details about how we're getting that back. And that's how we win. That's exactly how we win.

David Palmer
Evercore ISI Institutional Equities, Research Division

I don't want to be hogging, but I want to ask one more quick one. I'm just wondering about the food costs, and I think it's tied to the breakeven sales that you need to get to, to be profitable. It feels like your -- those breakeven sales per restaurant are very high because -- and part of it is tied to your food and paper, I see it near 32%, which I'm sure you would agree is well above what maybe some of your peers is on food costs. And yet you're not getting probably in your view, I would assume you would agree that not the proper amount of quality or value credit that you deserve.

I'm wondering, coming back to the business, do you see any -- you're going to try to, I think, renovate your food. You've done the $7.99 combo recently. Is there any ways to find margin on the other side? Like can you can you improve that breakeven profitability while also improving quality and value perceptions? Any thoughts on that?

Robert Wright
President, CEO & Director

Thanks for asking because that goes not only to the success of the strategy, and we look at the interaction of each of these pillars, but it's at the heart of franchise health. And so one of the things on the food piece, and I agree with you, it's frustrating to be investing in food cost dollars that show up in those marginal investments on the P&L and not get the credit for quality or value that we deserve.

Now a lot of that goes into the other variables that are on the menu. What do we have there? What are we selling that we shouldn't be selling? What are we emphasizing that we are not emphasizing enough? And is there a pricing architecture element to the menu that can help us solve that. I hope I've been indicating even since our last earnings call, those are the variables that are underway and under review, and we're working towards with that menu that we'll talk about in 2027. This team has done that before.

We've enjoyed that balance here at Wendy's before, but we've let it go by making cuts in the wrong places and making investments in too many discounts in the wrong places. So $7.99, I think, is actually a great example of a small step in that direction because marginal food cost on that is actually far superior to what you might see when you try to sell food at $4 and $5, and it has higher quality. Our customers love our big hamburgers, our core hamburgers, the single, the double, the triple and the Baconator. That's where the heart of the business is.

And we got 100% franchise alignment around this promotion. And we're really enjoying watching what's happening to the financial hydraulics as well as what's happening with our customers and enjoying that. You can't build a brand on one item and one promotion. Others have tried. But I think what you see is us stepping into the pieces of the solution while we're working on the entire solution. And look, I can't talk about franchise financial health if we don't talk a little bit about our decision to make our breakfast strategy more location-specific.

Mandating that franchisees operate during a daypart where they lose money is going to do nothing but hurt their business. And we did study the number of restaurants that had exited breakfast, and we learned some key things about what was going on when franchisees were given the opportunity to step away from an unprofitable breakfast daypart. Number one is they stopped losing the money that they were losing in that daypart. But number two, we saw expanded margins in the rest of the day in their business.

That's what they reported to us. And we went and looked at the analysis and it showed to be true. It makes sense because you concentrate your labor and you concentrate your management labor, in particular, over a fewer number of hours. So you can get out from under the losses and you can also expand the profitability during the rest of the day. And the other great thing that we saw is many of these franchisees have seen full recovery of those sales dollars in the rest of the day through that focus, managers working mid shifts, lunch and dinner and bringing a lot of focus to our core and eliminating some of the waste with those low-volume dayparts.

So this was a very tough decision for us. We think it's absolutely the right thing to do for the brand. It gets us focused on the core, allows our franchisees to do that. When you look at all of the variables that are impacted by giving franchisees this decision option, our estimates is about $200 million in value back to the franchise P&L. And that will show up in margins, but more importantly, it will show up in dollars. So great follow-up question. Thanks, David.

Operator

Your next question is from the line of Rahul Krotthapalli with JPMorgan.

Rahul Krotthapalli
JPMorgan Chase & Co, Research Division

Can you talk through the current state of the franchise unit economics and profit relative to the Americas system, what we saw with the update? And is there an opportunity to accelerate the pace of closures or bring like stores on balance sheet as you discussed before earlier to accomplish your goals?

And then the follow-up is on the conversation we had, Bob, when we first met. What is the status update on the alignment of incentives across the stakeholders, franchise systems, the team you're building and even customers for that matter, is the right structure and framework in place at this point?

Robert Wright
President, CEO & Director

Great question because it really kind of follows on my last comments about franchise health in the U.S. and the system health for the U.S. system. Look, I think there's been a lot made around restaurant closures as a path to prosperity and franchise financial health earlier this year. And yes, we've closed a number of restaurants this year. That closure pace has slowed in Q3, but closing restaurants is no way to make a system healthier.

Now if you do have a restaurant that is -- the marketplace has moved on or the trade area just simply isn't going to be successful again. And the P&L is representing that. Well, then we're working with our franchisees to go ahead and get those restaurants closed and get their portfolio healthier. But the P&L is really the scorecard. It's not the direction of whether that franchise has the potential to be healthier. We're reviewing every single one of these sites that want to close against what the trade area looks like, what the populations are, traffic counts.

We're looking at the competitive positioning in the marketplace, the performance of those competitors in that same marketplace. And what you find is in a lot of these situations, there's a lot we can do and there's a lot within our control to create the profit that makes that a viable business. We're already there. We should be very, very careful about using closures as a path to system health. But we will continue to be a part of that.

The other elements of health is all the rest of the strategy that we're talking about. The best way to improve franchise financial health is through traffic. Customer traffic driving the growth and expanding those margins, especially where we can get stronger in lunch through late night. Now the question about incentives, I think, is an interesting one. The short answer is yes. Of course, we're aligning the incentives in the system towards success. I'm a big believer in that personally. Part of building the right team is building the right incentive structure around the team, so that the systems, tools and processes are the ones that yield the results that people get rewarded for.

Even with this breakfast daypart decision, we baked in an incentive that helps franchisees focus on recovering those sales dollars as fast as possible. And we've structured it in such a way that if they achieve those goals, then there's actually no financial burden to us to support that incentive. Those are not only important. Candidly, there for us and our team, it's a lot of the fun of putting together a complete plan. And I think once you get aligned on those, you also get some of the alignment I was talking about with our system.

Overall, I think it's really important to know that our portfolio optimization team is set up to deal with those situations, and they are a few. Majority of the system certainly feeling the pressure of what's going on in the business right now. But there are a few that need some special attention. And the PO team, the portfolio optimization team is working to build a bespoke approach to each and every one of those organizations that need our help. And sure, some of that help can come in the form of some royalty incentives, even deferrals, if that's what we need to do.

But those are in the form of deferrals. We also come alongside those franchisees and sit down with their financials and their lenders. And if there's a path forward that could include lender participation even if it's just going interest only for a while, that can really help them. So we've got this team that's focused on exactly what that organization needs to get through this trough on our way back to growth. But I want to be clear, we're working with a small group of franchisees through that team, but we are working with them. And I think that's the big difference with what's been going on over the last few months.

Operator

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

Danilo Gargiulo
Bernstein Institutional Services LLC, Research Division

I'm hoping you could be expanding on the change management for you and your franchisees and the timing implications specifically, now that you've been able to observe directly the organizational readiness to be absorbing the various components of your new strategy. What's your best hypothesis on the pacing of the turnaround?

And can you share what are you -- like, the top initiatives that you are going through right now? And how are you sequencing those initiatives from the moment that you will need to make some investments to the point that you're going to see these initiatives translate into same-store sales? And specifically, when do you expect, realistically, the traffic to return in positive territory?

Robert Wright
President, CEO & Director

Yes. It's a great question because I think the pacing and sequencing of the work that's part of this strategy is always on our minds. And obviously, we have the same impatience for the business success that anybody does. Our franchisees, you as investors, the lenders, the suppliers, we all have the same goal. And never forget our customers. They want us to be our best, too. That's where this really comes home to roost, and our employees are the same way.

We can't pinpoint exactly where the traffic trajectory is going to be where we want it to be or when we want it. But what we're telling you in this quarter, we came out of Q2, seeing the trends that we had in Q2 and said, if we didn't act, those -- we didn't see a reason that those trends would change, and they did. And so the actions that we outlined in today's remarks are the reasons we believe we've begun to influence the change in that trajectory.

You recall, Q2 was negative 7% and negative 5.7%. And we know, as you look more closely at the daypart sales, dayparts 2 through 6 are lunch through late night sales are down less than that. The breakfast is a drag because some of those breakfast restaurants have close. So the top initiatives, the priority part of your question, a lot of this depends on what we know we can do quickly to make an impact. And you saw some of that new media placement. We saw promotional activity.

You see some of the new messaging already, talking about fresh, never-frozen. I love that ad with those trucks delivering our fresh meat to the back door of our restaurants. The $7.99 Dave's Single combo is a great move towards value across the entire menu and not just with that bottom right-hand corner of the menu. There's evidence of activity in making those top priorities, the top priorities you got our first efforts. You can't rebuild the menu in 3 months. That's why we're talking about the menu in 2027.

But if we're going to do that in 2027, you better get busy on the ingredients and some of the items now, and that's why we talked about what we're doing in bacon, lettuce and Frostys and so on. So the investments across these things, and Steve will talk more about this, I'm sure, in some other Q&A. But this is first and foremost, an operations-driven strategy to turn the brand around. Yes, of course, there'll be capital needs going forward.

But there are the things that we control that were within our control that are already baked into our marketing budget, baked into our G&A budget, baked into the staff and the team that we already have in place. There are investments that have been ongoing. It's about utilizing a plan to get those investments working for us so that we can succeed sooner rather than later.

Operator

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

Margaret-May Binshtok
Wolfe Research, LLC

I just wanted to ask a quick clarification just on quarter-to-date. It sounds like trends have been pretty encouraging. It would be helpful if you could give us -- put a number on that. And then just, Bob, I feel you kind of answered this already, but just on marketing, it sounds like you're feeling good about some of the current messaging. Is there anything we should be thinking about in terms of a shift in marketing in 4Q into '27? And what part of that opportunity excites you the most?

Robert Wright
President, CEO & Director

Thank you. Yes. Look, if you look at the sales rest of day, again, it's probably nearly as the gap between our 5.7% reported and sales rest of day, not counting breakfast, is probably as big as our improvement from Q3. So we don't -- we're not going to unpack that completely, but that is a -- it's a fairly significant encouraging moment for us as we look at rest of day sales and our focus on the core.

But I want to be clear, as excited as I am about this early work, it's early work. Tariq Hassan, our new Chief Marketing and Customer Growth Officer, has been on the job less than 3 months. But we're seeing some of the work. Yes, I'm very pleased with the messaging. Is it a fully redeveloped campaign for how we're going to talk about the brand and pull it through every element of the calendar over the next 12 months? No, not yet, but it's coming.

And what we're talking about with the creative only starts to then show up in the actual call to action like we've done with $7.99, and what we're going to show with the rest of the calendar as we get into Q4. And Tariq is already working on the rest of the 12-month calendar. So activating those things are the reasons that we see we can be really excited about it. Now the digital, there's a lot of crossover here, too, Margaret-May, because the digital piece is critically important for us, too. And he's got a ton of expertise there.

It's part of the early activation of the digital work we did in our third party this quarter, and we're seeing that show up. We were already doing a lot of that with our company restaurants. Once we did the analysis, showed it to the franchisees, showed them what the incrementality is, then they wanted to sign up for it, too, and that starts to close the gap as well. There's a number of things going on. It's early days. We want to share that with you, but we're really excited about where it can go from here. I think Steve wants to build on my comment.

Steven Cirulis
Chief Financial Officer & Chief Strategy Officer

Margaret-May, good to hear your voice. I think I want to just dig a little bit deeper into your question around Q4 and trajectory. I'll just say we're not prepared to provide guidance here, but I think it's important. As we saw Q3 unfold from a same-restaurant sales standpoint, we mentioned that we thought the back half was going to look a lot like the front half with a kind of a negative 7% trend. We ended up posting a negative 5.7%, largely due to those actions that we took to deliberately move the business. Good pace coming out of P9, similar to kind of the overall quarter pace on same-restaurant sales, and that's what we're carrying into Q4 and into October.

So again, ahead of that pace that we thought we were going to see when we took our seats earlier this year and communicated with you on the last call. So pleased, but not satisfied, and we're going to continue to do what we can to move the business beyond our trend. And $7.99 early in Q4 is starting to help that. The media shift in terms of where we're allocating some of those dollars is also having an impact. And then we're looking forward to a fantastic holiday platform as well. So encouraged, but a lot of work to do, a lot of work to do for us.

Operator

Your next question is from the line of Brian Bittner with Oppenheimer.

Brian Bittner
Oppenheimer & Co. Inc., Research Division

Bob, you announced your intention to purchase 163 restaurants from Meritage. And I was just hoping you could maybe talk about whether you plan to permanently add these to your company-operated portfolio because it is a meaningful amount of stores? Or perhaps do you plan on playing broker here and selling them off back to strong franchisees? And maybe you can also talk about the average unit economics of these 163 units.

Robert Wright
President, CEO & Director

Yes. Thanks, Brian. I appreciate the question. It's a really unfortunate situation with Meritage. We love working with those guys for a long time. But we are excited to have signed an LOI to acquire up to 163 of their restaurants. Those are the restaurants that are in and around and part of the markets where we already have company presence. So we believe that those are the ones that make sense for us to bring into our company portfolio. I also said, look, the remainder of their portfolio, which is another significant number of restaurants also is concentrated in markets that we believe is best put in franchise hands.

So we've been an asset-light strategy for a long time. This will be, we think, one of the largest, if not the largest acquisition of franchise to company restaurants in the company's history, certainly in a long, long time. So we take that decision very seriously. But think about the financials of it. When you look at the trading multiple of our equity, and the trading multiples of franchise transactions, you've got accretion there. You've got a business that is in turnaround.

So we get to drive and enjoy the benefit of the turnaround of those markets, leveraging the G&A and the organizational structure that we already have in the field. We -- if we do reposition them back into the franchise system at some point in the future, we anticipate there'd be a gain on that sale, which is another point of financial leverage for us. So we think this is a very good business decision. It's also the right brand decision. The restaurants need to be operated at a level that's higher than that. I know the Meritage team would say that, too. And so we're being very choiceful about who the operators are that take them over.

And we said in our last call, we're going to participate in some of these. Will we also sell restaurants over time? I absolutely believe we will. We have. We will continue to do that. Will we position these restaurants for sale at some point in the future? We're not going to make news on that today. But no, I wouldn't consider this a brokerage. This is a business move for us that's the right move for us for these 163 restaurants. And then the same for the others. We have franchise interest in joining the company. And so it's also not always just trying to put them in the hands of an existing franchisee.

It could be a new one that comes into the system. The LOI also gives us, as we would always have with our franchise agreements, a seat at the table for who those restaurants move -- whose hands those restaurants move into. And that's important to us. All about repositioning the restaurants. We said pillar #5 was about having the right restaurants in the right markets in the right operators' hands so that we can be the most successful in every community where we operate. And this is just a proof point of that. We're happy to be bringing this issue to a close moving forward with this part of the business for sure.

Operator

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

Christopher Carril
KeyBanc Capital Markets Inc., Research Division

I did want to ask about international. Bob, I know you spoke of the white space opportunity outside the U.S. But can you talk a bit more about the strategy there? How are you thinking about balancing all of your efforts and investment in the U.S. business with those opportunities that you spoke of in international markets?

Robert Wright
President, CEO & Director

Yes. I think the key to that, Chris, is structure. I think E.J. Wunsch is doing a marvelous job leading international. He's proven to be the right leader for that function and for that division. And he's been great at signing new deals, bringing in new franchisees into the system. He's taken an approach this year to build out his team towards an organization where we have very clear capabilities in market entry in the development phase of that market and then as the market reaches its growth phase.

Those are very different skill sets for operations, for marketing, for development. And as you look at the maturity of our international business, we have to treat each market according to which of those phases of growth that it's in. And E.J. is building the team to be able to do that. He's made no -- wasted no time organizing his team and his structure and the capabilities around that, talked a lot about it at convention and created quite a bit of alignment with his team and his franchisees at convention. So we're going to keep announcing deals as we get them.

We'll keep updating you on where our hotspots for growth are when we get them. And yes, at times, when there's international disruption and maybe the market moves on us in a way because of turmoil or whatever else is going on, we're going to talk about that, too. But look, the international business is growing, and we face a lot of potential for white space updates, but also with the business that we have in our mature markets. They continue to grow and to thrive as well. 1,400 restaurants today approximately. And we think it's a big growth engine for us going forward.

Operator

The next question is from the line of Jim Salera with Stephens.

James Salera
Stephens Inc., Research Division

Bob, I appreciate all the details, everything you guys have going on and a lot of different initiatives in place. I would love to hear just kind of initial feedback from the guests given though it's modest sequential improvement in the quarter and on a 2-year stack basis as well. Have they been indicating the menu or the quality of the ingredients is the most important thing or certain value price points are the most important thing or innovation? Just would love to get an idea for what you're hearing from the guests and how we should think about sequencing of rolling out some of those in '27 and beyond?

Robert Wright
President, CEO & Director

Thank you for always bringing this home to the customer. What they think and how they act is the heartbeat of the business. The first and most important indicator for how we're reading this is what we're seeing in our traffic shifts and trajectory and what we're seeing in the top line growth. And while that's now where it needs to be, we find that we want to start looking at some of the leading indicators.

So marketing, for example, with the new creative and the media placement, you see us looking at things like brand awareness, share of voice. We're looking at brand sentiment studies that you could start to see customers that are receiving the message we're delivering around our fresh, never-frozen beef, reminding them of the core and the heritage of quality that we have at the core of the brand, and they're responding to that with positive notes and positive sentiments.

The feedback with the $7.99 single cheese combo in terms of value says that, hey, that really strikes a balance for me with a great meal at a value that feels like it's worth what I pay. As you get much more deeper -- much deeper, I should say, in the operations metrics, I could geek out on this with you all day long, but this is where we start looking at the very specific elements of our customer feedback and which ones are tied directly to the difference in sales growth that we see in different restaurants. We're in the midst of turning that into a scorecard.

And one of the things we've learned is we can pay attention to not only the customer feedback that we get, but with all the data that's out there and with the data platforms that we have internally, we can aggregate that information with more widely absorbed data like reviews online and commentary online and get a much, much crisper and much faster read on what the customers think about their Wendy's experience. We've got a long way to go. I mean, the beauty of what we're telling you is I think even some of the early signs show that we're on the right track.

But gosh, every one of those product elements that I mentioned that we're testing, we're testing the ingredients. Those aren't in the field yet. When we test, of course, we're getting the customers' feedback and they love what they're tasting and look forward to how we can implement some of the food items that would have those things on them. So it's all leading indicators right now, but everything is telling us we're headed in the right direction.

Operator

Your next question is from the line of Gregory Francfort with Guggenheim.

Arian Razai
Guggenheim Securities, LLC, Research Division

This is Arian Razai for Greg. As you have conversations about turning around the business, I guess, beyond franchisee acquisitions, what are the key places to invest? And I guess, more importantly, like, are you willing to shoulder an outsized portion of that investment in the near term to accelerate changes? And I have a follow-up on breakfast, if I may.

Robert Wright
President, CEO & Director

I think I'm going to let Steve field this one because he's eager to. But I think it's a core question about everything we're talking about is this a strategy we can afford. We have the resources, both the human capital and the financial capital to do the work.

Steve, do you want to help us?

Steven Cirulis
Chief Financial Officer & Chief Strategy Officer

Yes. Thanks for the question. Look I think it's important to focus on, I think, 3 things in this area. Number one, as Bob mentioned, right? This is not a capital-intensive approach to turning around the business and positioning it for growth. And that allows us, I think, some confidence here in our capabilities to invest in the components of Dave's Way. I would point you to the cash on our balance sheet, right? Over $400 million. I would point you to our free cash flow already this year over $170 million. We've got a revolver of about $300 million that remains untapped.

And we created some additional financial flexibility for ourselves with the dividend decision that we made last quarter that provides on an annual basis, another $50 million, which allows us to put investment behind Dave's Way. Now look, the other thing that I want to point you to as well is we approach this with rigor in the sense that we don't want to invest in things that we don't think we're going to get a return from.

And we've got an effort here, we call it our Strategic Activation Office, where for each of these initiatives, there's a business case, and that business case has to outline what the impact is going to be an estimate of when that impact may come. And then, most importantly, what the investment is going to be to drive that impact. And we're confident, given our current profile that we've got the ability to activate these initiatives. And that's inclusive of how we might think about investments in a similar sense to a Meritage situation.

But those are a little more flexible because they're not things that we plan for necessarily. We have some action, as Bob described, to keep abreast of the way things are moving that way. But we don't budget for a specific amount there. And we feel like we've got the right balance sheet, the right cash flow and certainly the extra liquidity in place to make Dave's Way successful.

Arian Razai
Guggenheim Securities, LLC, Research Division

Got it. Super helpful. And on breakfast, super quick. You said location-specific breakfast decision could unlock up to $200 million of restaurant level EBITDA. By our math, that's roughly 1/3 of U.S. breakfast sales, about like 35% per restaurant. And I'm using like a 5%, 5.5% you shared on the last call of breakfast sales. Like, is the base case that 1/3 of Wendy's will not have breakfast? Like is it like the right ballpark? Or am I just completely wrong?

Robert Wright
President, CEO & Director

Yes. Look, I think that the $200 million we're talking about is, again, made up of the losses that a franchisee may be shouldering in their breakfast daypart, plus the margin expansion that comes in the rest of the day when you step away from that daypart. And again, I told in an earlier question, I think it's because -- primarily because of the compression of the management labor into fewer hours of the day. So that's a pretty big, and it's an important piece of the financial puzzle for the franchisees.

So that's primarily where there's $200 million in EBITDA and cash flow come for the franchisees. We think this is a significant amount of relief. We're not releasing what that is on a per restaurant basis because, honestly, it's different per restaurant. And different franchisees have obviously very different labor models depending on where they operate, what their average wages are and things like that. The work has just begun. We had this conversation with our franchise system last night actually.

And we wanted to make sure that they understood exactly what our strategy was that we're going to be talking about this morning. And we activated today, we'll begin the process of putting in their hands everything they need to decide which restaurants they want to stay in breakfast and which ones they're going to take advantage of this opportunity to step away from. Once we get that information back, we'll work the model so that we make a very planful and graceful exit from that daypart for those particular franchisees, and we do it together as a system.

I think it's really important that you know we're also focusing on those that are staying in breakfast because we want to be able to support them with the needs that they have with innovation, marketing, digital marketing, traditional marketing in the restaurants and the operations support to help them continue to make money in there.

Look, our belief is that a fairly large portion of the franchisees are going to look at their restaurants and think that a good portion of those don't pass the profitability test. And they see this opportunity to focus on the core of the business as a big win for them operationally and especially for them financially. We will report out on it. We'll let you know as we get through this process where we end up. And we're going to look forward to talking about the sales growth in the rest of the day, too.

Operator

Your next question is from the line of Jim Sanderson with Northcoast Research.

James Sanderson
Northcoast Research Partners, LLC

I apologize if I missed some of the feedback provided, I got on the call late, but I just wanted to go back to the portfolio optimization strategy. Could you walk through us how that could influence your near-term vision of how many stores are necessary in the U.S. for Wendy's, if there's an opportunity to kind of reshift and close some underperforming stores similar to the case with Meritage. Just any thoughts on how we should look at the store system over the next year or so?

Robert Wright
President, CEO & Director

Yes. Strategically, that fifth pillar of ours restaurants as the engine for growth and the portfolio optimization team that works for Steve that rolls up towards strength in that pillar. This is a really focused group of folks that understand all of the financial elements of a healthy franchise organization. And they are different by organization. The way we're talking about it is within each portfolio, we're looking for that to be a strong portfolio of restaurants.

So in some cases, this team will review a particular franchise group that steps forward or that we identify might need some special attention. And they know that they have a few tools in their toolbox that they can use to help that franchisee get healthy. One of them is if we have to participate with some level of relief, maybe there's a royalty deferral for a period of time that gets paid back down the road when their business gets healthier, we might work with them alongside them and the banks to see if there's some sort of a special term that can get them through a tough period that they have.

In some cases, changing the size of their portfolio is the right thing to do. Maybe they could sell some of theirs into the hands of another franchisee or maybe they decide that this is the time for them to exit the system and they want to sell to break up their business. And again, that will be a bespoke solution depending on the size of their business, the markets that they're in and what might be necessary to strengthen their balance sheet. In some cases, and we're exhibiting that with the Meritage letter of intent, we think it's a good idea for us to participate in some of those acquisitions.

And maybe down the road, turn those into dispositions, but enjoy the benefit of the turnaround of those under company ownership. And that's exactly why we did what we did with the 163. So think of this as a very tight, well-organized team, great leadership. There's decades of Wendy's experience and transactional experience as well as financial acumen and operations on this portfolio optimization team. And they insert themselves into situations or they come alongside when to ask for help.

Over time, the ultimate goal, and I think is the core of your question, we want to make sure that Wendy's gets to a place where all of our restaurants are in the right hands, that the right market consolidation is set up the right way, that we've got the right restaurants owned by the right people in the right markets so that they are set up for success, and we don't have to deal with this type of disruption again.

Aaron Broholm
Head of Investor Relations

That was our last question of the call. Thank you for everybody for joining us this morning. And I'll now turn it back over to Bob for a few closing comments.

Robert Wright
President, CEO & Director

Yes. Thank you, Aaron. Everybody, thank you for joining us today. I think the thing I'd like you to leave with today is you've heard Dave's Way is not a plan on paper. In the 90 days since our last call, we've aligned the system behind our transformation initiatives. We've implemented a new menu board design across the U.S. We've changed our creative and our media. We've nearly doubled our delivery participation with our franchisees. We made this massive breakfast decision, which is worth about $200 million to the franchise system. And we've reached an agreement that provides a value-added path forward for a very difficult situation with these Meritage restaurants.

The Wendy's system went from developing our strategy to early execution in a single quarter. That is the pace that is now our standard. And we're encouraged by all this early performance, and we really are, but we know we've got a lot of work left to do. And we're not going to call this a turn before it is one. What we will do every quarter, though, is show you whether the leading indicators are moving. And those will move before the earnings do, and we're committed to reporting on those, too.

Wendy's -- I think -- I just always want to continue to emphasize this. This brand is a special brand. It was built on a foundation of quality food with compelling value, and we have a differentiated position in the QSR hamburger experience in the minds of the customers, and they love us when we're at our best. None of that has changed. What has changed is that we're rebuilding the foundation and committing to that excellence that our customers and our franchisees and our investors should enjoy.

For our franchisees and our restaurant teams, our employees, if you're listening on the line, I just want to say thank you. You've worked very, very hard this quarter, and I'm super grateful for all that you've done. For those on the line, thanks for joining us today. We look forward to updating you on our progress in the future.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

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