

The Wendy's Company (NASDAQ: WEN)

Consumer Discretionary – Fast-Food Restaurant

A Juicy Deal?

March 22, 2022

The Wendy's Company. ("Wendy's" or the "Company") is an American holding company engaged in operating, developing, and franchising a system of quick-service dining establishments that serve a menu of classic burger stand items. There are more than 6500 Wendy's restaurants currently operating in the United States and internationally.

Thesis

Wendy's aggressive international expansion to offset a mature US fast-food industry in addition to digital enhancements to drive same-restaurant sales positions them well to increase top-line growth. As both Wendy's and the US fast-food industry have reached the maturity stage, we believe the company's strategy silences concerns surrounding a standstill in their potential growth.

Drivers

Driven by the implementation of consumer-facing technology, breakfast segment expansion, and targeted geographic expansion, Wendy's is well-positioned to drive long-term shareholder value. Continual expansion into international markets such as China and Europe will help even the disproportionate difference in sales between international and domestic sales. With the recent strategic partnership with Google, digital innovation and the introduction of new products will continue to be critical for the Company's top-line growth.

Valuation

Based on our analysis, we arrive at a target share price of USD \$31.00, which represents an implied upside of 42.6% on the current share price of US\$21.92. We believe Wendy's is currently undervalued, therefore we initiate a **BUY** rating on The Wendy's Company.

Analyst: Raiden Huang, BCom. '24
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Equity Research US

Price Target	USD\$ 31.00
Rating	Buy
Share Price (Mar. 22 Close)	USD\$ 21.92
Total Return	42.6%

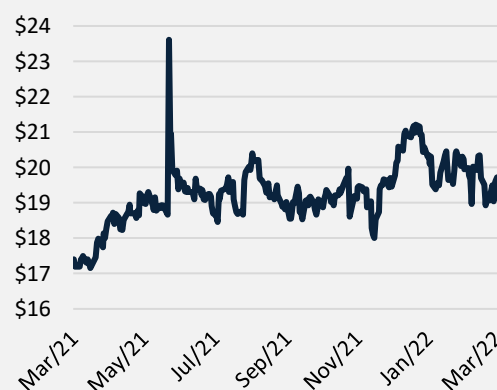
Key Statistics

52 Week H/L	\$29.46/\$18.86
Market Capitalization	\$4.92B
Average Daily Trading Volume	\$2.4M
Net Debt	\$3.81B
Enterprise Value	\$8.17B
Net Debt/EBITDA	8.4x
Diluted Shares Outstanding	\$244.9M
Free Float	79.3%
Dividend Yield	2.3%

WestPeak's Forecast

	<u>2021E</u>	<u>2022E</u>	<u>2023E</u>
Revenue	\$1.93B	\$2.18M	\$2.50B
EBITDA	\$430M	\$348M	\$401M
Net Income	\$414M	\$161M	\$203M
EPS	\$1.84	\$0.72	\$0.90
P/E	12.6x	32.3x	25.7x
EV/EBITDA	10.7x	13.5x	12.0x

1-Year Price Performance



Business Overview/Fundamentals

Company Overview

The Wendy's Company aims to expand new quick-service restaurants in the United States and internationally through franchising agreements, serving high-quality food at low cost, and leveraging its vast brand awareness. Wendy's opened its first restaurant in Columbus, Ohio in 1969. As of January 3, 2021, there are 5,881 Wendy's restaurants in operation in the United States making Wendy's the second quick-service restaurant company in the hamburger sandwich industry in the United States and third globally based on traffic share. Of these restaurants, 361 were operated by the Company and 5,520 were operated by franchisees. There are also 947 Wendy's restaurants in 30 countries all of which are franchised. Triarc Companies which was The Wendy's Company predecessor was incorporated in Ohio in 1929 and was reincorporated in Delaware in 1994. In combination with Wendy's merger in 2008, the company's corporate name changed from Triarc Companies, Inc. to Wendy's/Arby's Group, Inc. ("Wendy's/Arby's"). Subsequently, the sale of Arby's Restaurant Group, Inc. in 2011 led to the corporate name change to The Wendy's Company.

Map of International Wendy's Restaurants
Fiscal Year 2019



Source: Investor Day Presentation 2019

In accordance with the map, Wendy's has approximately 950 restaurants in operation across 32 countries which equates to relatively over \$1B in sales. 40% of Wendy's international business resides in Canada which accounts for 55% of total

international sales. In addition, 25% of the company's international restaurants lie in the Asia Pacific and the Middle East which account for 15% of total international sales. Lastly, about 35% of the company's international restaurants are in Latin America which makes up 30% of total international sales.

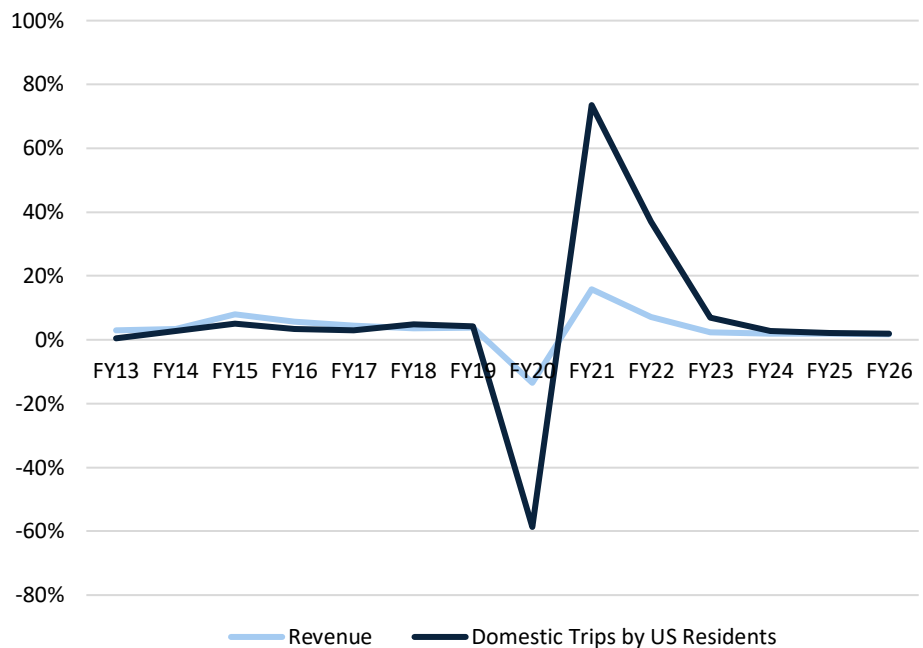
Drivers

Digitalization

Wendy's intends to increase same-restaurant sales through the continued implementation of consumer-facing digital platforms and technologies. Thus far, Wendy's has introduced mobile ordering via Wendy's mobile app, a rewards loyalty program, and creating delivery agreements with third-party vendors for North American restaurants. The U.S. rewards members grew ~10% to almost 19M at quarter-end. The company's digital business represents approximately 5% of U.S. systemwide sales during 2020, which is more than double the amount in 2019. Wendy's U.S. has seen revenue grow from US \$986.7 million to US \$1,118.1 million in 2021, increasing adoption of digital ordering is a tailwind for Wendy's.

Industry Performance

FY13 - FY26



Source: IBIS World

Strategic Partnership with Google

Wendy's announced on October 12th of 2021 that they have formed a strategic partnership with Google to leverage Google Cloud's data analytics, artificial intelligence, machine learning, and hybrid cloud tools to deliver a new and innovative way for customers to order food through mobile devices, drive-throughs, and other touchpoints to drive same in restaurant sales. Wendy's is aiming to find ways to innovate around one-to-one activation between customers and to reduce friction between crew members and customers. Also, the growth in mobile ordering has led to an increase in total loyalty program members by approximately 10% compared to the second quarter reaching almost 19 million. Total members have grown by 7 million members since the start of 2021.

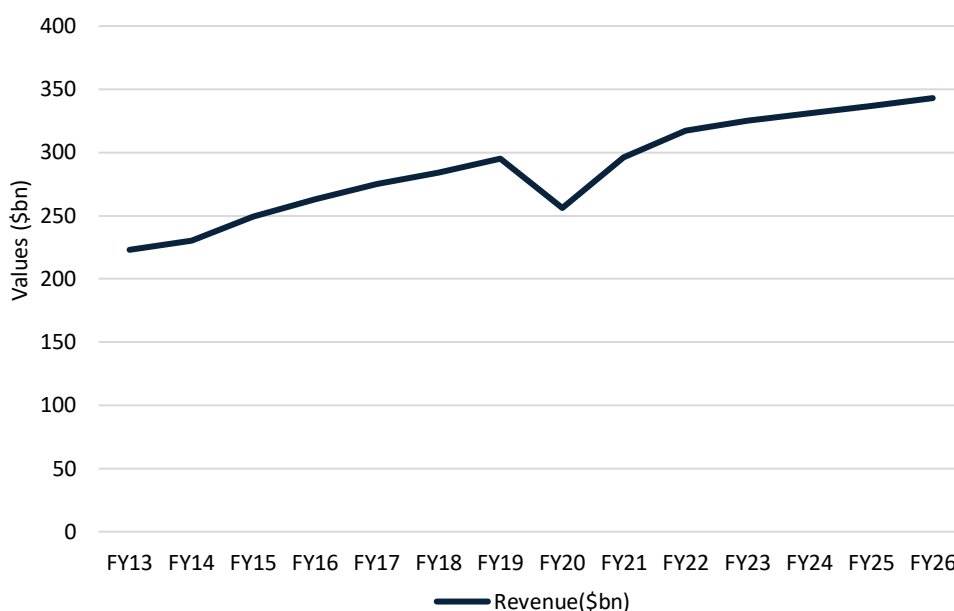
Breakfast Launch

Part of Wendy's long-term growth plan entails building upon their breakfast daypart. The Company funded \$14.6 million of incremental advertising to support this initiative. Since May 2, 2020, when Wendy's introduced breakfast across the U.S. system, same-restaurant sales increased contributing to 6.2%, 6.4% and 6.3% to U.S. systemwide same-restaurant sales during the second, third and fourth quarters of 2020, respectively. In Wendy's latest quarter of Q3 2021, CEO Todd Penegor announced US two-year same-restaurant sales grew 9.1% and the breakfast sales mix exited at 7.5% which was the highest period of 2021.

Operations and Field Realignment

In September 2020, the company went forward with a plan to reallocate resources to better support long-term growth. Hence, Wendy's transitioned from separate leaders of Company and franchise operations to a single leader of all U.S. restaurant operations. The company also expects to incur contract termination charges of approximately \$7.0 million to \$9.0 million, of which approximately \$6.5 million to \$8.5 million will be cash expenditures, related to the Operations and Field Realignment Plan. Wendy's is remaining committed to their long-term growth strategies and have restated their \$25 million investment in company advertising.

Industry Performance FY13 - FY26



Source: IBIS World

Restaurant Expansion

Newmarket expansion abroad and domestically will continue to be a dominant driver in the coming years. In the Q3 2021 earnings call, Wendy's CEO Todd Penegor announced Wendy's added multiple developer agreements in certain international markets which further solidifies the company's long-term unit growth goal of having between 8000 to 9000 restaurants in operation. Wendy's International revenue has grown steadily from US \$94.3 million in 2018 to US \$98.1 million in 2020. In addition, two-year same-restaurant sales grew 12.6% and almost two-thirds of international markets have returned to pre-covid sales levels as recovery speeds.

Industry Analysis

The fast-food industry in the US comprises of restaurants where consumers pay for quick-service food items before eating. Purchases can either be made online, over the phone using third-party delivery services or on-site. The main activities in this industry include providing quick-service fast-food services and operating drive-thru and take-out facilities. The primary products in this industry include burgers, sandwiches, pizza, pasta, chicken, etc.

The fast-food industry is also sensitive to changes in consumer spending. During the recession caused by the COVID-19 pandemic, the spike in unemployment led to large declines in consumption levels across the table. However, when the economy is prospering and personal consumption expenditure is high, consumers are more likely to spend money on dining out. In recent years, there has also been an increase in awareness surrounding healthy eating. Information relating to weight gain, obesity, and junk food intake has forced industry establishments to adapt to changing consumer preferences. Because consumers are now more aware of the health issues that are a result of consuming grease-heavy fast foods, they are going out of their way to avoid them. Plenty of major fast-food retailers has responded by expanding healthier options on their menu while new operators have entered the market with an emphasis on salads and other nutritional items.

Furthermore, fast-casual establishments that do not offer table service but provide higher quality food and ambiance compared to traditional fast-food restaurants have experienced growth in the past five years. Restaurants such as Chipotle that offer higher quality items and customizable options have stolen market share from the likes of major players such as McDonald's and Burger King. The United States Urban population is also a noteworthy industry trend to highlight as it is expected to increase moving forward. This entails a large group of customers living in an urban municipality that represent a potential opportunity for the fast-food industry as these are time-strapped individuals looking to save time on cooking.

Over the past five years leading to 2021 and into the new calendar year, the fast-food restaurant industry has faced headwinds regarding shifting consumer preferences and a saturated food service landscape that has kept prices low. The emphasis on keeping prices low to attract customers in addition to mandatory quarantines and falling customer sentiment has contributed to a decline in industry revenue. Because of the drop, Ibis World predicts industry revenue is expected to increase an annualized 2.4% to \$296.5 billion over to 2021, including an increase of 15.8% in 2021 alone. Industry revenue is forecasted to continue growing over the next five years to 2026 as the domestic economy improves. Nevertheless, competition will continue to remain high, and restaurants will persist to operate in a slow-growth environment. Successful establishments will have to be able to adapt to changing consumer preferences while also having to keep prices low which cut into overall revenue growth. As a result of these trends, industry revenue is forecasted to increase at an annualized rate of 3.0% to \$343.7 billion over to 2026.

Competitive Landscape

Direct Competitors Within the Fast-Food Industry

According to IBISWorld, the major companies within the fast-food industry in the US include Chipotle Mexican Grill Inc., McDonald's Corporation, Yum! Brands Inc., Domino's Pizza Inc., Chick-fil-A, Restaurant Brands International Inc., and the Wendy's Company. The fast-food industry is a low-concentration industry with the top four players only accounting for 10% of the market share in 2020. However, the fast-food industry is heavily reliant on price and quality hence it makes it

extremely competitive. Hence, operators are presented with the difficult task to minimize every cost to drive prices down, all while upholding superior quality food and providing a nice venue to dine in.

External Competition

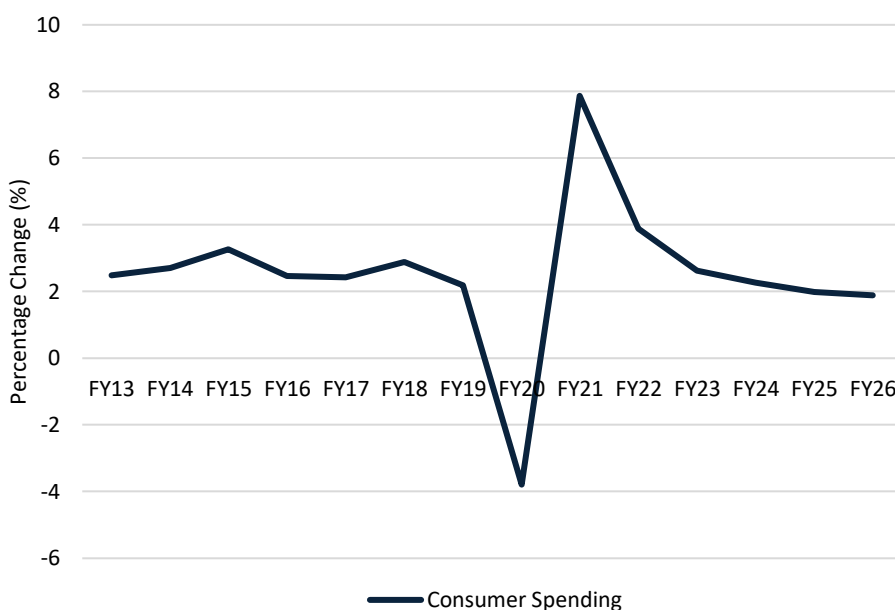
Independent restaurants, food retailers, and chain restaurants also serve as competition for Wendy's. Boxed meal delivery services have also seen growth such as HelloFresh. Because these services provide a variety of gourmet options to customers who still seek convenience yet prefer to dine in, traditional industry establishments have experienced increased pricing pressure. As mentioned before, depending on the economic situation, consumers opt for more cost-friendly options during economic downturns. This may include fast food or pre-packaged frozen meals. On the contrary, during economic booms, consumers are also more likely to dine in when eating out. External competition can also come in the form of dining at home which has seen growth since the onset of the COVID-19 pandemic.

Barriers to Entry

The fast-food industry is a fragmented industry with low barriers to entry because of how new cuisines are welcomed by the market. Consumers are generally open-minded to trying new items, especially in quick-service restaurants. Moreover, franchise models that many restaurants pursue enable easy access to any group with the capital to do so. Although numerous regulations must be followed such as health and food guidelines, these barriers are relatively easy to surpass in comparison to other industries such as medicine, automotive, etc.

Industry Performance

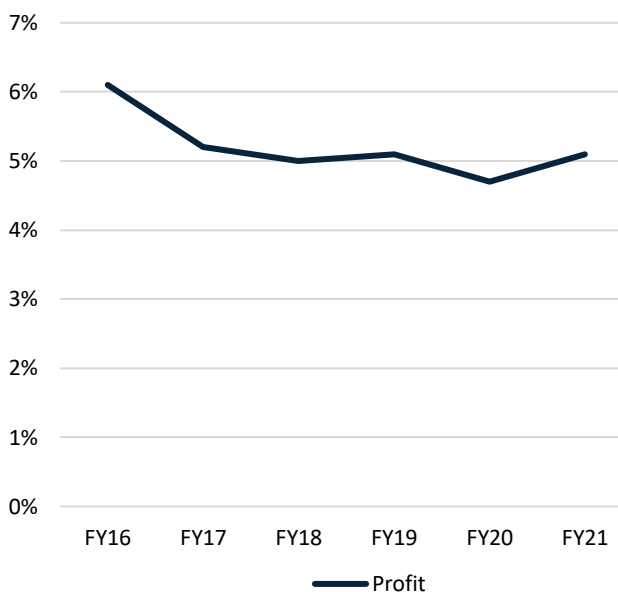
FY13 - FY26



Source: IBIS World

Profit as a Percentage of Revenue

FY16 - FY21



Source: IBIS World

Catalysts

Loosening of COVID-19 Restrictions

Many industry establishments are found next to highways, airports, and in areas of high traffic making them convenient for consumers who are seeking an inexpensive meal to quickly grab a bite. As restrictions loosen and more travel for work or leisure is reintroduced, more people are likely to spend at these quick-service restaurants. Domestic trips by US residents are expected to increase in 2021 with the rollout of the COVID-19 vaccine. Moreover, the strength in the recovery of Wendy's international business continues to be a catalyst for growth as of the end of the third quarter in 2021, 2/3 of Wendy's international markets have seen sales recover to at least pre-covid levels.

Growth of Delivery Services Post-Covid

The pandemic proved to be beneficial for numerous third-party delivery services throughout the course of the pandemic. Uber Eats' revenues surged from \$1.9 billion in 2020 to \$4.8 billion in 2020. On top of revenue, users of food delivery services have also significantly increased. For reference, Uber Eats users in 2019 was 21 million, in 2020 there were 66 million users. In 2020, Wendy's digital sales in the U.S. made up 5% of domestic sales compared to 2.5% in 2019.

COVID-19 Transmission Decline May Lead to Quicker Expansion of Restaurants

Within the results of the third quarter of 2021, there were almost 50 new restaurant openings. Expansion into Europe through the United Kingdom has received positive consumer responses and noticed better than expected sales across all the restaurants in that region. Wendy's anticipates having 10 restaurants opened by the end of the year in the United Kingdom. Regarding total restaurants in operation, Wendy's remains on track to reach approximately 7000 restaurants by the end of 2021 and sees a robust pipeline of almost 200 potential franchisees to obtain their goal of having 8500 to 9000 restaurants globally by the end of 2025 if not sooner.

Investment Thesis

Market View

The market views Wendy's as a leading quick-service restaurant company with skeptical growth prospects. Despite already having faced significant headwinds from COVID-19 and analyst sentiment surrounding the maturity of the US quick-service restaurant industry, Wendy's has outperformed analyst expectations and has seen increased price targets from select coverage groups. Due to the COVID-19 pandemic in March 2020, Wendy's total revenue growth over the prior year dropped a meagre 6.2%. Nonetheless, revenue growth over the prior year increased to 7.7%, and expected revenue growth over the prior year will exceed pre-pandemic percentages at 10.31% in 2022. In addition, the US and international two-year same-store sales trends accelerated and in the 2021 third-quarter conference call, Wendy's sounded confident it will realize 2022 restaurant margins above 15.5%. Despite the relatively positive performance, the market remains somewhat pessimistic about Wendy's ability to sustain this growth considering the nature of the slow-growing quick-service food industry. However, Wendy's continues to announce strategic initiatives that may leave the market incorrect.

Investment Thesis 1 – Expansion into International Markets

Wendy's global restaurant development plan serves as a dependable foundation for future growth. In 2021, Wendy's added 121 franchises which are 2% of net restaurants. The US quick-service industry where Wendy's primarily operates is slow-growing and we do not anticipate any drastic innovations. Wendy's has already tested foreign markets and new store openings have been extremely well received. Global same-restaurant sales increased 10% in Q3 of 2021. Wendy's currently has 6500 locations in operations across the globe with an ambitious target to reach 8500 to 9000 systemwide restaurants by 2025. To obtain this goal, Wendy's signed a multi-year commitment with REEF Kitchens to accelerate non-traditional unit growth by opening and operating 700 delivery kitchens over five years across the US, Canada, and the UK. In addition, Wendy's announced the creation of a US \$100 million strategic Build to Suit Development Fund to drive additional new restaurant growth. The company expects this venture to develop approximately 80 to 90 new franchise restaurants from 2022 to 2025. To promote new restaurant development, the company has also provided franchisees with certain incentive programs for qualifying new restaurants including technical assistance, fee waivers, and reductions in royalty and advertising payments. Wendy's management seemed confident and reassured investors that they can expect 5-6% net new growth in 2022.

Investment Thesis 2 – Rapid Digitalization

The foreseen transition to consumer-facing technology has been accelerated by the COVID-19 pandemic. The virus has forced Wendy's to transition proactive, aggressive strategies to bolster the Company's financial health and future prosperity, most notably through the implementation of consumer-facing digital platforms and technologies. The Company has invested significant resources to focus on consumer-facing technology including activating mobile ordering via Wendy's mobile app. The Company has also launched the Wendy's Rewards loyalty program and established delivery agreements with third-party vendors in US and Canada. Wendy's digital business continues to grow and represented approximately 8.5% of global systemwide sales during 2021. Some additional tangible evidence of Wendy's commitment to penetrating digital markets is elaborated on above surrounding the adaptation of Google Cloud. The Company is looking to use Google Cloud's artificial intelligence, machine learning, and hybrid cloud tools to create new ways for customers to place orders such as speech recognition.

Management Team

Todd A. Penegor – President and CEO, Director

The Wendy's Company management team has been led by Todd A. Penegor since May 2016. Before he transitioned to Wendy's, Todd worked at Kellogg Company from 2000 to 2013 holding multiple key positions, including Vice President of Kellogg Company and President of U.S. Snacks, Vice President and Chief Financial Officer of Kellogg Europe, and Vice President and Chief Financial Officer of Kellogg USA and Kellogg Snacks. Todd also worked at Ford Motor Company for 12 years in various positions such as strategy, mergers and acquisitions, and the controller's office and treasury. Todd joined Wendy's as a Senior Vice President and Chief Financial Officer in 2013. He was appointed Executive Vice President, Chief Financial Officer in 2014, then promoted to President and Chief Financial Officer



in early 2016. Todd was awarded the 2018 Gold Stevie Award for Executive of the Year, Food & Beverage. He was also named the Michigan State University Eli Broad College of Business Outstanding Alumni Achievement award winner. Todd earned his Bachelor of Science in Accounting and his MBA in Finance from Michigan State University.

In FY2020, Todd earned USD\$7,213,774 in total compensation. Of his total salary, \$1,046,164 was received as a salary, \$1,496,250 was received as a bonus, \$2,299,997 was received in stock options, \$2,299,978 was awarded as stock and \$71,385 came from other forms of compensation.

Kurt A. Kane – President, U.S., and Chief Commercial Officer

Kurt A. Kane has served as Wendy's President, U.S., and Chief Commercial Officer since June 2019. Kurt initially joined Wendy's in May 2015 as Wendy's Chief Concept Officer. He then became Chief Concept & Marketing Officer where he was responsible for Wendy's culinary innovation, digital experience organization, brand marketing and advertising teams. Before Wendy's Kurt served as Yum! Brands, Inc. where he was Global Chief Marketing and Food Innovation Officer for Pizza Hut. Kurt also held brand marketing leadership positions with Molson Coors Brewing Company, Frito-Lay, and The Proctor & Gamble Company. Furthermore, Kurt served as an Air Defense Artillery Officer in the 4th Infantry Division of the U.S. Army. Kurt has been named PR Week Magazine's "Top 40 Marketing Innovators to Watch", "Top 100 Most Talented Global Marketing Leaders" by the World-Changing Congress, and a Top 10 "Industry Heavyweight" by Nations Restaurant News. Kurt obtained his Bachelor of Science in Management from the United States Military Academy at West Point and an M.B.A. from the University of Texas at Austin.



In FY2020, Kurt earned USD\$3,913,419 in total compensation. Of his total salary, \$694,630 was received as a salary, \$665,000 was received as a bonus, \$762,497 was received in stock options, \$1,762,446 was awarded as stock and \$28,846 came from other forms of compensation.

Abigail E. Pringle – President, U.S., and Chief Commercial Officer

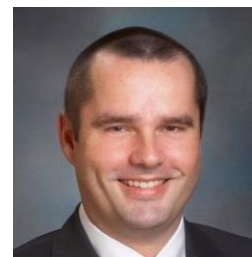
Abigail has served as President, International and Chief Development Officer since June 2019. She first joined Wendy's in 2001 and held roles including Chief Global Development Officer and International, Chief Development Officer, Senior Vice President of Restaurant Development and Growth Initiatives, and Senior Vice President of Strategic Initiatives and Planning. Prior to Wendy's, Abigail led various clients in the areas of systems implementations, organizational design and change management at Accenture. Abigail serves on the board of directors and the executive committee of the Columbus, Ohio, Chamber of Commerce, an advisory board on privately held company Dupler Office, and Denison University where she pursued a Bachelor of Arts.



In FY2020, Abigail earned USD\$3,395,964 in total compensation. Of her total salary, \$597,205 was received as a salary, \$570,000 was received as a bonus, \$599,998 was received in stock options, \$1,599,915 was awarded as stock and \$28,846 came from other forms of compensation.

Gunther Plosch – Chief Financial Officer

Gunther has served as the Chief Financial Officer for Wendy's since May 2016. Gunther joined Wendy's after spending 16 years at Kellogg Company where he held positions such as Vice President of Global Business Services, and Vice President and Chief Financial Officer of Kellogg North America. Gunther also served as Vice President of Finance for Morning Foods, Vice President of Corporate Planning, and Finance Director of Kellogg's United Kingdom Republic of Ireland region. Gunther graduated with marketing and finance degrees from Johannes Kepler University.



In FY2020, Gunther earned USD\$2,611,890 in total compensation. Of his total salary, \$656,082 was received as a salary, \$627,000 was received as a bonus, \$649,997 was received in stock options, \$649,965 was awarded as stock and \$28,846 came from other forms of compensation.

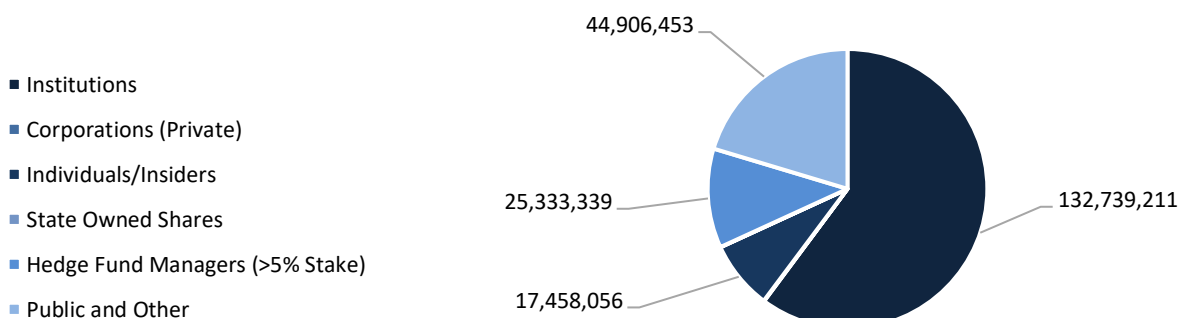
Shareholder Base, Liquidity, Market Depth

Wendy's has 220.63M shares outstanding and a free float of 39.8%. Wendy's shareholder base is formed by primarily institutions that own 71.64% of total outstanding shares. Individuals and insiders own 7.91% of total outstanding shares while the public owns 20.35% of total outstanding shares.

Type	Common Stock Equivalent Held	% Of Total Shares Outstanding	Market Value (USD in mm)
Institutions	132,739,211	60.16%	3078.2
Corporations (Private)	132,397	0.06%	3.1
Individuals/Insiders	17,458,056	7.91%	404.9
State Owned Shares	64,176	0.03%	1.5
Hedge Fund Managers (>5% Stake)	25,333,339	11.48%	587.5
Public and Other	44,906,453	20.35%	1041.4
Total	220,634,432	100%	5116.5

Source: Capital IQ

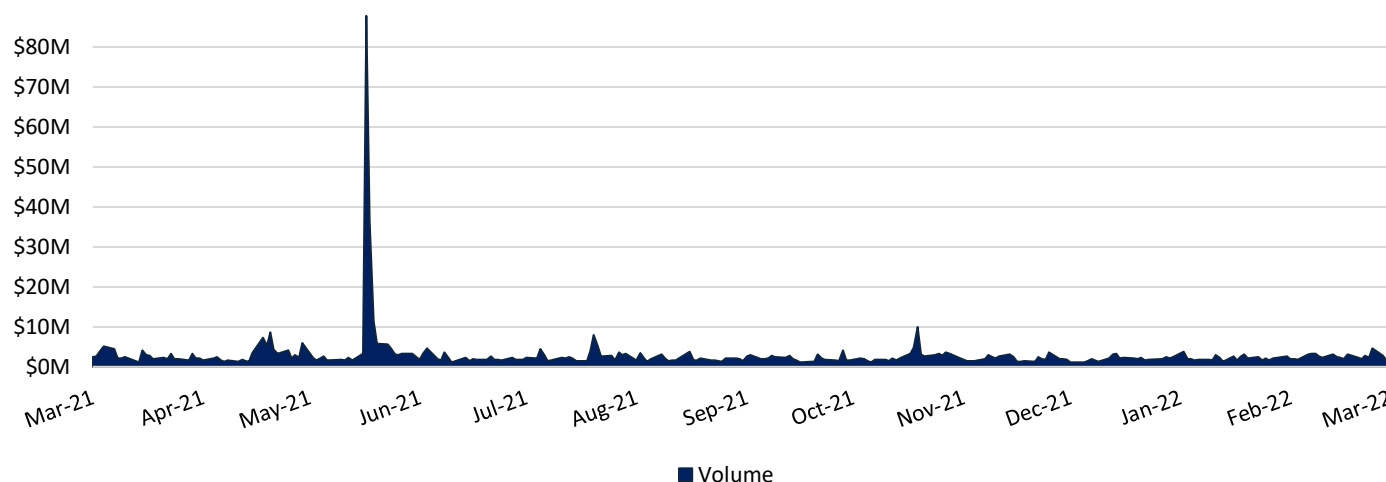
Ownership Summary



Liquidity

As of March 23rd, 2022, Wendy's has an average trading volume of 2.3M shares. Trading volume typically spikes at times surrounding earnings reports and market events. We do not anticipate shareholders to have liquidity problems when entering or exiting their positions as Wendy's has a free float of 186.84M and a market capitalization of \$4.92B.

1-Year Trading Volume (NASDAQ: WEN)



Source: Yahoo Finance

Valuation

Discounted Cash Flow

Revenue

Business Segment 1: Restaurant Sales

Wendy's management has set forth a clearly defined expansion strategy. Hence, our sales forecast reflected an increase over the course of the next five years as Wendy's will be continually introducing new restaurants to their 6500 already in existence. The aggressive addition of new restaurants will contribute to Wendy's top line. This estimate stems from management development plans, COVID-19 vaccine rollouts, market prospects, and prior success in receiving positive receptivity from international segments.

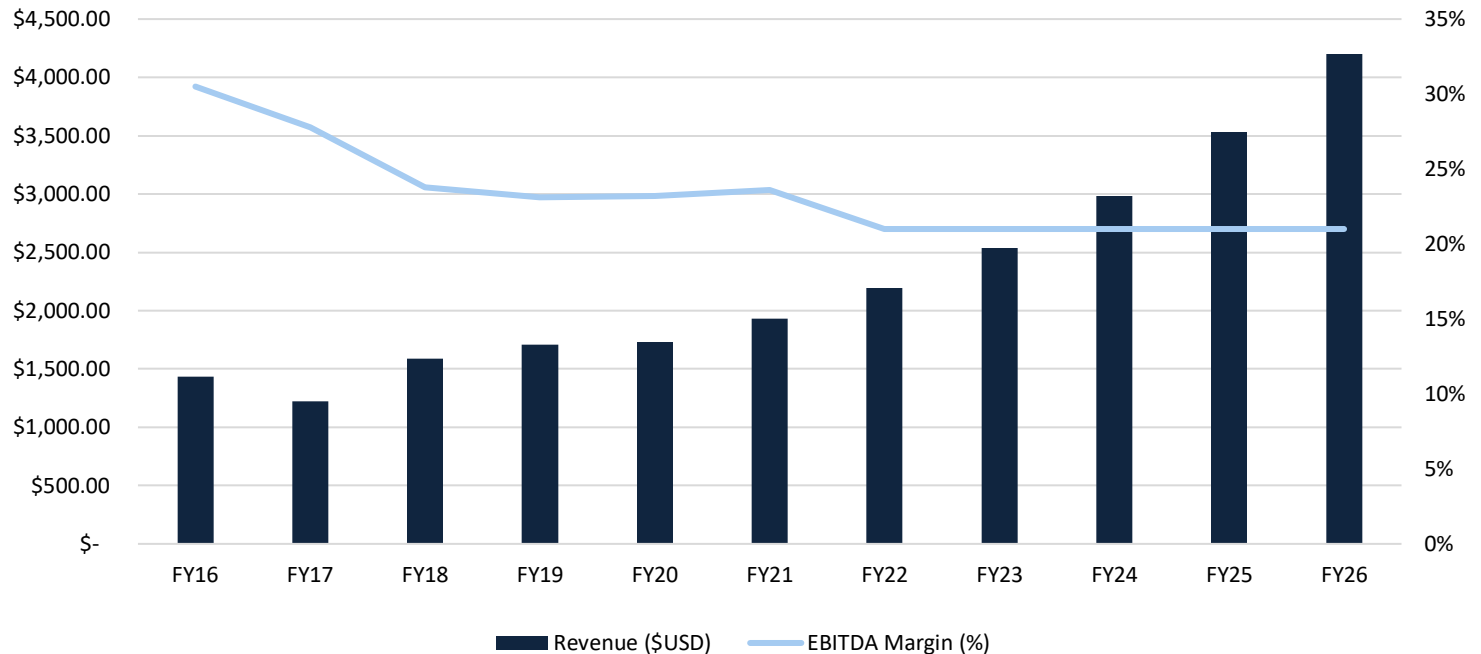
Business Segment 2: Franchise Royalty Revenue and Fees

Our forecast for franchise royalty revenue and fees depicts a constant growth rate of 20% over the next five years. This estimated increase from prior years is due to Wendy's plan to expand internationally at a consistent rate to obtain its goal

of having 8500 to 9000 restaurants in operation by the end of 2025. The increase in stores is the primary driver for our estimate regarding this revenue segment.

Historic and Forecasted Revenue and EBITDA Margin

FY16 - FY26

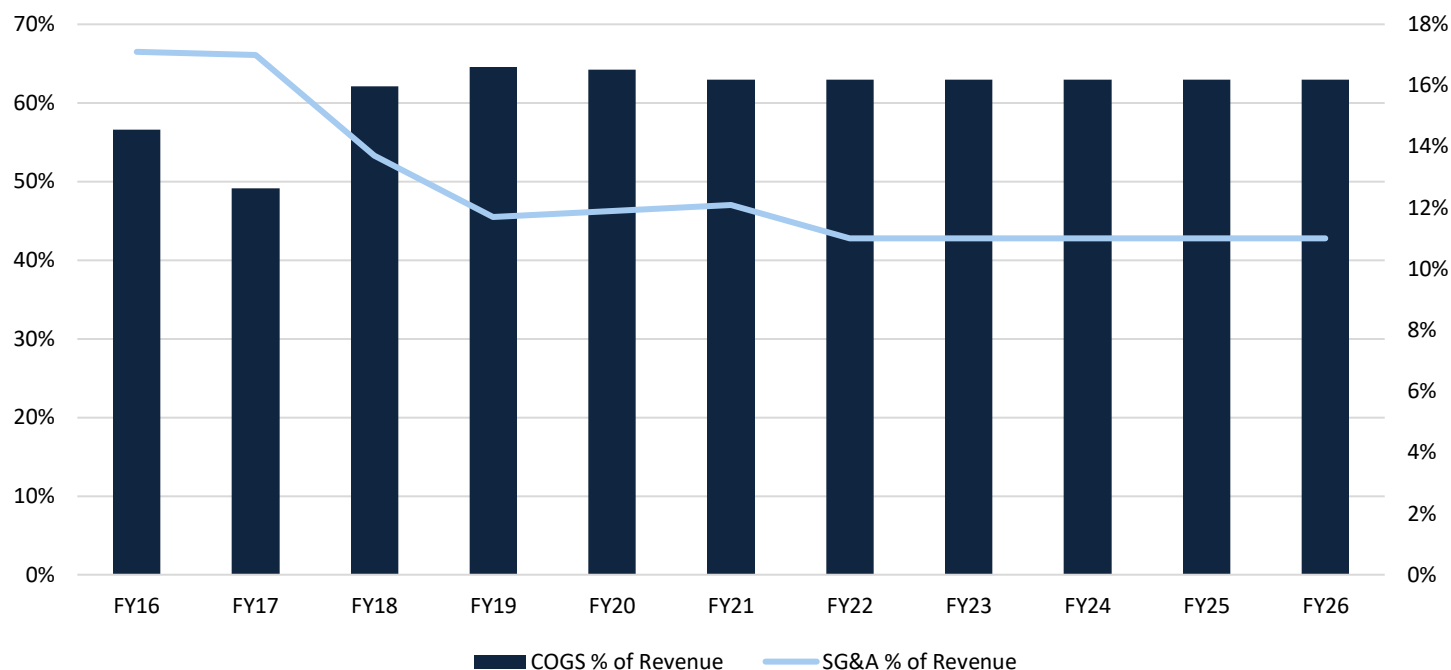


Source: Company Filings

Costs

Wendy's cost of goods sold has historically ranged from 49.0%-67.0% of total revenue since FY2016. We anticipate COGS will continue to hover around the higher end of 63.0% of total revenue considering the large expenses involved in international expansion. Additionally, we forecasted SG&A as a percentage of total revenue to hold constant at 11.0%. Although SG&A as a percentage of total revenue has ranged from 10.0%-13.0% since FY2018, we anticipate costs to remain on the lower end of the scale because Wendy's already has strong brand equity overseas. The company's massive brand awareness will serve as a tailwind in its pursuit to achieve 8500-9000 restaurants in operation by 2025.

Historic and Forecasted Costs and EBITDA Margin FY16 - FY26



Source: Company Filings

Weighted Average Cost of Capital (WACC)

We calculated a WACC of 10.3% for Wendy's using data provided by Bloomberg. The cost of equity which is 14.1% was calculated using a risk-free rate of 2.0%, an expected market return of 10.4%, and a beta of 1.45 which were all pulled from Bloomberg. The cost of debt was computed by applying a pre-tax cost of debt of 1.9% and an effective tax rate of 21.2% which equated to a 2.5% cost of debt. All multiples used in the calculation of the cost of debt were also retrieved from Bloomberg.

Capital Expenditures (CAPEX)

Given the company's ambitions to expand internationally at a consistent rate, we forecasted CAPEX at a constant 7.5% of beginning PP&E. This value was obtained by following Wendy's historical CAPEX trends and adding a premium due to the expenditures involved with international expansion.

Effective Tax Rate

We have assumed an effective tax rate of 21.2% which represents Wendy's long-term tax rate.

Dividend Policy

Wendy's decreased their dividend payments at the onset of the COVID-19 pandemic. However, they have gradually increased their dividend payments to pre-pandemic levels which have hovered around US \$0.10 per share. We employed a straight-line method and estimated the dividend policy to be constant.

Terminal EV/EBITDA Multiple

We have given Wendy's a 17.0x terminal EV/EBITDA exit multiple because of the company's high international growth. We believe this assumption is justified and will accurately depict Wendy's future given its forward-looking mentality and aggressive adoption of digitalization.

Comparable Company Analysis

The companies listed below are the select comparable companies for Wendy's. They overlap in business models, growth strategies, and customer bases. They are all quick-service restaurants and have outsized brand awareness aiming to leverage their brand for international expansion and digitalization. Only three companies were selected as they were perceived to be the best suited to the business model and financial structure of Wendy's. For example, industry leader McDonald's has the same business model as Wendy's regarding franchising and providing quick-service items. However, McDonald's has six times the number of restaurants and has a market capitalization forty times larger than Wendy's. As of 2019, McDonald's had 38,695 restaurants worldwide and in 2021 currently has a market capitalization of \$201.52 billion. Hence, McDonald's may not be the best comparable company. In addition to McDonald's, companies such as Yum! Brands also may not be a suitable comparable as they operate multiple subsidiaries under one umbrella such as KFC, Pizza Hut, Taco Bell, etc. Whereas Wendy's solely operates Wendy's restaurants as they sold off Arby's in 2011.

Domino's Pizza (NYSE: DPZ): Domino's Pizza is an American multinational pizza restaurant chain. The typical store offers items such as sandwiches, pasta, chicken, and bread side items. International restaurants offer similar products with minor adjustments depending on the culture of the region. Domino's has 17,600 locations in over 90 markets worldwide. Like Wendy's within the US, Domino's operates 5,992 restaurants compared to Wendy's 5881. Both companies are heavily franchised, and a large portion of their revenues derive from franchise-related line items such as royalties and fees.

Jack in the Box (NASDAQ: JACK): Jack in the Box is an American fast-food restaurant chain that offers a broad selection of food items such as classic burgers, breakfast sandwiches, tacos, and egg rolls. They also allow customers to customize meals to their preference at any time of the day which includes breakfast items at night and burgers and chicken in the morning. Jack in the Box prides itself on variety and even has it trademarked. There are currently a total of 2218 restaurants in operation within the western and southern US with 93% of them being franchised.

Papa John's Pizza (NASDAQ: PZZA): Papa John's Pizza is an American pizza restaurant chain that has 5400 restaurants in operation as of 2020. 588 of the restaurants were company-owned and in total, these restaurants operate in 48 countries and territories. All international restaurants are franchised which is 2111 of them.

Recommendation

Buy

From our analysis, we believe Wendy's is undervalued at the current price of US\$21.92. Wendy's is currently trading at a discount due to reasons including a lack of innovation in the quick-service food industry and negative consumer trends. However, our future cash flow projections indicate implied prices above the current share price of Wendy's. Wendy's has set well-defined ambitious goals and have innovated their business through digitalization in an industry that is quite stagnant. Their efforts to increase same-restaurant sales through the breakfast launch have experienced success and the continual re-opening of the global economy will be a tailwind for Wendy's.

Taking this under consideration, we recommend a buy on The Wendy's Company with a price target of US\$31.00 per share and a buy upside of 42.6% as the current share price is US\$21.92. We arrived at our implied shared price using the following weightings:

- A 25% weighting on the Perpetuity growth DCF approach returns an implied share price of US\$26.79.
- A 25% weighting on the EV/EBITDA Exit Multiple DCF approach returns an implied share price of US\$39.67.
- A 25% weighting on the 2022E EV/EBITDA Implied Share Price method using Comparable Company Analysis, returning a share price of US\$29.93.
- A 25% weighting on the 2022E P/E Implied Share Price method using a Comparable Company Analysis, returning US\$28.61.

Using the above weighting, we have arrived at a target price of US\$31.00, representing an implied upside of 42.6%. We initiate an Outperform – Buy rating on Wendy's.

ESG

Environmental

Sustainable Packaging

In 2019, Wendy's became a supporting partner of the NextGen Consortium, an organization aiming to find global solutions to reduce single-use food packaging waste. To sustainably source 100% of customer-facing packaging by 2026, Wendy's intends to amend all customer-facing packaging to adhere to having higher recycled content, using less raw materials, obeying an established restricted substance list, and being recyclable, compostable, or reusable. Sourcing of the customer-facing packaging must not also contribute to deforestation. Thus far, Wendy's has tested straw-less lids and in Canada, has transitioned from plastic salad bags to paper and from plastic stir sticks to birchwood stir sticks. Wendy anticipates to fully eliminate per- and polyfluoroalkyl substances, commonly called PFAS, from consumer-facing packaging in the U.S. and Canada by the end of 2021.

Climate and Energy

In the calendar year 2019, Wendy's conducted their first GHG inventory, the company measured Scope 1 and 2 emissions of natural gas, propane, gasoline and electric power at all company-operated restaurants, fleet vehicles and corporate offices. In the second inventory covering the calendar year 2020, Wendy's discovered these locations used approximately

734,000 gigajoules, of which approximately 63% was electricity from local grids. Overall, GHG emissions fell by 6.3% from 2019 levels, with the majority of this change occurring within Scope 2 emissions.

Exhibit 3: Wendy’s Greenhouse Gas Reduction Targets

By the end of 2021	By the end of 2022	By the end of 2023
1) Benchmark and report our 2020 total Scope 1 and 2 GHG emissions to CDP	1) Report our total Scope 1 and 2 GHG emissions in our 2021 Corporate Responsibility Report	1) Report our total Scope 1, 2, and 3 GHG emissions and track our reduction progress
2) Conduct a lifecycle assessment on Scope 3 including our Scope 3 supply chain emissions from agriculture and land use change	2) Report the findings of our Scope 3 lifecycle assessment	2) Validate our science-based target with Science-Based Target initiative and publicly disclose the target
3) Commit to the Science-Based Target Initiative and begin developing a target for Scopes 1, 2, and 3	3) Continue to report Scope 1 and 2 GHG emissions to CDP	
	4) Continue work on Science-Based Target initiative process	

Source: Company Website

Scope 1 emissions are defined as direct company GHG emissions; Scope 2 as indirect emissions derived from energy sources (electricity, steam, heat, and cooling); and Scope 3 is all indirect upstream and downstream emissions that occur in the value chain, excluding indirect emissions associated with power generation (which is included in scope 2).

Social

Employee Resource Groups

Wendy’s has six (Wendy’s Veterans Resource Group, Wendy’s Cultural Diversity Resource Group, Wendy’s Black Employee Resource Group, Women of Wendy’s Resource Group, Wendy’s Equality Group, and Wendy’s Young Professionals Resource Group) resource volunteer Employee Resource Groups (ERGs) committed to creating learning opportunities, inclusion, career growth and leadership development for company staff. ERGs are dedicated to the development of their members and ensuring their voice is heard when it comes to collective decisions that affect Wendy’s people, such as benefits enhancements, creating connections among Wendy’s employees and engaging with the local community. In 2020, Wendy’s also introduced a Parents & Caregivers Support Group, providing a forum for informal discussions focused on family and caregiving challenges, as well as information to ensure employees can take full advantage of Wendy’s Employee Assistance Program. In 2020, Wendy’s achieved a score of 100 on the Human Rights Campaign’s Corporate Equality Index, the premier benchmarking survey in the U.S. to measure workplace environments that promote LGBTQ+ equality.

Exhibit 4: The Six Employee Resource Group

Women of Wendy's Resource Group (WOW)	Wendy's Equality Resource Group (WeQual)	Wendy's Young Professionals Resource Group
Women of Wendy's enables women to be their best selves and fosters authentic relationships by facilitating and sponsoring increased visibility for women within the organization.	Wendy's Equality Resource Group promotes a welcoming, diverse, and respectful work environment for LGBTQ+ employees and their allies.	Wendy's Young Professional Resource Group connects the next generation of Wendy's leaders to each other and the community, fosters personal development and promotes professional development linked to individual career goals.

Wendy's Veterans Resource Group (WeVets)	Wendy's Cultural Diversity Resource Group	Wendy's Black Employee Resource Group
Wendy's Veterans Resource Group provides development opportunities to its members, fosters a veteran and military family community at Wendy's and supports transitioning military talent.	Wendy's Cultural Diversity Resource Group provides opportunities for members and their allies to connect, learn and grow with the goal of creating an environment where employees of color can be themselves and take pride in their unique backgrounds.	Wendy's Black Employee Resource Group strives to foster an inclusive culture, power diverse perspectives, and provide growth opportunities for Black employees and their allies.

Source: Company Website

WeCare

In 2017, Wendy's established a short-term financial assistance program to help Wendy's members that have been negatively impacted by federal or state/provincial declared natural disasters and emergencies in the US and Canada. Throughout the COVID-19 pandemic, Wendy's was able to financially support staff that faced reduced hours and short-term restaurant closures. As of 2021, WeCare has supplied more than \$120,000 in financial aid to 250 Wendy's members.

Enhanced Employee Benefits

In 2021, Wendy's improved their paid sick time policy to provide paid sick time to all eligible part-time hourly employees permanently. Accrued sick time can be used for absences due to illness, injury and any other medical condition, including medical, dental and vision appointments, whether for treatment or preventative care, for employees and their applicable family members. It can also be used to receive the COVID-19 vaccine.

Parental Bonding

To enhance parental bonding leave, the company will reimburse the cost of shipping breast milk during overnight business travel following the birth or adoption of a child for all Wendy's employees.

Flex Work

Having proven that the business could be successful while working remotely, Wendy's introduced a Flex Work Program that provides eligible office-based employees with options for flexibility in their work schedules and locations.

Training and Development

Wendy's team members completed nearly 5 million hours of foundational training system-wide in 2020, including a combination of online and hands-on training modules. Every restaurant team member is required to obtain recertification in food safety training annually to reinforce food safety standards and procedures. Restaurant team members also spend an additional 700,000 training hours each year to support the introduction of new products and procedures.

Engagement and Culture

An employee engagement survey is administered yearly by Wendy's. In 2020, nearly 50,000 company and franchise employees provided feedback and the engagement scores outperformed industry benchmarks. Company-led restaurants have been an industry leader in employee retention and in 2020 for the third straight year, Wendy's was recognized as the Global Best Practice winner in the quick-service restaurant segment based on turnover rates relative to peers by third-party firm Black Box Intelligence.

Governance

Stock ownership and retention guidelines for executive officers are determined as a multiple of the executive officer's base salary and then converted to a fixed number of shares. The guideline for the Chief Executive Officer is set at six times the Chief Executive Officer's annual base salary. The guideline for other executive officers is set at three times the executive officer's annual base salary.

Non-Management

The guideline for non-management directors is set at five times the amount of the annual cash retainer payable for Board service and then converted to a fixed number of shares. The guideline is determined by dividing the multiple of the annual retainer as of the Calculation Date by the average end-of-quarter price of the Company's common stock over the trailing four quarters

Risks

Commodity Price Risk Could Influence the Cost of Goods Sold

Wendy's must purchase raw ingredients such as beef, chicken, pork, cheese, and grains. Because these items are affected by changes in commodity prices, Wendy's is subject to variability in food costs which can impact profit margins. However, Wendy's has contracts in place that seek to limit the variability of these commodity costs. Wendy's Quality Supply Chain Co-op (QSCC) negotiates contracts with approved suppliers on behalf of Wendy's system in the US and Canada.

COVID-19 and Labor Shortage

Due to the restrictions put in place to mitigate the spread of COVID-19 in addition to a labour shortage, numerous Wendy's stores are operating on reduced hours and limited capacity which have led to cutting certain menu items. In a response to tackle the nationwide labour shortage, restaurants have resorted to increasing hourly wages and providing additional benefits. These circumstances will likely impact Wendy's earnings. The extent of the impact caused by COVID-19 is yet to be determined depending on future developments and the duration of this pandemic, all of which are factors that are out of Wendy's control.

Global Political Regulation and Economic Conditions

Having that Wendy's is looking to expand their international presence, the success of its international franchises may be affected by fluctuations in foreign exchange rates, tariffs, foreign taxes, and local laws and regulations. Political unrest in areas such as Hong Kong is an example of possibilities that may lead to lower regional consumer spending and confidence. There are currently 947 Wendy's restaurants in operation in 30 foreign countries all of which are franchised.

Minimal Corporate Control Over Franchisees

Wendy's depends on franchisees for a large chunk of their revenue yet has limited control over the operations of the individual restaurants. Wendy's provides initial and ongoing manager and crew level training, supply chain co-op, quality assurance, etc. but day-to-day operations are handled by the franchisee. If an operator were to fail to meet the standards that corporate management has set, this may negatively impact Wendy's reputation.

Consumer Trends

As priorly mentioned briefly in the *industry analysis*, there has been an increase in buzz regarding topics such as but not limited to healthy eating, dine at home meal-kits and pre-made convenience store meals that are disrupting both Wendy's and the entire fast-food industry. Consumers are going out of their way to avoid unhealthy foods which Wendy's is generally considered to be. This can result in a potential loss of customers and future customers if this trend continues. Meal-kits which present an out-of-industry competitor have also seen exponential growth in the past decade. HelloFresh is the largest meal-kit provider in the US and has seen steady growth since 2011. Sylvain Charlebois, the senior lab director of Dalhousie University's Agri-food Analytics Lab claims the meal kit industry was worth about \$5 million a decade ago, now it's believed to be worth half a billion in Canada as the pandemic has blazed a path of growth for the entire industry. According to Statista, the fresh-food meal kits industry is estimated to be worth \$6.9 billion US dollars in 2021 and it is set to keep growing.

Environmental Concerns Surrounding the Production of Meat

Animal agriculture is one of the highest emitting sectors in the world. However, there aren't clear objectives on what the ideal emission reductions should be. The Biden administration is looking to provide monetary compensation for farmers that curb their carbon footprint in their production processes yet there is no clear outline on how so unlike the electric

vehicle (EV) industry for example. These concerns can impose inconvenience surrounding supply chain and production matters.

Appendix 1: Model Summary

	Summary Page														
	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
(Figures in mm USD)	FY2016	FY2017	FY2018	FY2019	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Income Statement															
Revenue	1,435.4	1,223.4	1,589.9	1,709.0	1,733.8	460.2	493.3	470.3	510.3	1,934.1	2,193.3	2,539.8	2,980.3	3,531.1	4,199.2
EBITDA	437.5	340.4	378.8	394.3	402.1	114.7	157.5	111.1	107.2	456.2	460.6	533.4	625.9	741.5	881.8
Net Income	129.6	194.0	460.1	136.9	117.8	41.4	65.7	41.2	57.0	436.6	257.0	316.7	392.0	484.2	594.5
Earnings Per Share	\$ 0.51	\$ 0.79	\$ 1.96	\$ 0.60	\$ 0.52	\$ 0.18	\$ 0.29	\$ 0.18	\$ 0.25	\$ 1.94	\$ 1.14	\$ 1.41	\$ 1.74	\$ 2.15	\$ 2.64
Cash Flow Statement															
Capital Expenditures	(150.0)	(81.7)	(69.9)	(74.5)	(69.0)	(10.4)	(13.7)	(19.3)	(17.5)	(60.9)	(61.9)	(58.3)	(54.2)	(50.4)	(46.8)
Acquisitions	(2.2)	(86.8)	(21.4)	(5.1)	(4.9)	4.9	-	-	-	4.9	-	-	-	-	-
Divestitures	262.2	81.5	3.2	3.4	6.1	0.0	50.5	2.1	2.0	54.7	24.0	2.0	2.0	2.0	2.0
Dividend Payment	(63.8)	(68.3)	(80.5)	(96.4)	(64.9)	(20.2)	(22.1)	(26.7)	(26.7)	(95.6)	(88.9)	(22.2)	(22.2)	(22.2)	(22.2)
Dividend Per Share	\$ 0.25	\$ 0.28	\$ 0.34	\$ 0.42	\$ 0.29	\$ 0.09	\$ 0.10	\$ 0.12	\$ 0.12	\$ 0.43	\$ 0.40	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
Dividend Payout to Earnings	49.2%	35.2%	17.5%	70.4%	55.0%	48.7%	33.7%	64.8%	46.8%	21.9%	34.6%	7.0%	5.7%	4.6%	3.7%
Dividend Payout to Core FCF	17.6%	19.5%	34.0%	27.9%	18.7%	21.0%	25.5%	19.4%	25.3%	22.5%	143.7%	38.1%	41.0%	44.1%	47.5%
Dividend Yield	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	0.5%	2.0%	1.8%	0.5%	0.5%	0.5%	0.5%
Balance Sheet															
Current Assets	452.5	404.5	665.7	554.0	687.6	641.5	839.5	843.5	956.4	956.4	867.3	808.5	781.5	770.1	775.0
Non-Current Assets	3,486.8	3,692.4	3,626.3	4,440.5	4,352.4	4,315.2	4,327.3	4,313.5	3,303.1	3,303.1	3,223.1	3,168.3	3,117.3	3,069.7	3,025.3
Assets	3,939.3	4,096.9	4,292.0	4,994.5	5,040.0	4,956.7	5,166.9	5,156.9	4,259.5	4,259.5	4,090.4	3,976.8	3,898.7	3,839.8	3,800.3
Current Liabilities	230.1	227.2	284.2	349.7	413.3	396.5	372.8	407.2	437.7	437.7	475.6	495.3	542.7	602.0	673.9
Non-Current Liabilities	3,181.5	3,296.6	3,359.4	4,128.5	4,077.1	4,039.5	4,223.7	4,207.0	4,207.0	4,207.0	4,207.0	4,207.0	4,207.0	4,207.0	4,207.0
Liabilities	3,411.6	3,523.7	3,643.6	4,478.2	4,490.4	4,436.0	4,596.5	4,614.2	4,644.7	4,644.7	4,682.6	4,702.3	4,749.7	4,809.0	4,880.9
Shareholders' Equity	527.7	573.2	648.4	516.4	549.6	520.7	570.4	542.8	573.0	573.0	741.1	1,035.6	1,405.3	1,867.2	2,439.5
Cash	198.2	171.4	431.4	300.2	307.0	316.5	568.1	571.5	667.3	667.3	526.7	437.0	364.1	295.5	230.9
Debt	(198.2)	(171.4)	(431.4)	(300.2)	(307.0)	(316.5)	(568.1)	(571.5)	(667.3)	(667.3)	(526.7)	(437.0)	(364.1)	(295.5)	(230.9)
Net Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Minority Interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	n/a	n/a	n/a	n/a	n/a	-	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a
Operating Metrics															
Return on Equity (ROE)															
Return on Assets (ROA)															
Return on Invested Capital (ROIC)															
Valuation Metrics															
Stock Price (High)									\$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92
Stock Price (Low)									\$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92
Stock Price (Average)	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	\$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92	✓ \$ 21.92
Diluted Shares Outstanding (Average)	252.3	245.0	235.1	228.0	228.0	226.7	225.4	225.1	225.1	225.6	225.1	225.1	225.1	225.1	225.1
Market Capitalization (Average)	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	4,933.3	4,944.3	4,933.3	4,933.3	4,933.3	4,933.3	4,933.3
Enterprise Value (Average)	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	4,265.9	4,276.9	4,406.6	4,496.3	4,569.1	4,637.8	4,702.4
P/E	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!					11.3 x	19.2 x	15.6 x	12.6 x	10.2 x	8.3 x
EV/EBITDA	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!					9.4 x	9.6 x	8.4 x	7.3 x	6.3 x	5.3 x
FCF Yield to Market Capitalization	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!					6.8%	6.3%	7.6%	9.4%	11.3%	13.6%
FCF Yield to Enterprise Value	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!	✓ #DIV/0!					7.9%	7.1%	8.3%	10.1%	12.0%	14.2%
Free Cash Flow															
EBIT	314.8	214.8	249.9	262.6	269.3	83.1	126.7	80.2	76.0	331.7	342.7	422.3	522.6	645.6	792.7
Tax Expense	72.1	(93.0)	114.8	34.5	35.0	13.1	15.1	13.2	(16.1)	(70.3)	(72.6)	(89.4)	(110.7)	(136.7)	(167.9)
D&A	122.7	125.7	128.9	131.7	132.8	31.5	30.8	30.9	31.2	124.4	117.9	111.1	103.3	96.0	89.2
Capital Expenditures	(150.0)	(81.7)	(69.9)	(74.5)	(69.0)	(10.4)	(13.7)	(19.3)	(17.5)	(60.9)	(61.9)	(58.3)	(54.2)	(50.4)	(46.8)
Changes in NWC	(19.8)	(30.7)	57.4	18.6	6.6	-	-	-	13.5	13.5	(13.8)	(11.1)	1.6	2.0	2.4
Unlevered Free Cash Flow	339.7	135.1	481.1	372.9	374.7	117.4	158.9	105.0	87.1	338.5	312.3	374.5	462.6	556.4	669.5
Valuation Summary															
Current Price	\$ 21.92														
Target Price	\$ 31.25														
Total Return	42.6%														
Recommendation	BUY														
DCF Valuation															
Perpetuity Growth Implied Price	\$ 26.79														
Exit Multiple Implied Price	\$ 39.67														
Comps Valuation															
Comps - EV/EBITDA Implied Price	\$ 29.93														
Comps - P/E Implied Price	\$ 28.61														

Appendix 2: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis																											
	Dec-16	Dec-17	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
(Figures in mm USD)	FY2016	FY2017	FY2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	Q1-2021	Q2-2021	Q3-2021	Q4-2021	FY2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	FY2022	FY2023	FY2024	FY2025	FY2026
WACC Calculations																											
Cost of Equity																											
Risk-free rate																											
Expected market return																											
Market Risk Premium																											
Beta																											
Cost of Equity																											
Cost of Debt																											
Pre-tax cost of debt																											
Debt adjustment factor																											
Effective tax rate																											
Cost of Debt																											
WACC																											
Market value of equity																											
Market value of debt																											
Total Capitalization																											
Cost of equity																											
Cost of debt																											
WACC																											
Free Cash Flow																											
EBIT																											
Less: Tax expense																											
Add: Depreciation and amortization																											
Less: Capital expenditures																											
Less: Change in net working capital																											
Unlevered Free Cash Flow																											
Discount factor																											
Present Value of Unlevered Free Cash Flow																											
Discounted Cash Flow Valuations																											

Perpetuity Growth Method	
Perpetuity Growth Rate	3.5%
PV sum of unlevered FCF	1,772.6
Terminal value	6,046.0
Enterprise Value	7,818.6
Add: Cash	571.5
Less: Debt	2,360.8
Less: Other EV adjustments	-
Equity Value	6,029.4
Shares outstanding	225.1
Implied Share Price	\$ 26.79

Current Price	\$ 21.92
Implied Price	\$ 26.79
Total Return	22.2%


Exit Multiple Method	
Terminal EV/EBITDA Multiple	17.0 x
PV sum of unlevered FCF	1,772.6
Terminal value	8943.773
Enterprise Value	10,716.4
Add: Cash	571.5
Less: Debt	2,360.8
Less: Other EV adjustments	-
Equity Value	8,927.1
Shares outstanding	225.1
Implied Share Price	\$ 39.67

Current Price	\$ 21.92
Implied Price	\$ 39.67
Total Return	81.0%

		WACC				
		9.00%	8.50%	8.00%	7.50%	7.00%
Perpetuity Growth Rate	1.00%	\$ 24.13	\$ 26.47	\$ 29.15	\$ 32.24	\$ 35.86
	1.50%	\$ 25.85	\$ 28.48	\$ 31.51	\$ 35.05	\$ 39.24
	2.00%	\$ 27.82	\$ 30.79	\$ 34.26	\$ 38.36	\$ 43.30
	2.50%	\$ 30.08	\$ 33.48	\$ 37.51	\$ 42.34	\$ 48.26
	3.00%	\$ 32.73	\$ 36.67	\$ 41.41	\$ 47.20	\$ 54.46

		WACC				
		9.00%	8.50%	8.00%	7.50%	7.00%
Terminal EV/EBITDA Multiple	8.0 x	\$ 20.18	\$ 20.79	\$ 21.42	\$ 22.06	\$ 22.73
	9.0 x	\$ 22.67	\$ 23.34	\$ 24.04	\$ 24.75	\$ 25.48
	10.0 x	\$ 25.17	\$ 25.90	\$ 26.65	\$ 27.43	\$ 28.22
	11.0 x	\$ 27.66	\$ 28.45	\$ 29.27	\$ 30.11	\$ 30.97
	12.0 x	\$ 30.15	\$ 31.00	\$ 31.88	\$ 32.79	\$ 33.72

Appendix 3: Comparable Company Analysis



Comparable Company Analysis

(Figures in mm USD)

Company	Ticker	Equity Value	Enterprise Value	EV/EBITDA Multiple						P/E Multiple					
				2021A EBITDA	2022E EBITDA	2023E EBITDA	2021A EV/EBITDA	2022E EV/EBITDA	2023E EV/EBITDA	2021A Diluted EPS	2022E Diluted EPS	2023E Diluted EPS	2021A P/E	2022E P/E	2023E P/E
Jack In The Box Inc.	(NASDAQ: JACK)	1,822.0	4,000.8	329.5	303.3	319.6	12.1 x	13.2 x	12.5 x	7.4	\$ 6.69	\$ 7.55	11.8 x	13.0 x	11.5 x
Domino's Pizza, Inc.	(NYSE: DPZ)	17,085.8	22,090.1	885.4	958.1	1,046.5	24.9 x	23.1 x	21.1 x	13.6	\$ 15.32	\$ 17.32	34.4 x	30.6 x	27.1 x
Papa John's International, Inc.	(NASDAQ: PZZA)	4,215.8	4,727.2	228.0	245.2	266.5	20.7 x	19.3 x	17.7 x	3.4	\$ 3.67	\$ 4.17	34.4 x	31.6 x	27.8 x
The Wendy's Company	(XCH: TCK)	4,933.3	6,722.5	456.2	460.6	533.4	14.7 x	14.6 x	12.6 x	1.9	\$ 1.14	\$ 1.41	11.3 x	19.2 x	15.6 x
Median								19.3 x	17.7 x					30.6 x	27.1 x
Mean								18.5 x	17.1 x					25.1 x	22.1 x
High								23.1 x	21.1 x					31.6 x	27.8 x
Low								13.2 x	12.5 x					13.0 x	11.5 x

	EV/EBITDA Implied Price				P/E Implied Price			
Median	\$	31.50	\$	34.09	\$	34.99	\$	38.14
Mean	\$	29.93	\$	32.63	\$	28.61	\$	31.13
High	\$	39.24	\$	42.07	\$	36.04	\$	39.09
Low	\$	19.05	\$	21.72	\$	14.81	\$	16.17

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