Investing and financing activities of wendy’s

During the year of 2012, cash used for investing activities of Wendy’s totaled $189 million, increased $131 million from 2011. The two largest investing activities that appeared in Wendy’s statement of cash flow are capital expenditures and acquisitions. Cash capital expenditures of Wendy’s in 2012 totaling $197. 6 million, including $71. 9 million for reimaged and new Image Activation restaurants, $13. 5 million for new restaurants, $28. 0 million for point-of-sale equipment, $23. 2 million for the construction of a new building at its corporate headquarters, and $61. million for various capital projects. In the middle of 2012, Wendy’s acquired 54 franchised restaurants. The purchase price was $38. 1 million in cash. Wendy’s also agreed to lease the real estate, buildings, and improvements related to some of the acquired restaurants which were considered part of the purchase transaction.

Wendy’s did not incur any material acquisition-related costs. Some other important investing activities involved the investment in limited partnerships of indirect 18. 5% interest in Arby’s Restaurant Group, Inc. and approximately 11% cost method investment in Jurlique International Pty Ltd. On February 2, 2012, Wendy’s completed the sale of its investment in Jurlique and received proceeds of $27. 4 million. Wendy’s did this because prior to 2009, Wendy’s had determined that all of its remaining $8. 5 million investment in Jurlique was impaired. Wendy’s realized that Jurlique cannot help them make a profit and decided to sell all of the investment in Jurlique to protect stockholders' equity. In the meantime, Wendy’s can use thismoneyto strengthen its capital expenditures. The increase in cash used for investing activities is mainly because of the sale of Arby’s in 2011. Wendy’s sold Arby’s for $130. 0 million in cash and indirectly retained an 18.

5% interest in Arby’s and during 2012, Wendy’s received a $4. 6 million dividend from the investment in Arby’s. Wendy’s decided to sell Arby’s because Arby’s has been a weaker performer than Wendy’s in recent years after Wendy’s and Arby’s were merged in 2008. We deem it wise to sell Aryb’s because Wendy’s no longer need to worry about the poor performance of Arby’s but can earn the dividend.

On the other hand, cash used for investing activities of McDonald’s totaled $3. 2 billion in 2012, increased to $596 million. The increase primarily reflected higher capital expenditures and lower proceeds from sales of restaurant businesses. During the year of 2012, the two largest investing activities appeared in the statement of cash flow of McDonald’s are capital expenditures and sales of restaurant business and property. The two most important financing activities for Wendy’s are the proceeds from long-term debt and the repayments of long-term debt. On May 15, 2012, Wendy’s entered into a Credit Agreement including a senior secured term loan facility of $1, 125. 0 million, of which net proceeds were $1, 113. 8 million withdraws on May 15, 2012, and July 16, 2012. Proceeds from the 2012 Term Loan were used to repay the outstanding amounts under the 2010 Term Loan of $467. 8 million, to redeem and purchase the outstanding Senior Notes of $565. 0 million and to pay substantially all of the Credit Agreement fees and expenses. The outflow of the 2012 Term Loan constituted the second-largest financing activity, the repayments of long-term debt. In these two activities, we can find out that Wendy uses almost 85% of the 2012 loan to reimburse its previous debt, which shows us that the company does not have enough debt-paying ability. A good company that has the ability to make a profit to repay previous debt and make another investing is what all stockholders want to see, not using a new loan to redeem the old loans. In conclusion, we do not agree with Wendy’s using these financing activities. They should improve their operational activities to increase profit.