

The background is a solid red color. Overlaid on this are several large, abstract, white shapes that resemble thick, stylized brushstrokes or calligraphic elements. These shapes are scattered across the page, with some forming partial outlines of letters or symbols, but they are not clearly identifiable as specific characters. The overall aesthetic is modern and graphic.

REVENUE RECOGNITION IMPLEMENTATION

NOVEMBER 20, 2018

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EXECUTIVE SUMMARY

- The purpose of this presentation is to provide details of financial statement changes that will occur in fiscal year 2019, to help financial statement users understand the comparability of actual 2018 results to 2019 guidance.
- The Company has elected the modified retrospective approach for the implementation of the new revenue recognition accounting standard (ASC 606), which is being adopted October 1, 2019. This approach allows for prior years to remain unchanged from previous filings with a cumulative effect adjustment made through beginning retained earnings on the balance sheet in the year of implementation.
- We are providing this supplemental information to illustrate the impact as if the prior periods were fully recast for the new revenue recognition standard in order to enhance the investor community's understanding of the change.

IMPACT OF NEW REVENUE STANDARD

- Franchise fees, which were historically recognized upfront, will now be deferred and amortized over the life of the related franchise agreement. This will result in a more consistent revenue stream with less volatility into the future.
- Funds collected and spent that are associated with the marketing fund and sourcing fee will now be presented on a gross basis in revenues and expenses. The objective of these funds is to spend what is collected, but to the extent there is a surplus or deficit it will impact our reported results.

OTHER INCOME STATEMENT IMPACTS

- Technology support fees received from franchisees are currently recorded within general and administrative expense, offsetting the associated support costs. Beginning in Fiscal 2019, fees received from franchisees and their associated costs will be reported separately on the income statement. As a result, certain amounts previously classified as general and administrative expense will be reflected as franchise expense.
- Beginning in Q1 2019, there will be a separate line item, “Franchise contributions for advertising and other svcs”, in the income statement to reflect costs associated with “Franchise advertising and other services expense” that will be reclassified from general and administrative expense.

MARKETING FUND AND SOURCING FEES

- Currently, the Company acts as an agent based on franchisor specific guidance, and the following are excluded from our income statement:
 - Contributions to and expenditures from our marketing fund
 - Sourcing fees, related to supply chain and logistics services provided by the Company
- Under the new guidance, we can no longer be considered an agent for these activities
 - Gross presentation of revenue and expenses will be reflected in the financial statements

MARKETING FUND AND SOURCING FEES

- Beginning in Q1 2019, the Company will separate line items in the income statement:
 - Franchise contributions for advertising and other svcs
 - Franchise advertising and other services expense

Company restaurant sales
Franchise rental revenues
Franchise royalties and other
→ Franchise contributions for advertising and other svcs
Total Revenues
Company restaurant costs
Franchise occupancy expenses
Franchise support and other costs
→ Franchise advertising and other services expense
Costs of revenues
SG&A
Depreciation and amortization
Impairment & other charges, net
Franchise (gains) losses
EBIT
Interest expense, net
EBT
Income taxes
Net earnings

RECAST FINANCIAL STATEMENTS

(\$ IN THOUSANDS)

Year-ended September 30, 2018

	As Reported	Franchise Fees	Marketing and Sourcing Fees	Technology Support Fees	Recast
Revenues:					
Company restaurant sales	\$ 448,058				\$ 448,058
Franchise rental revenues	259,047				259,047
Franchise royalties and other	162,585	(1,463)			161,122
Franchise contributions for advertising and other svcs			154,258	8,179	162,438
	869,690	(1,463)	154,258	8,179	1,030,665
Operating costs and expenses, net:					
Company restaurant costs (excluding depreciation and amortization):					
Food and packaging	128,947				128,947
Payroll and employee benefits	129,089				129,089
Occupancy and other	71,803				71,803
Total company restaurant costs	329,839	-	-	-	329,839
Franchise occupancy expenses (excluding depreciation and amortization)	158,319				158,319
Franchise support and other costs	11,593				11,593
Franchise advertising and other services expense			154,258	13,984	168,242
Selling, general and administrative expenses	106,649			(5,805)	100,844
Depreciation and amortization	59,422				59,422
Impairment and other charges, net	18,418				18,418
Gains on the sale of company-operated restaurants	(46,164)				(46,164)
	638,076	-	154,258	8,179	800,514
Earnings from operations	231,614	(1,463)	-	-	230,151
Interest expense, net	45,547				45,547
Earnings from continuing operations and before income taxes	186,067	(1,463)	-	-	184,604
Income taxes	81,728	(418)			81,310
Earnings from continuing operations	104,339	(1,045)	-	-	103,294
Earnings from discontinued operations, net of taxes	17,032				17,032
Net earnings	\$ 121,371	\$ (1,045)	\$ -	\$ -	\$ 120,326