



**The Wendy's Company and Subsidiaries**  
**Reconciliation of Net Income to Adjusted EBITDA**  
(In Thousands)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2018	2017 (a)	2018	2017 (a)
Net income	\$ 18,831	\$ 159,276	\$ 460,115	\$ 194,029
Provision for (benefit from) income taxes	551	(121,649)	114,801	(93,010)
Income before income taxes	19,382	37,627	574,916	101,019
Other income, net	(2,958)	(595)	(5,381)	(1,617)
Investment income, net	(304)	(617)	(450,736)	(2,703)
Loss on early extinguishment of debt	—	—	11,475	—
Interest expense, net	29,679	30,172	119,618	118,059
Operating profit	45,799	66,587	249,892	214,758
Plus (less):				
Advertising funds revenue	(81,008)	—	(326,019)	—
Advertising funds expense	76,855	—	321,866	—
Depreciation and amortization	34,230	33,997	128,879	125,687
System optimization (gains) losses, net	(455)	(673)	(463)	39,076
Reorganization and realignment costs	2,377	1,806	9,068	22,574
Impairment of long-lived assets	2,541	2,293	4,697	4,097
Legal reserve for Financial Institutions case	27,500	—	27,500	—
Adjusted EBITDA	<u>\$ 107,839</u>	<u>\$ 104,010</u>	<u>\$ 415,420</u>	<u>\$ 406,192</u>
Revenues	\$ 397,820	\$ 309,247	\$ 1,589,936	\$ 1,223,408
Less:				
Advertising funds revenue	(81,008)	—	(326,019)	—
Adjusted revenues	<u>\$ 316,812</u>	<u>\$ 309,247</u>	<u>\$ 1,263,917</u>	<u>\$ 1,223,408</u>
Adjusted EBITDA margin	34.0%	33.6%	32.9%	33.2%

(a) 2017 reconciliation of net income to adjusted EBITDA does not reflect adjustments for the implementation of the new revenue recognition standard as the Company applied the modified retrospective method upon adoption.



**The Wendy's Company and Subsidiaries**  
**Reconciliation of Net Income and Diluted Earnings Per Share to**  
**Adjusted Income and Adjusted Earnings Per Share**  
(In Thousands Except Per Share Amounts)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2018	2017 (a)	2018	2017 (a)
Net income	\$ 18,831	\$ 159,276	\$ 460,115	\$ 194,029
Plus (less):				
Advertising funds revenue	(81,008)	—	(326,019)	—
Advertising funds expense	76,855	—	321,866	—
Depreciation of assets that will be replaced as part of the Image Activation initiative	—	444	—	630
System optimization (gains) losses, net	(455)	(673)	(463)	39,076
Reorganization and realignment costs	2,377	1,806	9,068	22,574
Impairment of long-lived assets	2,541	2,293	4,697	4,097
Loss on early extinguishment of debt	—	—	11,475	—
Gain on sale of investment in Inspire Brands	(24)	—	(449,945)	—
Legal reserve for Financial Institutions case	27,500	—	27,500	—
Total adjustments	<u>27,786</u>	<u>3,870</u>	<u>(401,821)</u>	<u>66,377</u>
Income tax impact on adjustments (b)	(7,339)	4,571	82,997	(11,275)
Tax reform	91	(140,379)	2,167	(140,379)
Total adjustments, net of income taxes	<u>20,538</u>	<u>(131,938)</u>	<u>(316,657)</u>	<u>(85,277)</u>
Adjusted income	<u>\$ 39,369</u>	<u>\$ 27,338</u>	<u>\$ 143,458</u>	<u>\$ 108,752</u>
Diluted earnings per share	\$ .08	\$ .64	\$ 1.88	\$ .77
Total adjustments per share, net of income taxes	.08	(.53)	(1.29)	(.34)
Adjusted earnings per share	<u>\$ .16</u>	<u>\$ .11</u>	<u>\$ .59</u>	<u>\$ .43</u>

(a) 2017 reconciliation of net income and diluted earnings per share to adjusted income and adjusted earnings per share does not reflect adjustments for the implementation of the new revenue recognition standard as the Company applied the modified retrospective method upon adoption.

(b) The provision for (benefit from) income taxes on "System optimization (gains) losses, net" was \$202 and \$6,382 for the three months ended December 30, 2018 and December 31, 2017, respectively, and (\$1,119) and (\$598) for the twelve months ended December 30, 2018 and December 31, 2017, respectively. The provision for income taxes on the "Gain on sale of investment in Inspire Brands" was \$595 and \$97,501 for the three and twelve months ended December 30, 2018. The benefit from income taxes on all other adjustments was calculated using an effective tax rate of 25.10% and 39.86% for the three months ended December 30, 2018 and December 31, 2017, respectively, and 25.38% and 39.11% for the twelve months ended December 30, 2018 and December 31, 2017, respectively.



**The Wendy's Company and Subsidiaries**  
**Reconciliation of Recast Net Income to Recast Adjusted EBITDA (a)**  
**(In Thousands)**  
**(Unaudited)**

	<b>Three Months Ended</b>	<b>Twelve Months Ended</b>
	<b>2017</b>	<b>2017</b>
<b>2017 Recast</b>		
Net income	\$ 142,148	\$ 170,479
Benefit from income taxes	(113,076)	(88,504)
Income before income taxes	29,072	81,975
Other income, net	(595)	(1,617)
Investment income, net	(617)	(2,703)
Interest expense, net	30,172	118,059
Operating profit	58,032	195,714
Plus (less):		
Advertising funds revenue	(80,464)	(324,458)
Advertising funds expense	83,220	327,214
Depreciation and amortization	33,997	125,687
System optimization (gains) losses, net	(673)	39,076
Reorganization and realignment costs	1,806	22,574
Impairment of long-lived assets	2,293	4,097
Adjusted EBITDA	<u>\$ 98,211</u>	<u>\$ 389,904</u>
Revenues	\$ 383,912	\$ 1,531,578
Less:		
Advertising funds revenue	(80,464)	(324,458)
Adjusted revenues	<u>\$ 303,448</u>	<u>\$ 1,207,120</u>
Adjusted EBITDA margin	32.4%	32.3%

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The reconciliation of recast net income to recast adjusted EBITDA reflects adjustments for the implementation of the new revenue recognition standard as if the full retrospective method was applied upon adoption.



**The Wendy's Company and Subsidiaries**  
**Reconciliation of Recast Net Income and Diluted Earnings Per Share to**  
**Recast Adjusted Income and Adjusted Earnings Per Share (a)**  
**(In Thousands Except Per Share Amounts)**  
**(Unaudited)**

	<b>Three Months</b>	<b>Twelve Months</b>
	<b>Ended</b>	<b>Ended</b>
<b>2017 Recast</b>	<b>2017</b>	<b>2017</b>
Net income	\$ 142,148	\$ 170,479
Plus (less):		
Advertising funds revenue	(80,464)	(324,458)
Advertising funds expense	83,220	327,214
Depreciation of assets that will be replaced as part of the Image Activation initiative	444	630
System optimization (gains) losses, net	(673)	39,076
Reorganization and realignment costs	1,806	22,574
Impairment of long-lived assets	2,293	4,097
Total adjustments	<u>6,626</u>	<u>69,133</u>
Income tax impact on adjustments	4,593	(11,253)
Tax reform	<u>(129,673)</u>	<u>(129,673)</u>
Total adjustments, net of income taxes	<u>(118,454)</u>	<u>(71,793)</u>
Adjusted income	<u>\$ 23,694</u>	<u>\$ 98,686</u>
Diluted earnings per share	\$ .57	\$ .68
Total adjustments per share, net of income taxes	<u>(.48)</u>	<u>(.29)</u>
Adjusted earnings per share	<u>\$ .09</u>	<u>\$ .39</u>

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The reconciliation of recast net income and diluted earnings per share to recast adjusted income and adjusted earnings per share reflects adjustments for the implementation of the new revenue recognition standard as if the full retrospective method was applied upon adoption.