



Operating Segments

February 26, 2020

Legal Disclaimer

Disclosure Regarding Non-GAAP Financial Measures. In addition to the financial measures presented in this presentation in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”), the Company has included certain non-GAAP financial measures in this release, including systemwide sales. The Company uses systemwide sales as an internal measure of business operating performance and as performance measures for benchmarking against the Company’s peers and competitors. Systemwide sales is also used by the Company in establishing performance goals for purposes of executive compensation. The Company believes its presentation of systemwide sales provides a meaningful perspective of the underlying operating performance of our current business and enables investors to better understand and evaluate our historical and prospective operating performance. The Company believes this non-GAAP financial measure is an important supplemental measure of operating performance because it highlights trends in our business that may not otherwise be apparent when relying solely on GAAP financial measures. However, historical systemwide sales are not indicative of our future operating performance. The Company believes investors, analysts and other interested parties use systemwide sales in evaluating issuers, and the presentation of this measure facilitates a comparative assessment of the Company’s operating performance in addition to the Company’s performance based on GAAP results.

Key Business Measures. The Company tracks its results of operations and manages its business using certain key business measures, including same-restaurant sales and systemwide sales, which are measures commonly used in the quick-service restaurant industry that are important to understanding Company performance. Same-restaurant sales and systemwide sales each include sales by both Company-operated and franchise restaurants. The Company reports same-restaurant sales for new restaurants after they have been open for 15 continuous months and for reimaged restaurants as soon as they reopen. Franchise restaurant sales are reported by our franchisees and represent their revenues from sales at franchised Wendy’s restaurants. Sales by franchise restaurants are not recorded as Company revenues and are not included in the Company’s consolidated financial statements. However, the Company’s royalty revenues are computed as percentages of sales made by Wendy’s franchisees and, as a result, sales by franchisees have a direct effect on the Company’s royalty revenues and profitability. Same-restaurant sales and systemwide sales exclude sales from Venezuela and, beginning in the third quarter of 2018, Argentina due to the highly inflationary economies of those countries. The Company calculates same-restaurant sales and systemwide sales growth on a constant currency basis. Constant currency results exclude the impact of foreign currency translation and are derived by translating current year results at prior year average exchange rates. The Company believes excluding the impact of foreign currency translation provides better year over year comparability.



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Executive Summary

- As a result of the realignment of its management and operating structure in May 2019, The Wendy's Company (the "Company") adopted a new segment reporting structure beginning in Q4 2019. As part of this new structure, the Company made the following changes: (1) it combined its Canadian business with its International segment and (2) it separated its real estate and development operations into its own segment. Prior period segment results have been revised in this presentation to reflect these changes.
- The Company is now comprised of the following segments:
 - (1) Wendy's U.S. – Includes the operation and franchising of Wendy's restaurants in the U.S. and derives its revenues from sales at Company-operated restaurants and royalties, fees and advertising fund collections from franchised restaurants.
 - (2) Wendy's International – Includes the franchising of Wendy's restaurants in countries and territories other than the U.S. and derives its revenues from royalties, fees and advertising fund collections from franchised restaurants.
 - (3) Global Real Estate & Development ("GRE&D") – Includes real estate activity for owned sites and sites leased from third parties, which are leased and/or subleased to franchisees, and also includes our share of the income of our TimWen Canadian real estate joint venture. In addition, GRE&D earns fees from facilitating franchise flips and providing other development-related services to franchisees.
- The purpose of the presentation is to provide segment revenue and profit detail for the Company's 2019, 2018 and 2017 fiscal years.
 - 2019 segment revenue and profit detail by quarter is also provided.
 - For additional clarity, 2017 is provided on a recast basis, which reflects adjustments for the revenue recognition standard implemented at the beginning of 2018 as if the full retrospective method was applied upon adoption.
- The Company measures segment profit based on segment adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"). Segment adjusted EBITDA excludes certain unallocated general and administrative expenses and other items that vary from period to period without correlation to the Company's core operating performance.

Annual Revenues by Segment

Annual revenue breakdown (\$ in thousands)						
		Wendy's U.S.	Wendy's International	Global Real Estate & Development	Total	
Fiscal year ended	2019	Sales	\$ 707,485	\$ -	\$ -	\$ 707,485
		Franchise royalty revenue	355,702	44,998	-	400,700
		Franchise fees	21,889	2,978	3,432	28,299
		Franchise rental income	-	-	233,065	233,065
		Advertising funds revenue	319,231	20,222	-	339,453
	Total	\$ 1,404,307	\$ 68,198	\$ 236,497	\$ 1,709,002	
	2018	Sales	\$ 651,577	\$ -	\$ -	\$ 651,577
		Franchise royalty revenue	335,500	42,446	-	377,946
		Franchise fees	18,972	5,607	6,518	31,097
		Franchise rental income	-	-	203,297	203,297
		Advertising funds revenue	306,442	19,577	-	326,019
	Total	\$ 1,312,491	\$ 67,630	\$ 209,815	\$ 1,589,936	
	Recast 2017 (a)	Sales	\$ 622,802	\$ -	\$ -	\$ 622,802
		Franchise royalty revenue	326,846	39,126	-	365,972
		Franchise fees	20,607	4,765	2,871	28,243
Franchise rental income		-	-	190,103	190,103	
Advertising funds revenue		305,710	18,748	-	324,458	
Total	\$ 1,275,965	\$ 62,639	\$ 192,974	\$ 1,531,578		

(a) The 2017 revenue breakdown reflects adjustments for the revenue recognition standard implemented at the beginning of 2018 as if the full retrospective method was applied upon adoption. See Slide 9 for a reconciliation of our consolidated 2017 as reported results to our consolidated 2017 recast results.

2019 v 2018

For discussion related to the Company's annual revenues by segment for 2019 vs 2018, refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Form 10-K, filed with the Securities and Exchange Commission on February 26, 2020.

2018 v 2017 (a)

- Wendy's U.S. revenue was higher in 2018 as compared to 2017, reflecting higher sales and royalties due to same restaurant sales and restaurant count.
- Wendy's International revenue was higher in 2018 as compared to 2017, reflecting higher royalties due to higher same restaurant sales and restaurant count.
- Global Real Estate & Development revenue was higher in 2018 as compared to 2017, reflecting higher rental income due to subleasing properties in connection with 2017 franchisee-to-franchisee restaurant transfers.



Annual Profit and Operational Highlights by Segment

Annual profit breakdown and operational highlights (\$ in thousands)			
	Fiscal year ended		
	2019	2018	Recast 2017 (a)
Wendy's U.S.	\$ 369,193	\$ 355,455	\$ 352,949
Wendy's International	20,246	25,597	24,028
Global Real Estate & Development	107,116	110,632	94,782
Total segment profit (b)	\$ 496,555	\$ 491,684	\$ 471,759
Advertising funds surplus (deficit)	1,337	4,153	(2,756)
Unallocated general and administrative (c)	(81,230)	(104,208)	(82,188)
Depreciation and amortization	(131,693)	(128,879)	(125,687)
System optimization gains (losses), net	1,283	463	(39,076)
Reorganization and realignment costs	(16,965)	(9,068)	(22,574)
Impairment of long-lived assets	(6,999)	(4,697)	(4,097)
Unallocated other operating income, net	291	444	333
Interest expense, net	(115,971)	(119,618)	(118,059)
Loss on early extinguishment of debt	(8,496)	(11,475)	-
Investment income, net	25,598	450,736	2,703
Other income, net	7,771	5,381	1,617
Income before income taxes	\$ 171,481	\$ 574,916	\$ 81,975
Systemwide Sales Growth (d)			
U.S.	4.2%	1.5%	2.9%
International (e)	6.7%	10.8%	9.6%
Global	4.4%	2.5%	3.5%
Same-Restaurant Sales Growth (d)			
U.S.	2.9%	0.6%	1.9%
International (e)	3.2%	4.7%	4.4%
Global	2.9%	1.0%	2.1%
Restaurant Openings			
U.S. - Total / Net	107 / 42	97 / 41	91 / 30
International - Total / Net	75 / 35	62 / 36	83 / 67
Global - Total / Net	182 / 77	159 / 77	174 / 97
Systemwide Sales (In US\$ Millions) (f)			
U.S.	\$ 9,763	\$ 9,371	\$ 9,230
International (e)	\$ 1,182	\$ 1,142	\$ 1,053
Global	\$ 10,944	\$ 10,513	\$ 10,283

(a) The 2017 segment profit breakdown reflects adjustments for the revenue recognition standard implemented at the beginning of 2018 as if the full retrospective method was applied upon adoption. See Slide 9 for a reconciliation of our consolidated 2017 as reported results to our consolidated 2017 recast results.

(b) As presented in this presentation, total segment profit is a non-GAAP metric under SEC rules and ASC 280.

(c) Unallocated general and administrative expense includes corporate overhead costs, such as employee compensation and related benefits. 2018 also includes the impact of legal reserves for a settlement of the FICase of \$27.5M.

(d) Systemwide sales growth and same-restaurant sales growth are calculated on a constant currency basis and include sales by both Company-operated and franchise restaurants.

(e) Excludes Venezuela, and beginning in the third quarter of 2018, Argentina.

(f) Systemwide sales include sales at both Company-operated and franchise restaurants.

2019 v 2018

For discussion related to the Company's annual profit by segment for 2019 vs 2018, refer to Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2019 Form 10-K, filed with the Securities and Exchange Commission on February 26, 2020.

2018 v 2017 (a)

- Wendy's U.S. segment profit was positively impacted in 2018 as compared to 2017 primarily due to lower general and administrative costs, which were partially offset by higher franchise support costs.
- Wendy's International segment profit was positively impacted in 2018 as compared to 2017 by higher royalties primarily due to higher same restaurant sales and restaurant count.
- Global Real Estate & Development segment profit was positively impacted in 2018 as compared to 2017 primarily due to subleasing properties in connection with 2017 franchisee-to-franchisee restaurant transfers.



2019 Quarterly Revenues by Segment

2019 Quarterly revenue breakdown (\$ in thousands)						
		Wendy's U.S.	Wendy's International	Global Real Estate & Development	Total	
Quarter ended	December 29	Sales	\$ 176,761	\$ -	\$ -	\$ 176,761
		Franchise royalty revenue	89,103	11,666	-	100,769
		Franchise fees	6,022	470	1,505	7,997
		Franchise rental income	-	-	56,134	56,134
		Advertising funds revenue	80,427	5,103	-	85,530
	Total	\$ 352,313	\$ 17,239	\$ 57,639	\$ 427,191	
	September 29	Sales	\$ 181,977	\$ -	\$ -	\$ 181,977
		Franchise royalty revenue	90,791	11,476	-	102,267
		Franchise fees	5,199	1,011	678	6,888
		Franchise rental income	-	-	59,918	59,918
		Advertising funds revenue	81,386	5,444	-	86,830
	Total	\$ 359,353	\$ 17,931	\$ 60,596	\$ 437,880	
	June 30	Sales	\$ 181,050	\$ -	\$ -	\$ 181,050
		Franchise royalty revenue	91,430	11,391	-	102,821
		Franchise fees	5,238	464	602	6,304
		Franchise rental income	-	-	58,561	58,561
Advertising funds revenue		81,437	5,175	-	86,612	
Total	\$ 359,155	\$ 17,030	\$ 59,163	\$ 435,348		
March 31	Sales	\$ 167,697	\$ -	\$ -	\$ 167,697	
	Franchise royalty revenue	84,378	10,465	-	94,843	
	Franchise fees	5,430	1,033	647	7,110	
	Franchise rental income	-	-	58,452	58,452	
	Advertising funds revenue	75,981	4,500	-	80,481	
Total	\$ 333,486	\$ 15,998	\$ 59,099	\$ 408,583		

2019 Quarterly Profit and Operational Highlights by Segment

2019 Quarterly profit breakdown and operational highlights (\$ in thousands)

	Quarter ended			
	March 31	June 30	September 29	December 29
Wendy's U.S.	\$ 89,654	\$ 102,973	\$ 98,342	\$ 78,224
Wendy's International	5,747	5,482	6,271	2,746
Global Real Estate & Development	26,953	29,899	26,408	23,856
Total Segment profit (a)	\$ 122,354	\$ 138,354	\$ 131,021	\$ 104,826
Advertising funds (deficit) surplus	-	(2,055)	(1,053)	4,445
Unallocated general and administrative	(20,742)	(20,610)	(18,254)	(21,624)
Depreciation and amortization	(33,185)	(31,484)	(33,306)	(33,718)
System optimization gains (losses), net	12	110	1,040	121
Reorganization and realignment costs	(798)	(3,570)	(403)	(12,194)
Impairment of long-lived assets	(1,486)	(198)	-	(5,315)
Unallocated other operating income, net	111	26	(22)	176
Interest expense, net	(29,082)	(29,931)	(27,930)	(29,028)
Loss on early extinguishment of debt	-	(7,150)	-	(1,346)
Investment income, net	391	268	340	24,599
Other income, net	2,309	1,979	1,878	1,605
Income before income taxes	\$ 39,884	\$ 45,739	\$ 53,311	\$ 32,547
Systemwide Sales Growth (b)				
U.S.	2.6%	2.5%	5.8%	5.9%
International (c)	10.2%	10.4%	4.6%	6.3%
Global	3.3%	3.3%	5.7%	5.9%
Same-Restaurant Sales Growth (b)				
U.S.	1.2%	1.3%	4.5%	4.5%
International (c)	2.7%	3.9%	3.3%	2.7%
Global	1.4%	1.6%	4.4%	4.3%
Restaurant Openings				
U.S. - Total / Net	25 / 1	19 / 2	24 / 12	39 / 27
International - Total / Net	18 / (2)	9 / 7	16 / 12	32 / 18
Global - Total / Net	43 / (1)	28 / 9	40 / 24	71 / 45
Systemwide Sales (In US\$ Millions) (d)				
U.S.	\$ 2,318	\$ 2,503	\$ 2,495	\$ 2,447
International (c)	\$ 273	\$ 301	\$ 303	\$ 304
Global	\$ 2,591	\$ 2,804	\$ 2,798	\$ 2,751

(a) As presented in this presentation, total segment profit is a non-GAAP metric under SEC rules and ASC 280.

(b) Systemwide sales growth and same-restaurant sales growth are calculated on a constant currency basis and include sales by both Company-operated and franchise restaurants.

(c) Excludes Venezuela, and beginning in the third quarter of 2018, Argentina.

(d) Systemwide sales include sales at both Company-operated and franchise restaurants.



Recast

The Wendy's Company and Subsidiaries
 Consolidated Statement of Operations
 Fiscal Year Ended December 31, 2017 (a)
 (In Thousands Except Per Share Amounts)
 (Unaudited)

	As reported	Franchise fees	Advertising funds	Recast
Revenues:				
Sales	\$ 622,802	\$ -	\$ -	\$ 622,802
Franchise royalty revenue and fees	410,503	(16,288)	-	394,215
Franchise rental income	190,103	-	-	190,103
Advertising funds revenue	-	-	324,458	324,458
	<u>1,223,408</u>	<u>(16,288)</u>	<u>324,458</u>	<u>1,531,578</u>
Costs and expenses:				
Cost of sales	517,935	-	-	517,935
Franchise support and other costs	16,325	-	-	16,325
Franchise rental expense	88,015	-	-	88,015
Advertising funds expense	-	-	327,214	327,214
General and administrative	203,593	-	-	203,593
Depreciation and amortization	125,687	-	-	125,687
System optimization losses, net	39,076	-	-	39,076
Reorganization and realignment costs	22,574	-	-	22,574
Impairment of long-lived assets	4,097	-	-	4,097
Other operating income, net	(8,652)	-	-	(8,652)
	<u>1,008,650</u>	<u>-</u>	<u>327,214</u>	<u>1,335,864</u>
Operating profit	214,758	(16,288)	(2,756)	195,714
Interest expense, net	(118,059)	-	-	(118,059)
Investment income, net	2,703	-	-	2,703
Other income, net	1,617	-	-	1,617
Income before income taxes	101,019	(16,288)	(2,756)	81,975
Benefit from income taxes	93,010	(4,271)	(235)	88,504
Net income	<u>\$ 194,029</u>	<u>\$ (20,559)</u>	<u>\$ (2,991)</u>	<u>\$ 170,479</u>
Net income per share:				
Basic	\$.79	\$ (.08)	\$ (.01)	\$.70
Diluted	.77	(.08)	(.01)	.68

(a) The 2017 consolidated statement of operations reflects adjustments for the revenue recognition standard implemented at the beginning of 2018 as if the full retrospective method was applied upon adoption.

The Wendy's Company and Subsidiaries
Reconciliation of Net Income to Adjusted EBITDA
Fiscal Year Ended December 31, 2017 (a)
(In Thousands)
(Unaudited)

Recast

Net income	\$ 170,479
Benefit from income taxes	<u>(88,504)</u>
Income before income taxes	81,975
Other income, net	(1,617)
Investment income, net	(2,703)
Interest expense, net	<u>118,059</u>
Operating profit	195,714
Plus (less):	
Advertising funds revenue	(324,458)
Advertising funds expense	327,214
Depreciation and amortization	125,687
System optimization losses, net	39,076
Reorganization and realignment costs	22,574
Impairment of long-lived assets	<u>4,097</u>
Adjusted EBITDA	<u>\$ 389,904</u>
Revenues	\$ 1,531,578
Less:	
Advertising funds revenue	<u>(324,458)</u>
Adjusted revenues	<u>\$ 1,207,120</u>
Adjusted EBITDA margin	32.3%

(a) The 2017 reconciliation of net income to adjusted EBITDA reflects adjustments for the revenue recognition standard implemented at the beginning of 2018 as if the full retrospective method was applied upon adoption.