

The Wendy's Company and Subsidiaries
Consolidated Statements of Operations
Three and Twelve Month Periods Ended December 29, 2019 and December 30, 2018
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	2019	2018	2019	2018
Revenues:				
Sales	\$ 176,761	\$ 165,261	\$ 707,485	\$ 651,577
Franchise royalty revenue and fees	108,766	100,364	428,999	409,043
Franchise rental income	56,134	51,187	233,065	203,297
Advertising funds revenue	85,530	81,008	339,453	326,019
	427,191	397,820	1,709,002	1,589,936
Costs and expenses:				
Cost of sales	151,434	138,867	597,530	548,588
Franchise support and other costs	23,863	6,650	43,686	25,203
Franchise rental expense	31,087	21,275	123,929	91,104
Advertising funds expense	81,085	76,855	338,116	321,866
General and administrative	53,940	71,425	200,206	217,489
Depreciation and amortization	33,718	34,230	131,693	128,879
System optimization (gains) losses, net	(121)	(455)	(1,283)	(463)
Reorganization and realignment costs	12,194	2,377	16,965	9,068
Impairment of long-lived assets	5,315	2,541	6,999	4,697
Other operating income, net	(2,041)	(1,744)	(11,418)	(6,387)
	390,474	352,021	1,446,423	1,340,044
Operating profit	36,717	45,799	262,579	249,892
Interest expense, net	(29,028)	(29,679)	(115,971)	(119,618)
Loss on early extinguishment of debt	(1,346)	—	(8,496)	(11,475)
Investment income, net	24,599	304	25,598	450,736
Other income, net	1,605	2,958	7,771	5,381
Income before income taxes	32,547	19,382	171,481	574,916
(Provision for) benefit from income taxes	(6,014)	(551)	(34,541)	(114,801)
Net income	\$ 26,533	\$ 18,831	\$ 136,940	\$ 460,115
Net income per share:				
Basic	\$.12	\$.08	\$.60	\$ 1.93
Diluted	.11	.08	.58	1.88
Number of shares used to calculate basic income per share	227,441	234,574	229,944	237,797
Number of shares used to calculate diluted income per share	232,594	240,517	235,075	244,963

The Wendy's Company and Subsidiaries
Consolidated Balance Sheets
As of December 29, 2019 and December 30, 2018
(In Thousands Except Par Value)
(Unaudited)

	December 29, 2019	December 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 300,195	\$ 431,405
Restricted cash	34,539	29,860
Accounts and notes receivable, net	117,461	109,805
Inventories	3,891	3,687
Prepaid expenses and other current assets	15,585	14,452
Advertising funds restricted assets	82,376	76,509
Total current assets	554,047	665,718
Properties	977,000	1,023,267
Finance lease assets	200,144	189,969
Operating lease assets	857,199	—
Goodwill	755,911	747,884
Other intangible assets	1,247,212	1,294,153
Investments	45,949	47,660
Net investment in sales-type and direct financing leases	256,606	226,477
Other assets	100,461	96,907
Total assets	\$ 4,994,529	\$ 4,292,035
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	22,750	23,250
Current portion of finance lease liabilities	11,005	8,405
Current portion of operating lease liabilities	43,775	—
Accounts payable	22,701	21,741
Accrued expenses and other current liabilities	165,272	150,636
Advertising funds restricted liabilities	84,195	80,153
Total current liabilities	349,698	284,185
Long-term debt	2,257,561	2,305,552
Long-term finance lease liabilities	480,847	447,231
Long-term operating lease liabilities	897,737	—
Deferred income taxes	270,759	269,160
Deferred franchise fees	91,790	92,232
Other liabilities	129,778	245,226
Total liabilities	4,478,170	3,643,586
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 224,889 and 231,233 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,874,001	2,884,696
Retained earnings	185,725	146,277
Common stock held in treasury, at cost; 245,535 and 239,191 shares, respectively	(2,536,581)	(2,367,893)
Accumulated other comprehensive loss	(53,828)	(61,673)
Total stockholders' equity	516,359	648,449
Total liabilities and stockholders' equity	\$ 4,994,529	\$ 4,292,035

The Wendy's Company and Subsidiaries
Consolidated Statements of Cash Flows
Twelve Month Periods Ended December 29, 2019 and December 30, 2018
(In Thousands)
(Unaudited)

	Twelve Months Ended	
	2019	2018
Cash flows from operating activities:		
Net income	\$ 136,940	\$ 460,115
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	131,693	128,879
Share-based compensation	18,676	17,918
Impairment of long-lived assets	6,999	4,697
Deferred income tax	837	(6,568)
Non-cash rental expense (income), net	28,202	(17,043)
Change in operating lease liabilities	(41,911)	—
Net (recognition) receipt of deferred vendor incentives	(501)	139
System optimization (gains) losses, net	(1,283)	(463)
Gain on sale of investments, net	(24,496)	(450,000)
Distributions received from TimWen joint venture	13,400	13,390
Equity in earnings in joint ventures, net	(8,673)	(8,076)
Long-term debt-related activities, net	15,317	18,673
Other, net	(6,325)	5,178
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	16,935	13,226
Inventories	(163)	(434)
Prepaid expenses and other current assets	(1,569)	6,824
Advertising funds restricted assets and liabilities	(2,720)	13,955
Accounts payable	2,541	(145)
Accrued expenses and other current liabilities	5,034	23,963
Net cash provided by operating activities	<u>288,933</u>	<u>224,228</u>
Cash flows from investing activities:		
Capital expenditures	(74,453)	(69,857)
Acquisitions	(5,052)	(21,401)
Dispositions	3,448	3,223
Proceeds from sale of investments	24,496	450,000
Notes receivable, net	(3,370)	959
Payments for investments	—	(13)
Net cash (used in) provided by investing activities	<u>(54,931)</u>	<u>362,911</u>
Cash flows from financing activities:		
Proceeds from long-term debt	850,000	934,837
Repayments of long-term debt	(899,800)	(894,501)
Repayments of finance lease liabilities	(6,835)	(5,571)
Deferred financing costs	(14,008)	(17,340)
Repurchases of common stock, including accelerated share repurchase	(217,797)	(269,809)
Dividends	(96,364)	(80,532)
Proceeds from stock option exercises	28,328	45,228
Payments related to tax withholding for share-based compensation	(8,820)	(11,805)
Contingent consideration payment	—	(6,269)
Net cash used in financing activities	<u>(365,296)</u>	<u>(305,762)</u>
Net cash (used in) provided by operations before effect of exchange rate changes on cash	<u>(131,294)</u>	<u>281,377</u>
Effect of exchange rate changes on cash	3,489	(7,689)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(127,805)</u>	<u>273,688</u>
Cash, cash equivalents and restricted cash at beginning of period	486,512	212,824
Cash, cash equivalents and restricted cash at end of period	<u>\$ 358,707</u>	<u>\$ 486,512</u>

The Wendy's Company and Subsidiaries
Reconciliations of Net Income to Adjusted EBITDA and Revenues to Adjusted Revenues
Three and Twelve Month Periods Ended December 29, 2019 and December 30, 2018
(In Thousands)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	2019	2018	2019	2018
Net income	\$ 26,533	\$ 18,831	\$ 136,940	\$ 460,115
Provision for income taxes	6,014	551	34,541	114,801
Income before income taxes	32,547	19,382	171,481	574,916
Other income, net	(1,605)	(2,958)	(7,771)	(5,381)
Investment income, net	(24,599)	(304)	(25,598)	(450,736)
Loss on early extinguishment of debt	1,346	—	8,496	11,475
Interest expense, net	29,028	29,679	115,971	119,618
Operating profit	36,717	45,799	262,579	249,892
Plus (less):				
Advertising funds revenue	(85,530)	(81,008)	(339,453)	(326,019)
Advertising funds expense	81,085	76,855	338,116	321,866
Depreciation and amortization	33,718	34,230	131,693	128,879
System optimization gains, net	(121)	(455)	(1,283)	(463)
Reorganization and realignment costs	12,194	2,377	16,965	9,068
Impairment of long-lived assets	5,315	2,541	6,999	4,697
Legal reserve for Financial Institutions case	—	27,500	(2,829)	27,500
Adjusted EBITDA	\$ 83,378	\$ 107,839	\$ 412,787	\$ 415,420
Revenues	\$ 427,191	\$ 397,820	\$ 1,709,002	\$ 1,589,936
Less:				
Advertising funds revenue	(85,530)	(81,008)	(339,453)	(326,019)
Adjusted revenues	\$ 341,661	\$ 316,812	\$ 1,369,549	\$ 1,263,917

The Wendy's Company and Subsidiaries
Reconciliation of Net Income and Diluted Earnings Per Share to
Adjusted Income and Adjusted Earnings Per Share
Three and Twelve Month Periods Ended December 29, 2019 and December 30, 2018
(In Thousands Except Per Share Amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net income	\$ 26,533	\$ 18,831	\$ 136,940	\$ 460,115
Plus (less):				
Advertising funds revenue	(85,530)	(81,008)	(339,453)	(326,019)
Advertising funds expense	81,085	76,855	338,116	321,866
System optimization gains, net	(121)	(455)	(1,283)	(463)
Reorganization and realignment costs	12,194	2,377	16,965	9,068
Impairment of long-lived assets	5,315	2,541	6,999	4,697
Loss on early extinguishment of debt	1,346	—	8,496	11,475
Gain on other investments in equity securities	(24,366)	—	(24,366)	—
Gain on sale of investment in Inspire Brands	—	(24)	—	(449,945)
Legal reserve for Financial Institutions case	—	27,500	(2,829)	27,500
Total adjustments	<u>(10,077)</u>	<u>27,786</u>	<u>2,645</u>	<u>(401,821)</u>
Income tax impact on adjustments (a)	1,769	(7,339)	(852)	82,997
Tax reform	—	91	—	2,167
Total adjustments, net of income taxes	<u>(8,308)</u>	<u>20,538</u>	<u>1,793</u>	<u>(316,657)</u>
Adjusted income	<u>\$ 18,225</u>	<u>\$ 39,369</u>	<u>\$ 138,733</u>	<u>\$ 143,458</u>
Diluted earnings per share	\$.11	\$.08	\$.58	\$ 1.88
Total adjustments per share, net of income taxes	<u>(.03)</u>	<u>.08</u>	<u>.01</u>	<u>(1.29)</u>
Adjusted earnings per share	<u>\$.08</u>	<u>\$.16</u>	<u>\$.59</u>	<u>\$.59</u>

(a) The provision for (benefit from) income taxes on "System optimization gains, net" was \$374 and \$202 for the three months ended December 29, 2019 and December 30, 2018, respectively, and \$482 and \$(1,119) for the twelve months ended December 29, 2019 and December 30, 2018, 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 provision for (benefit from) income taxes on all other adjustments (excluding the advertising funds adjustments) was calculated using an effective tax rate of 25.31% and 25.10% for the three months ended December 29, 2019 and December 30, 2018, respectively, and 25.33% and 25.38% for the twelve months ended December 29, 2019 and December 30, 2018, respectively.

The Wendy's Company and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
Twelve Month Periods Ended December 29, 2019 and December 30, 2018
(In Thousands)
(Unaudited)

	Twelve Months Ended	
	2019	2018
Net cash provided by operating activities	\$ 288,933	\$ 224,228
Less:		
Capital expenditures	(74,453)	(69,857)
Advertising funds impact (a)	1,383	(18,108)
Tax effect of gain on other investments in equity securities	5,117	—
Tax effect of sale of investment in Inspire Brands	—	95,038
Free cash flow	\$ 220,980	\$ 231,301

(a) Advertising funds impact for 2019 and 2018 includes the net change in the restricted operating assets and liabilities of the funds of \$(2,720) and \$13,955, respectively, and the excess of advertising funds revenue over advertising funds expense included in net income of \$1,337 and \$4,153, respectively.