

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Operations
Three and Six Month Periods Ended June 28, 2020 and June 30, 2019
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2020	2019	2020	2019
Revenues:				
Sales	\$ 164,217	\$ 181,050	\$ 331,015	\$ 348,747
Franchise royalty revenue and fees	103,120	109,125	204,825	211,078
Franchise rental income	56,857	58,561	114,713	117,013
Advertising funds revenue	78,112	86,612	156,713	167,093
	402,306	435,348	807,266	843,931
Costs and expenses:				
Cost of sales	140,626	151,092	290,625	293,671
Franchise support and other costs	5,454	4,066	13,467	10,084
Franchise rental expense	31,297	28,027	60,598	60,478
Advertising funds expense	81,317	88,667	161,305	169,148
General and administrative	48,592	50,784	100,231	100,097
Depreciation and amortization	34,714	31,484	65,760	64,669
System optimization gains, net	(1,987)	(110)	(2,310)	(122)
Reorganization and realignment costs	2,911	3,570	6,821	4,368
Impairment of long-lived assets	117	198	4,704	1,684
Other operating income, net	(1,396)	(3,003)	(3,328)	(6,985)
	341,645	354,775	697,873	697,092
Operating profit	60,661	80,573	109,393	146,839
Interest expense, net	(29,085)	(29,931)	(57,610)	(59,013)
Loss on early extinguishment of debt	—	(7,150)	—	(7,150)
Other (expense) income, net	(144)	2,247	932	4,947
Income before income taxes	31,432	45,739	52,715	85,623
Provision for income taxes	(6,528)	(13,353)	(13,370)	(21,343)
Net income	\$ 24,904	\$ 32,386	\$ 39,345	\$ 64,280
Net income per share:				
Basic	\$.11	\$.14	\$.18	\$.28
Diluted	.11	.14	.17	.27
Number of shares used to calculate basic income per share	223,123	231,029	223,329	230,807
Number of shares used to calculate diluted income per share	227,174	236,093	227,591	235,993

The Wendy's Company and Subsidiaries
Condensed Consolidated Balance Sheets
As of June 28, 2020 and December 29, 2019
(In Thousands Except Par Value)
(Unaudited)

	<u>June 28, 2020</u>	<u>December 29, 2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 338,002	\$ 300,195
Restricted cash	30,606	34,539
Accounts and notes receivable, net	134,519	117,461
Inventories	4,411	3,891
Prepaid expenses and other current assets	36,003	15,585
Advertising funds restricted assets	154,367	82,376
Total current assets	<u>697,908</u>	<u>554,047</u>
Properties	934,980	977,000
Finance lease assets	201,418	200,144
Operating lease assets	839,276	857,199
Goodwill	749,080	755,911
Other intangible assets	1,234,065	1,247,212
Investments	42,592	45,949
Net investment in sales-type and direct financing leases	258,798	256,606
Other assets	112,239	100,461
Total assets	<u><u>\$ 5,070,356</u></u>	<u><u>\$ 4,994,529</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	146,769	22,750
Current portion of finance lease liabilities	10,552	11,005
Current portion of operating lease liabilities	44,246	43,775
Accounts payable	20,597	22,701
Accrued expenses and other current liabilities	113,209	165,272
Advertising funds restricted liabilities	157,262	84,195
Total current liabilities	<u>492,635</u>	<u>349,698</u>
Long-term debt	2,238,705	2,257,561
Long-term finance lease liabilities	489,340	480,847
Long-term operating lease liabilities	880,745	897,737
Deferred income taxes	271,490	270,759
Deferred franchise fees	89,384	91,790
Other liabilities	124,074	129,778
Total liabilities	<u>4,586,373</u>	<u>4,478,170</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 223,749 and 224,889 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,892,699	2,874,001
Retained earnings	187,086	185,725
Common stock held in treasury, at cost; 246,675 and 245,535 shares, respectively	(2,580,658)	(2,536,581)
Accumulated other comprehensive loss	(62,186)	(53,828)
Total stockholders' equity	<u>483,983</u>	<u>516,359</u>
Total liabilities and stockholders' equity	<u><u>\$ 5,070,356</u></u>	<u><u>\$ 4,994,529</u></u>

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Six Month Periods Ended June 28, 2020 and June 30, 2019
(In Thousands)
(Unaudited)

	Six Months Ended	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 39,345	\$ 64,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	65,760	64,669
Share-based compensation	9,326	10,008
Impairment of long-lived assets	4,704	1,684
Deferred income tax	1,920	3,422
Non-cash rental expense, net	12,251	11,519
Change in operating lease liabilities	(19,233)	(20,983)
Net receipt of deferred vendor incentives	7,728	5,312
System optimization gains, net	(2,310)	(122)
Distributions received from joint ventures, net of equity in earnings	1,262	2,099
Long-term debt-related activities, net	3,141	10,799
Changes in operating assets and liabilities and other, net	(93,332)	1,373
Net cash provided by operating activities	<u>30,562</u>	<u>154,060</u>
Cash flows from investing activities:		
Capital expenditures	(29,402)	(25,484)
Acquisitions	—	(5,052)
Dispositions	4,320	1,240
Proceeds from sale of investments	—	130
Notes receivable, net	138	(750)
Net cash used in investing activities	<u>(24,944)</u>	<u>(29,916)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	153,315	850,000
Repayments of long-term debt	(24,271)	(877,876)
Repayments of finance lease liabilities	(3,707)	(3,521)
Deferred financing costs	(2,122)	(14,008)
Repurchases of common stock	(45,137)	(50,781)
Dividends	(37,974)	(46,193)
Proceeds from stock option exercises	11,865	19,160
Payments related to tax withholding for share-based compensation	(3,704)	(6,957)
Net cash provided by (used in) financing activities	<u>48,265</u>	<u>(130,176)</u>
Net cash provided by (used in) operations before effect of exchange rate changes on cash	53,883	(6,032)
Effect of exchange rate changes on cash	(3,132)	3,866
Net increase (decrease) in cash, cash equivalents and restricted cash	50,751	(2,166)
Cash, cash equivalents and restricted cash at beginning of period	358,707	486,512
Cash, cash equivalents and restricted cash at end of period	<u>\$ 409,458</u>	<u>\$ 484,346</u>
Supplemental non-cash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 6,082	\$ 5,398
Finance leases	12,962	23,534
	June 28, 2020	December 29, 2019
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	\$ 338,002	\$ 300,195
Restricted cash	30,606	34,539
Restricted cash, included in Advertising funds restricted assets	40,850	23,973
Total cash, cash equivalents and restricted cash	<u>\$ 409,458</u>	<u>\$ 358,707</u>

The Wendy's Company and Subsidiaries
Reconciliations of Net Income to Adjusted EBITDA and Revenues to Adjusted Revenues
Three and Six Month Periods Ended June 28, 2020 and June 30, 2019
(In Thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2020	2019	2020	2019
Net income	\$ 24,904	\$ 32,386	\$ 39,345	\$ 64,280
Provision for income taxes	6,528	13,353	13,370	21,343
Income before income taxes	31,432	45,739	52,715	85,623
Other expense (income), net	144	(2,247)	(932)	(4,947)
Loss on early extinguishment of debt	—	7,150	—	7,150
Interest expense, net	29,085	29,931	57,610	59,013
Operating profit	60,661	80,573	109,393	146,839
Plus (less):				
Advertising funds revenue	(78,112)	(86,612)	(156,713)	(167,093)
Advertising funds expense (a)	79,132	88,667	159,120	169,148
Depreciation and amortization	34,714	31,484	65,760	64,669
System optimization gains, net	(1,987)	(110)	(2,310)	(122)
Reorganization and realignment costs	2,911	3,570	6,821	4,368
Impairment of long-lived assets	117	198	4,704	1,684
Adjusted EBITDA	\$ 97,436	\$ 117,770	\$ 186,775	\$ 219,493
Revenues	\$ 402,306	\$ 435,348	\$ 807,266	\$ 843,931
Less:				
Advertising funds revenue	(78,112)	(86,612)	(156,713)	(167,093)
Adjusted revenues	\$ 324,194	\$ 348,736	\$ 650,553	\$ 676,838

(a) For the three and six months ended June 28, 2020, excludes advertising funds expense of \$2,185 related to the expected Company funding of incremental advertising during 2020.

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 Six Month Periods Ended June 28, 2020 and June 30, 2019
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2020	2019	2020	2019
Net income	\$ 24,904	\$ 32,386	\$ 39,345	\$ 64,280
Plus (less):				
Advertising funds revenue	(78,112)	(86,612)	(156,713)	(167,093)
Advertising funds expense (a)	79,132	88,667	159,120	169,148
System optimization gains, net	(1,987)	(110)	(2,310)	(122)
Reorganization and realignment costs	2,911	3,570	6,821	4,368
Impairment of long-lived assets	117	198	4,704	1,684
Loss on early extinguishment of debt	—	7,150	—	7,150
Total adjustments	2,061	12,863	11,622	15,135
Income tax impact on adjustments (b)	(268)	(2,753)	(3,698)	(3,572)
Total adjustments, net of income taxes	1,793	10,110	7,924	11,563
Adjusted income	<u>\$ 26,697</u>	<u>\$ 42,496</u>	<u>\$ 47,269</u>	<u>\$ 75,843</u>
Diluted earnings per share	\$.11	\$.14	\$.17	\$.27
Total adjustments per share, net of income taxes	.01	.04	.04	.05
Adjusted earnings per share	<u>\$.12</u>	<u>\$.18</u>	<u>\$.21</u>	<u>\$.32</u>

(a) For the three and six months ended June 28, 2020, excludes advertising funds expense of \$2,185 related to the expected Company funding of incremental advertising during 2020.

(b) The provision for (benefit from) income taxes on "System optimization gains, net" was \$512 and \$29 for the three months ended June 28, 2020 and June 30, 2019, respectively, and \$(734) and \$(211) for the six months ended June 28, 2020 and June 30, 2019, respectively. The benefit from income taxes on all other adjustments (excluding the advertising funds adjustments) was calculated using an effective tax rate of 25.76% and 25.48% for the three months ended June 28, 2020 and June 30, 2019, respectively, and 25.72% and 25.46% for the six months ended June 30, 2019 and July 1, 2018, respectively.

The Wendy's Company and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
Six Month Periods Ended June 28, 2020 and June 30, 2019
(In Thousands)
(Unaudited)

	Six Months Ended	
	2020	2019
Net cash (used in) provided by operating activities	\$ 30,562	\$ 154,060
Less:		
Capital expenditures	(29,402)	(25,484)
Advertising funds impact (a)	11,526	(3,280)
Free cash flow	\$ 12,686	\$ 125,296

(a) Represents the net change in the restricted operating assets and liabilities of our advertising funds, which is included in "Changes in operating assets and liabilities and other, net," and the excess of advertising funds expense over advertising funds revenue, which is included in "Net income."