

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Operations
Three and Nine Month Periods Ended September 27, 2020 and September 29, 2019
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2020	2019	2020	2019
Revenues:				
Sales	\$ 191,946	\$ 181,977	\$ 522,961	\$ 530,724
Franchise royalty revenue and fees	116,820	109,155	321,645	320,233
Franchise rental income	58,721	59,918	173,434	176,931
Advertising funds revenue	84,755	86,830	241,468	253,923
	452,242	437,880	1,259,508	1,281,811
Costs and expenses:				
Cost of sales	159,545	152,425	450,170	446,096
Franchise support and other costs	5,960	9,739	19,427	19,823
Franchise rental expense	32,426	32,364	93,024	92,842
Advertising funds expense	92,048	87,883	253,353	257,031
General and administrative	47,322	46,169	147,553	146,266
Depreciation and amortization	32,966	33,306	98,726	97,975
System optimization gains, net	(23)	(1,040)	(2,333)	(1,162)
Reorganization and realignment costs	3,375	403	10,196	4,771
Impairment of long-lived assets	23	—	4,727	1,684
Other operating income, net	(2,748)	(2,392)	(6,076)	(9,377)
	370,894	358,857	1,068,767	1,055,949
Operating profit	81,348	79,023	190,741	225,862
Interest expense, net	(29,086)	(27,930)	(86,696)	(86,943)
Loss on early extinguishment of debt	—	—	—	(7,150)
Other income, net	181	2,218	1,113	7,165
Income before income taxes	52,443	53,311	105,158	138,934
Provision for income taxes	(12,690)	(7,184)	(26,060)	(28,527)
Net income	\$ 39,753	\$ 46,127	\$ 79,098	\$ 110,407
Net income per share:				
Basic	\$.18	\$.20	\$.35	\$.48
Diluted	.17	.20	.35	.47
Number of shares used to calculate basic income per share	223,907	230,723	223,521	230,779
Number of shares used to calculate diluted income per share	228,317	235,718	227,833	235,901

The Wendy's Company and Subsidiaries
Condensed Consolidated Balance Sheets
As of September 27, 2020 and December 29, 2019
(In Thousands Except Par Value)
(Unaudited)

	<u>September 27, 2020</u>	<u>December 29, 2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 313,187	\$ 300,195
Restricted cash	38,460	34,539
Accounts and notes receivable, net	100,125	117,461
Inventories	4,604	3,891
Prepaid expenses and other current assets	34,825	15,585
Advertising funds restricted assets	116,535	82,376
Total current assets	<u>607,736</u>	<u>554,047</u>
Properties	922,717	977,000
Finance lease assets	207,933	200,144
Operating lease assets	827,123	857,199
Goodwill	749,670	755,911
Other intangible assets	1,229,343	1,247,212
Investments	43,422	45,949
Net investment in sales-type and direct financing leases	259,588	256,606
Other assets	115,492	100,461
Total assets	<u><u>\$ 4,963,024</u></u>	<u><u>\$ 4,994,529</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	35,358	22,750
Current portion of finance lease liabilities	11,438	11,005
Current portion of operating lease liabilities	44,677	43,775
Accounts payable	18,014	22,701
Accrued expenses and other current liabilities	124,143	165,272
Advertising funds restricted liabilities	126,620	84,195
Total current liabilities	<u>360,250</u>	<u>349,698</u>
Long-term debt	2,226,243	2,257,561
Long-term finance lease liabilities	498,584	480,847
Long-term operating lease liabilities	869,161	897,737
Deferred income taxes	276,273	270,759
Deferred franchise fees	88,834	91,790
Other liabilities	122,144	129,778
Total liabilities	<u>4,441,489</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; 224,081 and 224,889 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,896,767	2,874,001
Retained earnings	215,635	185,725
Common stock held in treasury, at cost; 246,343 and 245,535 shares, respectively	(2,578,943)	(2,536,581)
Accumulated other comprehensive loss	(58,966)	(53,828)
Total stockholders' equity	<u>521,535</u>	<u>516,359</u>
Total liabilities and stockholders' equity	<u><u>\$ 4,963,024</u></u>	<u><u>\$ 4,994,529</u></u>

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Nine Month Periods Ended September 27, 2020 and September 29, 2019
(In Thousands)
(Unaudited)

	Nine Months Ended	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 79,098	\$ 110,407
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	98,726	97,975
Share-based compensation	15,112	13,989
Impairment of long-lived assets	4,727	1,684
Deferred income tax	5,878	5,524
Non-cash rental expense, net	19,967	18,722
Change in operating lease liabilities	(29,539)	(31,481)
Net receipt of deferred vendor incentives	5,061	2,269
System optimization gains, net	(2,333)	(1,162)
Distributions received from joint ventures, net of equity in earnings	1,187	2,926
Long-term debt-related activities, net	4,866	12,386
Changes in operating assets and liabilities and other, net	3,009	4,261
Net cash provided by operating activities	<u>205,759</u>	<u>237,500</u>
Cash flows from investing activities:		
Capital expenditures	(44,876)	(40,984)
Acquisitions	—	(5,052)
Dispositions	3,570	2,038
Proceeds from sale of investments	169	130
Notes receivable, net	138	(1,834)
Net cash used in investing activities	<u>(40,999)</u>	<u>(45,702)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	153,315	850,000
Repayments of long-term debt	(174,959)	(883,564)
Repayments of finance lease liabilities	(5,850)	(5,178)
Deferred financing costs	(2,122)	(14,008)
Repurchases of common stock	(46,667)	(76,948)
Dividends	(49,176)	(69,280)
Proceeds from stock option exercises	15,540	24,069
Payments related to tax withholding for share-based compensation	(5,409)	(8,447)
Net cash used in financing activities	<u>(115,328)</u>	<u>(183,356)</u>
Net cash provided by operations before effect of exchange rate changes on cash	49,432	8,442
Effect of exchange rate changes on cash	(1,715)	2,755
Net increase in cash, cash equivalents and restricted cash	47,717	11,197
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>\$ 406,424</u>	<u>\$ 497,709</u>
Supplemental non-cash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 4,789	\$ 7,582
Finance leases	24,617	34,084
	September 27, 2020	December 29, 2019
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	\$ 313,187	\$ 300,195
Restricted cash	38,460	34,539
Restricted cash, included in Advertising funds restricted assets	54,777	23,973
Total cash, cash equivalents and restricted cash	<u>\$ 406,424</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 Nine Month Periods Ended September 27, 2020 and September 29, 2019
(In Thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2020	2019	2020	2019
Net income	\$ 39,753	\$ 46,127	\$ 79,098	\$ 110,407
Provision for income taxes	12,690	7,184	26,060	28,527
Income before income taxes	52,443	53,311	105,158	138,934
Other income, net	(181)	(2,218)	(1,113)	(7,165)
Loss on early extinguishment of debt	—	—	—	7,150
Interest expense, net	29,086	27,930	86,696	86,943
Operating profit	81,348	79,023	190,741	225,862
Plus (less):				
Advertising funds revenue	(84,755)	(86,830)	(241,468)	(253,923)
Advertising funds expense (a)	85,895	87,883	245,015	257,031
Depreciation and amortization	32,966	33,306	98,726	97,975
System optimization gains, net	(23)	(1,040)	(2,333)	(1,162)
Reorganization and realignment costs	3,375	403	10,196	4,771
Impairment of long-lived assets	23	—	4,727	1,684
Legal reserve for Financial Institutions case	—	(2,829)	—	(2,829)
Adjusted EBITDA	\$ 118,829	\$ 109,916	\$ 305,604	\$ 329,409
Revenues	\$ 452,242	\$ 437,880	\$ 1,259,508	\$ 1,281,811
Less:				
Advertising funds revenue	(84,755)	(86,830)	(241,468)	(253,923)
Adjusted revenues	\$ 367,487	\$ 351,050	\$ 1,018,040	\$ 1,027,888

(a) For the three and nine months ended September 27, 2020, excludes advertising funds expense of \$6,153 and \$8,338, respectively, 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 Nine Month Periods Ended September 27, 2020 and September 29, 2019
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2020	2019	2020	2019
Net income	\$ 39,753	\$ 46,127	\$ 79,098	\$ 110,407
Plus (less):				
Advertising funds revenue	(84,755)	(86,830)	(241,468)	(253,923)
Advertising funds expense (a)	85,895	87,883	245,015	257,031
System optimization gains, net	(23)	(1,040)	(2,333)	(1,162)
Reorganization and realignment costs	3,375	403	10,196	4,771
Impairment of long-lived assets	23	—	4,727	1,684
Loss on early extinguishment of debt	—	—	—	7,150
Legal reserve for Financial Institutions case	—	(2,829)	—	(2,829)
Total adjustments	4,515	(2,413)	16,137	12,722
Income tax impact on adjustments (b)	(868)	951	(4,566)	(2,621)
Total adjustments, net of income taxes	3,647	(1,462)	11,571	10,101
Adjusted income	<u>\$ 43,400</u>	<u>\$ 44,665</u>	<u>\$ 90,669</u>	<u>\$ 120,508</u>
Diluted earnings per share	\$.17	\$.20	\$.35	\$.47
Total adjustments per share, net of income taxes	.02	(.01)	.05	.04
Adjusted earnings per share	<u>\$.19</u>	<u>\$.19</u>	<u>\$.40</u>	<u>\$.51</u>

(a) For the three and nine months ended September 27, 2020, excludes advertising funds expense of \$6,153 and \$8,338, respectively, 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 \$6 and \$319 for the three months ended September 27, 2020 and September 29, 2019, respectively, and \$(728) and \$108 for the nine months ended September 27, 2020 and September 29, 2019, respectively. The benefit from income taxes on all other adjustments (excluding the advertising funds adjustments) was calculated using an effective tax rate of 25.72% and 26.08% for the three months ended September 27, 2020 and September 29, 2019, respectively, and 25.72% and 25.32% for the nine months ended September 27, 2020 and September 29, 2019, respectively.

The Wendy's Company and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
Nine Month Periods Ended September 27, 2020 and September 29, 2019
(In Thousands)
(Unaudited)

	Nine Months Ended	
	2020	2019
Net cash provided by operating activities	\$ 205,759	\$ 237,500
Less:		
Capital expenditures	(44,876)	(40,984)
Advertising funds impact (a)	(27,297)	(4,202)
Free cash flow	\$ 133,586	\$ 192,314

(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."