

The Wendy's Company and Subsidiaries
Consolidated Statements of Operations
Three and Twelve Month Periods Ended January 3, 2021 and December 29, 2019
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	2020	2019	2020	2019
Revenues:				
Sales	\$ 199,803	\$ 176,761	\$ 722,764	\$ 707,485
Franchise royalty revenue and fees	123,104	108,766	444,749	428,999
Franchise rental income	59,214	56,134	232,648	233,065
Advertising funds revenue	92,196	85,530	333,664	339,453
	474,317	427,191	1,733,825	1,709,002
Costs and expenses:				
Cost of sales	164,737	151,434	614,907	597,530
Franchise support and other costs	7,037	23,863	26,464	43,686
Franchise rental expense	32,589	31,087	125,613	123,929
Advertising funds expense	92,007	81,085	345,360	338,116
General and administrative	59,323	53,940	206,876	200,206
Depreciation and amortization	34,049	33,718	132,775	131,693
System optimization gains, net	(815)	(121)	(3,148)	(1,283)
Reorganization and realignment costs	5,834	12,194	16,030	16,965
Impairment of long-lived assets	3,310	5,315	8,037	6,999
Other operating income, net	(2,321)	(2,041)	(8,397)	(11,418)
	395,750	390,474	1,464,517	1,446,423
Operating profit	78,567	36,717	269,308	262,579
Interest expense, net	(31,041)	(29,028)	(117,737)	(115,971)
Loss on early extinguishment of debt	—	(1,346)	—	(8,496)
Investment income (loss), net	4	24,599	(225)	25,598
Other income, net	107	1,605	1,449	7,771
Income before income taxes	47,637	32,547	152,795	171,481
Provision for income taxes	(8,903)	(6,014)	(34,963)	(34,541)
Net income	\$ 38,734	\$ 26,533	\$ 117,832	\$ 136,940
Net income per share:				
Basic	\$.17	\$.12	\$.53	\$.60
Diluted	.17	.11	.52	.58
Number of shares used to calculate basic income per share				
	224,139	227,441	223,684	229,944
Number of shares used to calculate diluted income per share				
	228,521	232,594	228,014	235,075

The Wendy's Company and Subsidiaries
Consolidated Balance Sheets
As of January 3, 2021 and December 29, 2019
(In Thousands Except Par Value)
(Unaudited)

	January 3, 2021	December 29, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 306,989	\$ 300,195
Restricted cash	33,973	34,539
Accounts and notes receivable, net	109,891	117,461
Inventories	4,732	3,891
Prepaid expenses and other current assets	89,732	15,585
Advertising funds restricted assets	142,306	82,376
Total current assets	687,623	554,047
Properties	915,889	977,000
Finance lease assets	206,153	200,144
Operating lease assets	821,480	857,199
Goodwill	751,049	755,911
Other intangible assets	1,224,960	1,247,212
Investments	44,574	45,949
Net investment in sales-type and direct financing leases	268,221	256,606
Other assets	120,057	100,461
Total assets	\$ 5,040,006	\$ 4,994,529
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 28,962	\$ 22,750
Current portion of finance lease liabilities	12,105	11,005
Current portion of operating lease liabilities	45,346	43,775
Accounts payable	31,063	22,701
Accrued expenses and other current liabilities	155,321	165,272
Advertising funds restricted liabilities	140,511	84,195
Total current liabilities	413,308	349,698
Long-term debt	2,218,163	2,257,561
Long-term finance lease liabilities	506,076	480,847
Long-term operating lease liabilities	865,325	897,737
Deferred income taxes	280,755	270,759
Deferred franchise fees	89,094	91,790
Other liabilities	117,689	129,778
Total liabilities	4,490,410	4,478,170
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 224,268 and 224,889 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,899,276	2,874,001
Retained earnings	238,674	185,725
Common stock held in treasury, at cost; 246,156 and 245,535 shares, respectively	(2,585,755)	(2,536,581)
Accumulated other comprehensive loss	(49,641)	(53,828)
Total stockholders' equity	549,596	516,359
Total liabilities and stockholders' equity	\$ 5,040,006	\$ 4,994,529

The Wendy's Company and Subsidiaries
Consolidated Statements of Cash Flows
Twelve Month Periods Ended January 3, 2021 and December 29, 2019
(In Thousands)
(Unaudited)

	Twelve Months Ended	
	2020	2019
Cash flows from operating activities:		
Net income	\$ 117,832	\$ 136,940
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	132,775	131,693
Share-based compensation	18,930	18,676
Impairment of long-lived assets	8,037	6,999
Deferred income tax	10,266	837
Non-cash rental expense, net	28,937	28,202
Change in operating lease liabilities	(40,905)	(41,911)
Net receipt (recognition) of deferred vendor incentives	2,495	(501)
System optimization gains, net	(3,148)	(1,283)
Gain on sale of investments, net	—	(24,496)
Distributions received from TimWen joint venture	8,376	13,400
Equity in earnings in joint ventures, net	(6,096)	(8,673)
Long-term debt-related activities, net (see below)	6,723	15,317
Other, net	(6,438)	(4,838)
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	(16,243)	16,935
Inventories	(841)	(163)
Prepaid expenses and other current assets	(8,780)	(1,569)
Advertising funds restricted assets and liabilities	49,052	(2,720)
Accounts payable	1,620	1,054
Accrued expenses and other current liabilities	(18,231)	5,034
Net cash provided by operating activities	<u>284,361</u>	<u>288,933</u>
Cash flows from investing activities:		
Capital expenditures	(68,969)	(74,453)
Acquisitions	(4,879)	(5,052)
Dispositions	6,091	3,448
Proceeds from sale of investments	169	24,496
Notes receivable, net	(662)	(3,370)
Payments for investments	—	—
Net cash used in investing activities	<u>(68,250)</u>	<u>(54,931)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	153,315	850,000
Repayments of long-term debt	(191,462)	(899,800)
Repayments of finance lease liabilities	(8,383)	(6,835)
Deferred financing costs	(2,122)	(14,008)
Repurchases of common stock, including accelerated share repurchase	(62,173)	(217,797)
Dividends	(64,866)	(96,364)
Proceeds from stock option exercises	23,361	28,328
Payments related to tax withholding for share-based compensation	(5,577)	(8,820)
Contingent consideration payment	—	—
Net cash used in financing activities	<u>(157,907)</u>	<u>(365,296)</u>
Net cash provided by (used in) operations before effect of exchange rate changes on cash	58,204	(131,294)
Effect of exchange rate changes on cash	1,330	3,489
Net increase (decrease) in cash, cash equivalents and restricted cash	59,534	(127,805)
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>\$ 418,241</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 Twelve Month Periods Ended January 3, 2021 and December 29, 2019
(In Thousands)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	2020	2019	2020	2019
Net income	\$ 38,734	\$ 26,533	\$ 117,832	\$ 136,940
Provision for income taxes	8,903	6,014	34,963	34,541
Income before income taxes	47,637	32,547	152,795	171,481
Other income, net	(107)	(1,605)	(1,449)	(7,771)
Investment (income) loss, net	(4)	(24,599)	225	(25,598)
Loss on early extinguishment of debt	—	1,346	—	8,496
Interest expense, net	31,041	29,028	117,737	115,971
Operating profit	78,567	36,717	269,308	262,579
Plus (less):				
Advertising funds revenue	(92,196)	(85,530)	(333,664)	(339,453)
Advertising funds expense (a)	85,745	81,085	330,760	338,116
Depreciation and amortization	34,049	33,718	132,775	131,693
System optimization gains, net	(815)	(121)	(3,148)	(1,283)
Reorganization and realignment costs	5,834	12,194	16,030	16,965
Impairment of long-lived assets	3,310	5,315	8,037	6,999
Legal reserve for Financial Institutions case	—	—	—	(2,829)
Adjusted EBITDA	\$ 114,494	\$ 83,378	\$ 420,098	\$ 412,787
Revenues	\$ 474,317	\$ 427,191	\$ 1,733,825	\$ 1,709,002
Less:				
Advertising funds revenue	(92,196)	(85,530)	(333,664)	(339,453)
Adjusted revenues	\$ 382,121	\$ 341,661	\$ 1,400,161	\$ 1,369,549

(a) For the three and twelve months ended January 3, 2021, excludes advertising funds expense of \$6,262 and \$14,600, respectively, related to the 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 Twelve Month Periods Ended January 3, 2021 and December 29, 2019
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Twelve Months Ended	
	2020	2019	2020	2019
Net income	\$ 38,734	\$ 26,533	\$ 117,832	\$ 136,940
Plus (less):				
Advertising funds revenue	(92,196)	(85,530)	(333,664)	(339,453)
Advertising funds expense (a)	85,745	81,085	330,760	338,116
System optimization gains, net	(815)	(121)	(3,148)	(1,283)
Reorganization and realignment costs	5,834	12,194	16,030	16,965
Impairment of long-lived assets	3,310	5,315	8,037	6,999
Loss on early extinguishment of debt	—	1,346	—	8,496
Gain on other investments in equity securities	—	(24,366)	—	(24,366)
Legal reserve for Financial Institutions case	—	—	—	(2,829)
Total adjustments	1,878	(10,077)	18,015	2,645
Income tax impact on adjustments (b)	(2,161)	1,769	(6,727)	(852)
Total adjustments, net of income taxes	(283)	(8,308)	11,288	1,793
Adjusted income	<u>\$ 38,451</u>	<u>\$ 18,225</u>	<u>\$ 129,120</u>	<u>\$ 138,733</u>
Diluted earnings per share	\$.17	\$.11	\$.52	\$.58
Total adjustments per share, net of income taxes	.00	(.03)	.05	.01
Adjusted earnings per share	<u>\$.17</u>	<u>\$.08</u>	<u>\$.57</u>	<u>\$.59</u>

(a) For the three and twelve months ended January 3, 2021, excludes advertising funds expense of \$6,262 and \$14,600, respectively, related to the Company funding of incremental advertising during 2020.

(b) The provision for (benefit from) income taxes on "System optimization gains, net" was \$213 and \$374 for the three months ended January 3, 2021 and December 29, 2019, respectively, and \$(515) and \$482 for the twelve months ended January 3, 2021 and December 29, 2019, respectively. The provision for (benefit from) income taxes on all other adjustments (excluding the advertising funds adjustments) was calculated using an effective tax rate of 25.96% and 25.31% for the three months ended January 3, 2021 and December 29, 2019, respectively, and 25.81% and 25.33% for the twelve months ended January 3, 2021 and December 29, 2019, respectively.

The Wendy's Company and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
Twelve Month Periods Ended January 3, 2021 and December 29, 2019
(In Thousands)
(Unaudited)

	Twelve Months Ended	
	2020	2019
Net cash provided by operating activities	\$ 284,361	\$ 288,933
Less:		
Capital expenditures	(68,969)	(74,453)
Advertising funds impact (a)	(51,956)	1,383
Tax effect of gain on other investments in equity securities	—	5,117
Free cash flow	\$ 163,436	\$ 220,980

(a) Advertising funds impact for 2020 and 2019 includes the net change in the restricted operating assets and liabilities of the funds of \$49,052 and \$(2,720), respectively, and the advertising funds surplus included in Net income of \$2,904 and \$1,337, respectively. Advertising funds impact for 2020 excludes the Company's incremental funding of advertising of \$14,600.