

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Operations
Three Month Periods Ended April 4, 2021 and March 29, 2020
(In Thousands Except Per Share Amounts)
(Unaudited)

	<u>Three Months Ended</u>	
	<u>2021</u>	<u>2020</u>
Revenues:		
Sales	\$ 189,057	\$ 166,798
Franchise royalty revenue	108,334	95,356
Franchise fees	14,496	6,349
Franchise rental income	58,876	57,856
Advertising funds revenue	89,440	78,601
	<u>460,203</u>	<u>404,960</u>
Costs and expenses:		
Cost of sales	156,850	149,999
Franchise support and other costs	7,686	8,013
Franchise rental expense	32,566	29,301
Advertising funds expense	94,238	79,988
General and administrative	52,622	51,639
Depreciation and amortization	31,542	31,046
System optimization gains, net	(516)	(323)
Reorganization and realignment costs	4,934	3,910
Impairment of long-lived assets	635	4,587
Other operating income, net	(3,476)	(1,932)
	<u>377,081</u>	<u>356,228</u>
Operating profit	83,122	48,732
Interest expense, net	(28,786)	(28,525)
Other income, net	129	1,076
Income before income taxes	54,465	21,283
Provision for income taxes	(13,099)	(6,842)
Net income	<u>\$ 41,366</u>	<u>\$ 14,441</u>
Net income per share:		
Basic	\$.19	\$.06
Diluted	.18	.06
Number of shares used to calculate basic income per share	<u>223,334</u>	<u>223,533</u>
Number of shares used to calculate diluted income per share	<u>226,727</u>	<u>228,007</u>

The Wendy's Company and Subsidiaries
Consolidated Balance Sheets
As of April 4, 2021 and January 3, 2021
(In Thousands Except Par Value)
(Unaudited)

	<u>April 4, 2021</u>	<u>January 3, 2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 316,488	\$ 306,989
Restricted cash	37,948	33,973
Accounts and notes receivable, net	100,312	109,891
Inventories	4,733	4,732
Prepaid expenses and other current assets	48,498	89,732
Advertising funds restricted assets	133,518	142,306
Total current assets	<u>641,497</u>	<u>687,623</u>
Properties	898,420	915,889
Finance lease assets	201,249	206,153
Operating lease assets	806,614	821,480
Goodwill	751,957	751,049
Other intangible assets	1,219,089	1,224,960
Investments	43,743	44,574
Net investment in sales-type and direct financing leases	269,750	268,221
Other assets	124,351	120,057
Total assets	<u>\$ 4,956,670</u>	<u>\$ 5,040,006</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 31,250	\$ 28,962
Current portion of finance lease liabilities	12,582	12,105
Current portion of operating lease liabilities	45,498	45,346
Accounts payable	29,325	31,063
Accrued expenses and other current liabilities	140,720	155,321
Advertising funds restricted liabilities	137,144	140,511
Total current liabilities	<u>396,519</u>	<u>413,308</u>
Long-term debt	2,205,652	2,218,163
Long-term finance lease liabilities	501,422	506,076
Long-term operating lease liabilities	850,448	865,325
Deferred income taxes	280,077	280,755
Deferred franchise fees	86,532	89,094
Other liabilities	115,355	117,689
Total liabilities	<u>4,436,005</u>	<u>4,490,410</u>
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 221,784 and 224,268 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,901,460	2,899,276
Retained earnings	259,879	238,674
Common stock held in treasury, at cost; 248,640 and 246,156 shares, respectively	(2,640,295)	(2,585,755)
Accumulated other comprehensive loss	(47,421)	(49,641)
Total stockholders' equity	<u>520,665</u>	<u>549,596</u>
Total liabilities and stockholders' equity	<u>\$ 4,956,670</u>	<u>\$ 5,040,006</u>

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Three Month Periods Ended April 4, 2021 and March 29, 2020
(In Thousands)
(Unaudited)

	Three Months Ended	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 41,366	\$ 14,441
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	31,542	31,046
Share-based compensation	5,151	4,539
Impairment of long-lived assets	635	4,587
Deferred income tax	(1,116)	748
Non-cash rental expense, net	10,152	6,218
Change in operating lease liabilities	(11,607)	(10,611)
Net receipt (recognition) of deferred vendor incentives	6,522	(2,305)
System optimization gains, net	(516)	(323)
Distributions received from joint ventures, net of equity in earnings	1,409	180
Long-term debt-related activities, net	1,677	1,556
Changes in operating assets and liabilities and other, net	615	(69,445)
Net cash provided by (used in) operating activities	<u>85,830</u>	<u>(19,369)</u>
Cash flows from investing activities:		
Capital expenditures	(10,364)	(12,629)
Acquisitions	4,879	—
Dispositions	3	195
Notes receivable, net	397	313
Net cash used in investing activities	<u>(5,085)</u>	<u>(12,121)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	—	153,315
Repayments of long-term debt	(11,900)	(14,334)
Repayments of finance lease liabilities	(2,659)	(1,967)
Repurchases of common stock	(55,611)	(45,137)
Dividends	(20,156)	(26,793)
Proceeds from stock option exercises	972	1,722
Payments related to tax withholding for share-based compensation	(2,308)	(3,402)
Net cash (used in) provided by financing activities	<u>(91,662)</u>	<u>63,404</u>
Net cash (used in) provided by operations before effect of exchange rate changes on cash	(10,917)	31,914
Effect of exchange rate changes on cash	823	(5,086)
Net (decrease) increase in cash, cash equivalents and restricted cash	(10,094)	26,828
Cash, cash equivalents and restricted cash at beginning of period	418,241	358,707
Cash, cash equivalents and restricted cash at end of period	<u>\$ 408,147</u>	<u>\$ 385,535</u>

The Wendy's Company and Subsidiaries
Reconciliations of Net Income to Adjusted EBITDA and Revenues to Adjusted Revenues
Three Month Periods Ended April 4, 2021 and March 29, 2020
(In Thousands)
(Unaudited)

	Three Months Ended	
	2021	2020
Net income	\$ 41,366	\$ 14,441
Provision for income taxes	13,099	6,842
Income before income taxes	<u>54,465</u>	<u>21,283</u>
Other income, net	(129)	(1,076)
Interest expense, net	<u>28,786</u>	<u>28,525</u>
Operating profit	83,122	48,732
Plus (less):		
Advertising funds revenue	(89,440)	(78,601)
Advertising funds expense (a)	90,704	79,988
Depreciation and amortization	31,542	31,046
System optimization gains, net	(516)	(323)
Reorganization and realignment costs	4,934	3,910
Impairment of long-lived assets	635	4,587
Adjusted EBITDA	<u>\$ 120,981</u>	<u>\$ 89,339</u>
Revenues	\$ 460,203	\$ 404,960
Less:		
Advertising funds revenue	(89,440)	(78,601)
Adjusted revenues	<u>\$ 370,763</u>	<u>\$ 326,359</u>

(a) For the three months ended April 4, 2021, excludes advertising funds expense of \$3,534 related to the Company funding of incremental advertising during 2021.

The Wendy's Company and Subsidiaries
Reconciliation of Net Income and Diluted Earnings Per Share to
Adjusted Income and Adjusted Earnings Per Share
Three Month Periods Ended April 4, 2021 and March 29, 2020
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended	
	2021	2020
Net income	\$ 41,366	\$ 14,441
Plus (less):		
Advertising funds revenue	(89,440)	(78,601)
Advertising funds expense (a)	90,704	79,988
System optimization gains, net	(516)	(323)
Reorganization and realignment costs	4,934	3,910
Impairment of long-lived assets	635	4,587
Total adjustments	6,317	9,561
Income tax impact on adjustments (b)	(1,909)	(3,430)
Total adjustments, net of income taxes	4,408	6,131
Adjusted income	\$ 45,774	\$ 20,572
Diluted earnings per share	\$.18	\$.06
Total adjustments per share, net of income taxes	.02	.03
Adjusted earnings per share	\$.20	\$.09

(a) For the three months ended April 4, 2021, excludes advertising funds expense of \$3,534 related to the Company funding of incremental advertising during 2021.

(b) The benefit from income taxes on "System optimization gains, net" was \$476 and \$1,246 for the three months ended April 4, 2021 and March 29, 2020, respectively. The benefit from income taxes on all other adjustments (excluding the advertising funds adjustments) was calculated using an effective tax rate of 25.74% and 25.70% for the three months ended April 4, 2021 and March 29, 2020, respectively.

The Wendy's Company and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
Three Month Periods Ended April 4, 2021 and March 29, 2020
(In Thousands)
(Unaudited)

	Three Months Ended	
	2021	2020
Net cash provided by operating activities	\$ 85,830	\$ (19,369)
Less:		
Capital expenditures	(10,364)	(12,629)
Advertising funds impact (a)	22,046	11,605
Free cash flow	\$ 97,512	\$ (20,393)

(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."