

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Operations
Three and Six Month Periods Ended July 4, 2021 and June 28, 2020
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Revenues:				
Sales	\$ 193,525	\$ 164,217	\$ 382,582	\$ 331,015
Franchise royalty revenue	119,566	97,191	227,900	192,547
Franchise fees	17,095	5,929	31,591	12,278
Franchise rental income	60,868	56,857	119,744	114,713
Advertising funds revenue	102,283	78,112	191,723	156,713
	493,337	402,306	953,540	807,266
Costs and expenses:				
Cost of sales	154,154	140,626	311,004	290,625
Franchise support and other costs	8,885	5,454	16,571	13,467
Franchise rental expense	34,068	31,297	66,634	60,598
Advertising funds expense	107,875	81,317	202,113	161,305
General and administrative	63,114	48,592	115,736	100,231
Depreciation and amortization	30,761	34,714	62,303	65,760
System optimization gains, net	(30,766)	(1,987)	(31,282)	(2,310)
Reorganization and realignment costs	2,102	2,911	7,036	6,821
Impairment of long-lived assets	630	117	1,265	4,704
Other operating income, net	(4,232)	(1,396)	(7,708)	(3,328)
	366,591	341,645	743,672	697,873
Operating profit	126,746	60,661	209,868	109,393
Interest expense, net	(28,204)	(29,085)	(56,990)	(57,610)
Loss on early extinguishment of debt	(17,917)	—	(17,917)	—
Other income (expense), net	161	(144)	290	932
Income before income taxes	80,786	31,432	135,251	52,715
Provision for income taxes	(15,062)	(6,528)	(28,161)	(13,370)
Net income	\$ 65,724	\$ 24,904	\$ 107,090	\$ 39,345
Net income per share:				
Basic	\$.30	\$.11	\$.48	\$.18
Diluted	.29	.11	.47	.17
Number of shares used to calculate basic income per share	221,874	223,123	222,604	223,329
Number of shares used to calculate diluted income per share	225,400	227,174	226,063	227,591

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

	<u>July 4, 2021</u>	<u>January 3, 2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 568,139	\$ 306,989
Restricted cash	37,792	33,973
Accounts and notes receivable, net	103,257	109,891
Inventories	4,261	4,732
Prepaid expenses and other current assets	24,219	89,732
Advertising funds restricted assets	101,858	142,306
Total current assets	839,526	687,623
Properties	881,798	915,889
Finance lease assets	206,586	206,153
Operating lease assets	791,924	821,480
Goodwill	752,552	751,049
Other intangible assets	1,217,275	1,224,960
Investments	43,676	44,574
Net investment in sales-type and direct financing leases	302,694	268,221
Other assets	130,843	120,057
Total assets	\$ 5,166,874	\$ 5,040,006
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 32,750	\$ 28,962
Current portion of finance lease liabilities	14,547	12,105
Current portion of operating lease liabilities	45,269	45,346
Accounts payable	32,430	31,063
Accrued expenses and other current liabilities	137,991	155,321
Advertising funds restricted liabilities	109,799	140,511
Total current liabilities	372,786	413,308
Long-term debt	2,373,610	2,218,163
Long-term finance lease liabilities	521,608	506,076
Long-term operating lease liabilities	838,585	865,325
Deferred income taxes	279,837	280,755
Deferred franchise fees	89,286	89,094
Other liabilities	120,806	117,689
Total liabilities	4,596,518	4,490,410
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 222,960 and 224,268 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,907,274	2,899,276
Retained earnings	303,475	238,674
Common stock held in treasury, at cost; 247,464 and 246,156 shares, respectively	(2,643,361)	(2,585,755)
Accumulated other comprehensive loss	(44,074)	(49,641)
Total stockholders' equity	570,356	549,596
Total liabilities and stockholders' equity	\$ 5,166,874	\$ 5,040,006

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Six Month Periods Ended July 4, 2021 and June 28, 2020
(In Thousands)
(Unaudited)

	Six Months Ended	
	2021	2020
Cash flows from operating activities:		
Net income	\$ 107,090	\$ 39,345
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	62,303	65,760
Share-based compensation	11,033	9,326
Impairment of long-lived assets	1,265	4,704
Deferred income tax	(2,137)	1,920
Non-cash rental expense, net	20,075	12,251
Change in operating lease liabilities	(23,074)	(19,233)
Net receipt of deferred vendor incentives	3,332	7,728
System optimization gains, net	(31,282)	(2,310)
Distributions received from joint ventures, net of equity in earnings	2,354	1,262
Long-term debt-related activities, net	21,328	3,141
Changes in operating assets and liabilities and other, net	(13,536)	(93,332)
Net cash provided by operating activities	<u>158,751</u>	<u>30,562</u>
Cash flows from investing activities:		
Capital expenditures	(24,069)	(29,402)
Acquisitions	4,879	—
Dispositions	50,531	4,320
Notes receivable, net	611	138
Net cash provided by (used in) investing activities	<u>31,952</u>	<u>(24,944)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	1,100,000	153,315
Repayments of long-term debt	(941,220)	(24,271)
Repayments of finance lease liabilities	(5,777)	(3,707)
Deferred financing costs	(20,873)	(2,122)
Repurchases of common stock	(83,658)	(45,137)
Dividends	(42,279)	(37,974)
Proceeds from stock option exercises	25,933	11,865
Payments related to tax withholding for share-based compensation	(3,197)	(3,704)
Net cash provided by financing activities	<u>28,929</u>	<u>48,265</u>
Net cash provided by operations before effect of exchange rate changes on cash	219,632	53,883
Effect of exchange rate changes on cash	2,283	(3,132)
Net increase in cash, cash equivalents and restricted cash	221,915	50,751
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>\$ 640,156</u>	<u>\$ 409,458</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 July 4, 2021 and June 28, 2020
(In Thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Net income	\$ 65,724	\$ 24,904	\$ 107,090	\$ 39,345
Provision for income taxes	15,062	6,528	28,161	13,370
Income before income taxes	80,786	31,432	135,251	52,715
Other (income) expense, net	(161)	144	(290)	(932)
Loss on early extinguishment of debt	17,917	—	17,917	—
Interest expense, net	28,204	29,085	56,990	57,610
Operating profit	126,746	60,661	209,868	109,393
Plus (less):				
Advertising funds revenue	(102,283)	(78,112)	(191,723)	(156,713)
Advertising funds expense (a)	103,885	79,132	194,589	159,120
Depreciation and amortization	30,761	34,714	62,303	65,760
System optimization gains, net	(30,766)	(1,987)	(31,282)	(2,310)
Reorganization and realignment costs	2,102	2,911	7,036	6,821
Impairment of long-lived assets	630	117	1,265	4,704
Adjusted EBITDA	<u>\$ 131,075</u>	<u>\$ 97,436</u>	<u>\$ 252,056</u>	<u>\$ 186,775</u>
Revenues	\$ 493,337	\$ 402,306	\$ 953,540	\$ 807,266
Less:				
Advertising funds revenue	(102,283)	(78,112)	(191,723)	(156,713)
Adjusted revenues	<u>\$ 391,054</u>	<u>\$ 324,194</u>	<u>\$ 761,817</u>	<u>\$ 650,553</u>

(a) Excludes advertising funds expense of \$3,990 and \$7,524 for the three and six months ended July 4, 2021, respectively, and \$2,185 for the three and six months ended June 28, 2020 related to the Company funding of incremental advertising.

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 July 4, 2021 and June 28, 2020
(In Thousands Except Per Share Amounts)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income	\$ 65,724	\$ 24,904	\$ 107,090	\$ 39,345
Plus (less):				
Advertising funds revenue	(102,283)	(78,112)	(191,723)	(156,713)
Advertising funds expense (a)	103,885	79,132	194,589	159,120
System optimization gains, net	(30,766)	(1,987)	(31,282)	(2,310)
Reorganization and realignment costs	2,102	2,911	7,036	6,821
Impairment of long-lived assets	630	117	1,265	4,704
Loss on early extinguishment of debt	17,917	—	17,917	—
Total adjustments	(8,515)	2,061	(2,198)	11,622
Income tax impact on adjustments (b)	3,429	(268)	1,520	(3,698)
Total adjustments, net of income taxes	(5,086)	1,793	(678)	7,924
Adjusted income	<u>\$ 60,638</u>	<u>\$ 26,697</u>	<u>\$ 106,412</u>	<u>\$ 47,269</u>
Diluted earnings per share	\$.29	\$.11	\$.47	\$.17
Total adjustments per share, net of income taxes	(.02)	.01	—	.04
Adjusted earnings per share	<u>\$.27</u>	<u>\$.12</u>	<u>\$.47</u>	<u>\$.21</u>

(a) Excludes advertising funds expense of \$3,990 and \$7,524 for the three and six months ended July 4, 2021, respectively, and \$2,185 for the three and six months ended June 28, 2020 related to the Company funding of incremental advertising.

(b) The provision for (benefit from) income taxes on "System optimization gains, net" was \$8,742 and \$512 for the three months ended July 4, 2021 and June 28, 2020, respectively, and \$8,266 and \$(734) for the six months ended July 4, 2021 and June 28, 2020, respectively. The benefit from income taxes on all other adjustments (excluding the advertising funds adjustments) was calculated using an effective tax rate of 25.73% and 25.76% for the three months ended July 4, 2021 and June 28, 2020, respectively, and 25.73% and 25.72% for the six months ended July 4, 2021 and June 28, 2020, respectively.

The Wendy's Company and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
Six Month Periods Ended July 4, 2021 and June 28, 2020
(In Thousands)
(Unaudited)

	Six Months Ended	
	2021	2020
Net cash provided by operating activities	\$ 158,751	\$ 30,562
Less:		
Capital expenditures	(24,069)	(29,402)
Cash paid for taxes related to New York disposition	9,512	—
Advertising funds impact (a)	41,621	11,526
Free cash flow	\$ 185,815	\$ 12,686

(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."