

**The Wendy's Company and Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
**Three and Nine Month Periods Ended October 3, 2021 and September 27, 2020**  
(In Thousands Except Per Share Amounts)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2021	2020	2021	2020
Revenues:				
Sales	\$ 171,078	\$ 191,946	\$ 553,660	\$ 522,961
Franchise royalty revenue	116,521	109,344	344,421	301,891
Franchise fees	22,234	7,476	53,825	19,754
Franchise rental income	62,446	58,721	182,190	173,434
Advertising funds revenue	97,976	84,755	289,699	241,468
	470,255	452,242	1,423,795	1,259,508
Costs and expenses:				
Cost of sales	146,436	159,545	457,440	450,170
Franchise support and other costs	10,509	5,960	27,080	19,427
Franchise rental expense	34,424	32,426	101,058	93,024
Advertising funds expense	108,529	92,048	310,642	253,353
General and administrative	62,840	47,322	178,576	147,553
Depreciation and amortization	30,940	32,966	93,243	98,726
System optimization gains, net	(1,437)	(23)	(32,719)	(2,333)
Reorganization and realignment costs	345	3,375	7,381	10,196
Impairment of long-lived assets	566	23	1,831	4,727
Other operating income, net	(3,092)	(2,748)	(10,800)	(6,076)
	390,060	370,894	1,133,732	1,068,767
Operating profit	80,195	81,348	290,063	190,741
Interest expense, net	(26,000)	(29,086)	(82,990)	(86,696)
Loss on early extinguishment of debt	—	—	(17,917)	—
Other income, net	171	181	461	1,113
Income before income taxes	54,366	52,443	189,617	105,158
Provision for income taxes	(13,195)	(12,690)	(41,356)	(26,060)
Net income	\$ 41,171	\$ 39,753	\$ 148,261	\$ 79,098
Net income per share:				
Basic	\$ .19	\$ .18	\$ .67	\$ .35
Diluted	.18	.17	.66	.35
Number of shares used to calculate basic income per share	222,373	223,907	222,527	223,521
Number of shares used to calculate diluted income per share	225,058	228,317	225,728	227,833

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

	<u>October 3, 2021</u>	<u>January 3, 2021</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 571,502	\$ 306,989
Restricted cash	36,321	33,973
Accounts and notes receivable, net	100,265	109,891
Inventories	4,257	4,732
Prepaid expenses and other current assets	23,820	89,732
Advertising funds restricted assets	107,320	142,306
Total current assets	<u>843,485</u>	<u>687,623</u>
Properties	873,250	915,889
Finance lease assets	210,660	206,153
Operating lease assets	783,986	821,480
Goodwill	751,805	751,049
Other intangible assets	1,209,695	1,224,960
Investments	41,356	44,574
Net investment in sales-type and direct financing leases	305,242	268,221
Other assets	137,468	120,057
Total assets	<u>\$ 5,156,947</u>	<u>\$ 5,040,006</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$ 32,750	\$ 28,962
Current portion of finance lease liabilities	15,915	12,105
Current portion of operating lease liabilities	45,541	45,346
Accounts payable	26,506	31,063
Accrued expenses and other current liabilities	158,800	155,321
Advertising funds restricted liabilities	127,673	140,511
Total current liabilities	<u>407,185</u>	<u>413,308</u>
Long-term debt	2,360,763	2,218,163
Long-term finance lease liabilities	528,775	506,076
Long-term operating lease liabilities	830,488	865,325
Deferred income taxes	279,813	280,755
Deferred franchise fees	90,086	89,094
Other liabilities	117,083	117,689
Total liabilities	<u>4,614,193</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; 221,301 and 224,268 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,911,552	2,899,276
Retained earnings	317,956	238,674
Common stock held in treasury, at cost; 249,123 and 246,156 shares, respectively	(2,685,063)	(2,585,755)
Accumulated other comprehensive loss	(48,733)	(49,641)
Total stockholders' equity	<u>542,754</u>	<u>549,596</u>
Total liabilities and stockholders' equity	<u>\$ 5,156,947</u>	<u>\$ 5,040,006</u>

**The Wendy's Company and Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**Nine Month Periods Ended October 3, 2021 and September 27, 2020**  
(In Thousands)  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>2021</b>	<b>2020</b>
Cash flows from operating activities:		
Net income	\$ 148,261	\$ 79,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,243	98,726
Share-based compensation	16,735	15,112
Impairment of long-lived assets	1,831	4,727
Deferred income tax	(25)	5,878
Non-cash rental expense, net	28,421	19,967
Change in operating lease liabilities	(34,220)	(29,539)
Net receipt of deferred vendor incentives	1,906	5,061
System optimization gains, net	(32,719)	(2,333)
Distributions received from joint ventures, net of equity in earnings	3,561	1,187
Long-term debt-related activities, net	23,043	4,866
Changes in operating assets and liabilities and other, net	26,636	3,009
Net cash provided by operating activities	<u>276,673</u>	<u>205,759</u>
Cash flows from investing activities:		
Capital expenditures	(43,401)	(44,876)
Acquisitions	4,879	—
Dispositions	52,657	3,570
Proceeds from sale of investments	—	169
Notes receivable, net	907	138
Net cash provided by (used in) investing activities	<u>15,042</u>	<u>(40,999)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	1,100,000	153,315
Repayments of long-term debt	(955,782)	(174,959)
Repayments of finance lease liabilities	(9,021)	(5,850)
Deferred financing costs	(20,873)	(2,122)
Repurchases of common stock	(125,656)	(46,667)
Dividends	(68,963)	(49,176)
Proceeds from stock option exercises	27,204	15,540
Payments related to tax withholding for share-based compensation	(4,390)	(5,409)
Net cash used in financing activities	<u>(57,481)</u>	<u>(115,328)</u>
Net cash provided by operations before effect of exchange rate changes on cash	234,234	49,432
Effect of exchange rate changes on cash	177	(1,715)
Net increase in cash, cash equivalents and restricted cash	<u>234,411</u>	<u>47,717</u>
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>\$ 652,652</u>	<u>\$ 406,424</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 October 3, 2021 and September 27, 2020**  
(In Thousands)  
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2021	2020	2021	2020
Net income	\$ 41,171	\$ 39,753	\$ 148,261	\$ 79,098
Provision for income taxes	13,195	12,690	41,356	26,060
Income before income taxes	54,366	52,443	189,617	105,158
Other income, net	(171)	(181)	(461)	(1,113)
Loss on early extinguishment of debt	—	—	17,917	—
Interest expense, net	26,000	29,086	82,990	86,696
Operating profit	80,195	81,348	290,063	190,741
Plus (less):				
Advertising funds revenue	(97,976)	(84,755)	(289,699)	(241,468)
Advertising funds expense (a)	99,550	85,895	294,139	245,015
Depreciation and amortization	30,940	32,966	93,243	98,726
System optimization gains, net	(1,437)	(23)	(32,719)	(2,333)
Reorganization and realignment costs	345	3,375	7,381	10,196
Impairment of long-lived assets	566	23	1,831	4,727
Adjusted EBITDA	<u>\$ 112,183</u>	<u>\$ 118,829</u>	<u>\$ 364,239</u>	<u>\$ 305,604</u>
Revenues	\$ 470,255	\$ 452,242	\$ 1,423,795	\$ 1,259,508
Less:				
Advertising funds revenue	(97,976)	(84,755)	(289,699)	(241,468)
Adjusted revenues	<u>\$ 372,279</u>	<u>\$ 367,487</u>	<u>\$ 1,134,096</u>	<u>\$ 1,018,040</u>

(a) Excludes advertising funds expense of \$8,979 and \$16,503 for the three and nine months ended October 3, 2021, respectively, and \$6,153 and \$8,338 for the three and nine months ended September 27, 2020, respectively, related to the Company's 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 Nine Month Periods Ended October 3, 2021 and September 27, 2020**  
**(In Thousands Except Per Share Amounts)**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net income	\$ 41,171	\$ 39,753	\$ 148,261	\$ 79,098
Plus (less):				
Advertising funds revenue	(97,976)	(84,755)	(289,699)	(241,468)
Advertising funds expense (a)	99,550	85,895	294,139	245,015
System optimization gains, net	(1,437)	(23)	(32,719)	(2,333)
Reorganization and realignment costs	345	3,375	7,381	10,196
Impairment of long-lived assets	566	23	1,831	4,727
Loss on early extinguishment of debt	—	—	17,917	—
Total adjustments	1,048	4,515	(1,150)	16,137
Income tax impact on adjustments (b)	291	(868)	1,811	(4,566)
Total adjustments, net of income taxes	1,339	3,647	661	11,571
Adjusted income	<u>\$ 42,510</u>	<u>\$ 43,400</u>	<u>\$ 148,922</u>	<u>\$ 90,669</u>
Diluted earnings per share	\$ .18	\$ .17	\$ .66	\$ .35
Total adjustments per share, net of income taxes	.01	.02	—	.05
Adjusted earnings per share	<u>\$ .19</u>	<u>\$ .19</u>	<u>\$ .66</u>	<u>\$ .40</u>

- (a) Excludes advertising funds expense of \$8,979 and \$16,503 for the three and nine months ended October 3, 2021, respectively, and \$6,153 and \$8,338 for the three and nine months ended September 27, 2020, respectively, related to the Company's funding of incremental advertising.
- (b) The provision for (benefit from) income taxes on "System optimization gains, net" was \$536 and \$6 for the three months ended October 3, 2021 and September 27, 2020, respectively, and \$8,802 and \$(728) for the nine months ended October 3, 2021 and September 27, 2020, respectively. The benefit from income taxes on all other adjustments (excluding the advertising funds adjustments) was calculated using an effective tax rate of 26.89% and 25.72% for the three months ended October 3, 2021 and September 27, 2020, respectively, and 25.77% and 25.72% for the nine months ended October 3, 2021 and September 27, 2020, respectively.

**The Wendy's Company and Subsidiaries**  
**Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow**  
**Nine Month Periods Ended October 3, 2021 and September 27, 2020**  
(In Thousands)  
(Unaudited)

	<b>Nine Months Ended</b>	
	<b>2021</b>	<b>2020</b>
Net cash provided by operating activities	\$ 276,673	\$ 205,759
Less:		
Capital expenditures	(43,401)	(44,876)
Cash paid for taxes related to New York disposition	9,512	—
Advertising funds impact (a)	30,876	(27,297)
Free cash flow	\$ 273,660	\$ 133,586

(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."