The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Operations
Three Month Periods Ended April 3, 2022 and April 4, 2021
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended	
	2022	**2021**
Revenues:		
Sales	$ 209,275	$ 189,057
Franchise royalty revenue	111,745	108,334
Franchise fees	17,231	14,496
Franchise rental income	57,871	58,876
Advertising funds revenue	92,521	89,440
	488,643	460,203
Costs and expenses:		
Cost of sales	185,053	156,850
Franchise support and other costs	11,816	7,686
Franchise rental expense	28,936	32,566
Advertising funds expense	97,800	94,238
General and administrative	62,346	52,622
Depreciation and amortization	33,231	31,542
System optimization gains, net	(3,534)	(516)
Reorganization and realignment costs	464	4,934
Impairment of long-lived assets	616	635
Other operating income, net	(2,966)	(3,476)
	413,762	377,081
Operating profit	74,881	83,122
Interest expense, net	(26,365)	(28,786)
Investment income, net	2,111	3
Other income, net	207	126
Income before income taxes	50,834	54,465
Provision for income taxes	(13,432)	(13,099)
Net income	$ 37,402	$ 41,366
Net income per share:		
Basic	$ .17	$ .19
Diluted	.17	.18
Number of shares used to calculate basic income per share	215,619	223,334
Number of shares used to calculate diluted income per share	218,167	226,727

The Wendy's Company and Subsidiaries
Condensed Consolidated Balance Sheets
As of April 3, 2022 and January 2, 2022
(In Thousands Except Par Value)
(Unaudited)

	April 3, 2022	January 2, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 741,216	$ 249,438
Restricted cash	32,627	27,535
Accounts and notes receivable, net	118,151	119,540
Inventories	5,945	5,934
Prepaid expenses and other current assets	32,101	30,584
Advertising funds restricted assets	149,787	159,818
Total current assets	1,079,827	592,849
Properties	895,684	906,867
Finance lease assets	242,917	244,279
Operating lease assets	793,727	812,620
Goodwill	775,534	775,278
Other intangible assets	1,273,006	1,280,791
Investments	51,453	49,870
Net investment in sales-type and direct financing leases	302,783	299,707
Other assets	148,168	139,130
Total assets	$ 5,563,099	$ 5,101,391
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 29,250	$ 24,250
Current portion of finance lease liabilities	17,211	15,513
Current portion of operating lease liabilities	47,178	47,315
Accounts payable	33,152	41,163
Accrued expenses and other current liabilities	129,168	140,783
Advertising funds restricted liabilities	151,690	157,901
Total current liabilities	407,649	426,925
Long-term debt	2,836,838	2,356,416
Long-term finance lease liabilities	561,238	559,587
Long-term operating lease liabilities	833,466	853,328
Deferred income taxes	271,627	267,710
Deferred franchise fees	88,476	88,102
Other liabilities	109,270	112,918
Total liabilities	5,108,564	4,664,986
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 215,375 and 215,849 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,922,042	2,898,633
Retained earnings	354,681	344,198
Common stock held in treasury, at cost; 255,049 and 254,575 shares, respectively	(2,822,148)	(2,805,268)
Accumulated other comprehensive loss	(47,082)	(48,200)
Total stockholders' equity	454,535	436,405
Total liabilities and stockholders' equity	$ 5,563,099	$ 5,101,391

The Wendy's Company and Subsidiaries
Condensed Consolidated Statements of Cash Flows
Three Month Periods Ended April 3, 2022 and April 4, 2021
(In Thousands)
(Unaudited)

	Three Months Ended	
	2022	2021
Cash flows from operating activities:		
Net income	$ 37,402	41,366
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,231	31,542
Share-based compensation	6,348	5,151
Impairment of long-lived assets	616	635
Deferred income tax	4,527	(1,116)
Non-cash rental expense, net	6,874	10,152
Change in operating lease liabilities	(11,615)	(11,607)
Net receipt of deferred vendor incentives	7,711	6,522
System optimization gains, net	(3,534)	(516)
Distributions received from joint ventures, net of equity in earnings	898	1,409
Long-term debt-related activities, net	1,717	1,677
Cloud computing arrangements expenditures	(4,656)	—
Changes in operating assets and liabilities and other, net	(58,537)	615
Net cash provided by operating activities	20,982	85,830
Cash flows from investing activities:		
Capital expenditures	(12,496)	(10,364)
Franchise development fund	(955)	—
Acquisitions	—	4,879
Dispositions	263	3
Notes receivable, net	141	397
Net cash used in investing activities	(13,047)	(5,085)
Cash flows from financing activities:		
Proceeds from long-term debt	500,000	—
Repayments of long-term debt	(6,063)	(11,900)
Repayments of finance lease liabilities	(4,076)	(2,659)
Deferred financing costs	(10,209)	—
Repurchases of common stock	—	(55,611)
Dividends	(26,911)	(20,156)
Proceeds from stock option exercises	1,591	972
Payments related to tax withholding for share-based compensation	(1,530)	(2,308)
Net cash provided by (used in) financing activities	452,802	(91,662)
Net cash provided by (used in) operations before effect of exchange rate changes on cash	460,737	(10,917)
Effect of exchange rate changes on cash	305	823
Net increase (decrease) in cash, cash equivalents and restricted cash	461,042	(10,094)
Cash, cash equivalents and restricted cash at beginning of period	366,966	418,241
Cash, cash equivalents and restricted cash at end of period	$ 828,008	$ 408,147

The Wendy's Company and Subsidiaries
Reconciliations of Net Income to Adjusted EBITDA and Revenues to Adjusted Revenues
Three Month Periods Ended April 3, 2022 and April 4, 2021
(In Thousands)
(Unaudited)

	Three Months Ended	
	2022	**2021**
Net income	$ 37,402	$ 41,366
Provision for income taxes	13,432	13,099
Income before income taxes	50,834	54,465
Other income, net	(207)	(126)
Investment income, net	(2,111)	(3)
Interest expense, net	26,365	28,786
Operating profit	74,881	83,122
Plus (less):		
Advertising funds revenue	(92,521)	(89,440)
Advertising funds expense (a)	93,764	90,704
Depreciation and amortization	33,231	31,542
System optimization gains, net	(3,534)	(516)
Reorganization and realignment costs	464	4,934
Impairment of long-lived assets	616	635
Adjusted EBITDA	$ 106,901	$ 120,981
Revenues	$ 488,643	$ 460,203
Less:		
Advertising funds revenue	(92,521)	(89,440)
Adjusted revenues	$ 396,122	$ 370,763

(a) Excludes advertising funds expense of $3,394 and $3,534 for the three months ended April 3, 2022 and April 4, 2021, respectively, related to the Company's funding of incremental advertising. In addition, excludes other international-related advertising expense of $642 for the three months ended April 3, 2022.

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 3, 2022 and April 4, 2021
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended	
	2022	2021
Net income	$ 37,402	$ 41,366
Plus (less):		
Advertising funds revenue	(92,521)	(89,440)
Advertising funds expense (a)	93,764	90,704
System optimization gains, net	(3,534)	(516)
Reorganization and realignment costs	464	4,934
Impairment of long-lived assets	616	635
Total adjustments	(1,211)	6,317
Income tax impact on adjustments (b)	622	(1,909)
Total adjustments, net of income taxes	(589)	4,408
Adjusted income	$ 36,813	$ 45,774
Diluted earnings per share	$ .17	$ .18
Total adjustments per share, net of income taxes	.00	.02
Adjusted earnings per share	$ .17	$ .20

(a) Excludes advertising funds expense of $3,394 and $3,534 for the three months ended April 3, 2022 and April 4, 2021, respectively, related to the Company's funding of incremental advertising. In addition, excludes other international-related advertising expense of $642 for the three months ended April 3, 2022.

(b) The provision for (benefit from) income taxes on "System optimization gains, net" was $891 and $(476) for the three months ended April 3, 2022 and April 4, 2021, respectively. In addition, the three months ended April 3, 2022 include provision for income taxes of $3 related to the advertising funds. The benefit from income taxes on all other adjustments was calculated using an effective tax rate of 25.22% and 25.74% for the three months ended April 3, 2022 and April 4, 2021, respectively.

The Wendy's Company and Subsidiaries
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow
Three Month Periods Ended April 3, 2022 and April 4, 2021
(In Thousands)
(Unaudited)

	Three Months Ended	
	2022	**2021**
Net cash provided by operating activities	$ 20,982	$ 85,830
Plus (less):		
Capital expenditures	(12,496)	(10,364)
Advertising funds impact (a)	35,888	22,046
Free cash flow	$ 44,374	$ 97,512

(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."