



The Wendy's Company and Subsidiaries
Reconciliation of Net Income (Loss) to Adjusted EBITDA
(In Thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
	2018	2017 (a)	2018	2017 (a)
Net income (loss)	\$ 29,876	\$ (1,845)	\$ 50,035	\$ 20,496
Provision for income taxes	12,388	1,548	6,582	11,341
Income (loss) before income taxes	42,264	(297)	56,617	31,837
Other income, net	(917)	(2,844)	(1,661)	(3,233)
Loss on early extinguishment of debt	—	—	11,475	—
Interest expense, net	30,136	28,935	60,314	57,910
Operating profit	71,483	25,794	126,745	86,514
Plus (less):				
Depreciation and amortization	33,427	31,309	65,579	60,474
System optimization (gains) losses, net	(92)	41,050	478	39,643
Reorganization and realignment costs	3,124	17,699	5,750	17,880
Impairment of long-lived assets	1,603	253	1,809	763
Adjusted EBITDA	<u>\$ 109,545</u>	<u>\$ 116,105</u>	<u>\$ 200,361</u>	<u>\$ 205,274</u>
Revenues	\$ 411,002	\$ 320,342	\$ 791,566	\$ 606,161
Less:				
Advertising funds revenue	(84,570)	—	(163,470)	—
Adjusted revenues	<u>\$ 326,432</u>	<u>\$ 320,342</u>	<u>\$ 628,096</u>	<u>\$ 606,161</u>
Adjusted EBITDA margin	33.6%	36.2%	31.9%	33.9%

(a) 2017 reconciliation of net (loss) income to adjusted EBITDA does not reflect adjustments for the implementation of the new revenue recognition standard as the Company applied the modified retrospective method upon adoption.



**Reconciliation of Net Income (Loss) and Diluted Earnings (Loss) Per Share to
Adjusted Income and Adjusted Earnings Per Share
(In Thousands Except Per Share Amounts)
(Unaudited)**

	Three Months Ended		Six Months Ended	
	2018	2017 (a) (b)	2018	2017 (a)
Net income (loss)	\$ 29,876	\$ (1,845)	\$ 50,035	\$ 20,496
Plus (less):				
Advertising funds revenue	(84,570)	—	(163,470)	—
Advertising funds expense	84,570	—	163,470	—
Depreciation of assets that will be replaced as part of the Image Activation initiative	—	(2)	—	447
System optimization (gains) losses, net	(92)	41,050	478	39,643
Reorganization and realignment costs	3,124	17,699	5,750	17,880
Impairment of long-lived assets	1,603	253	1,809	763
Loss on early extinguishment of debt	—	—	11,475	—
Total adjustments	4,635	59,000	19,512	58,733
Income tax impact on adjustments (c)	(1,104)	(20,002)	(4,972)	(20,036)
Tax reform	828	—	(2,795)	—
Total adjustments, net of income taxes	4,359	38,998	11,745	38,697
Adjusted income	\$ 34,235	\$ 37,153	\$ 61,780	\$ 59,193
Diluted earnings (loss) per share	\$.12	\$ (.01)	\$.20	\$.08
Total adjustments per share, net of income taxes	.02	.16	.05	.15
Adjusted earnings per share	\$.14	\$.15	\$.25	\$.23
Reported number of shares used to calculate diluted income (loss) per share	246,152	245,261	247,285	253,896
Plus: Dilutive effect of stock options and restricted shares	—	8,292	—	—
Adjusted number of shares used to calculate adjusted earnings per share	246,152	253,553	247,285	253,896

(a) 2017 reconciliation of net (loss) income and diluted (loss) earnings per share to adjusted income and adjusted earnings per share does not reflect adjustments for the implementation of the new revenue recognition standard as the Company applied the modified retrospective method upon adoption.

(b) Adjusted earnings per share for the second quarter of 2017 includes the dilutive effect of stock options and restricted shares, which were excluded from the reported number of shares used to calculate diluted loss per share, as the impact would have been anti-dilutive. Included above is a reconciliation of the number of shares used to calculate adjusted earnings per share amounts.

(c) The provision for (benefit from) income taxes on "System optimization (gains) losses, net" was \$102 and \$(13,013) for the three months ended July 1, 2018 and July 2, 2017, respectively, and \$(46) and \$(12,606) for the six months ended July 1, 2018 and July 2, 2017, respectively. The benefit from income taxes on all other adjustments was calculated using an effective tax rate of 25.52% and 38.94% for the three months ended July 1, 2018 and July 2, 2017, respectively, and 25.88% and 38.92% for the six months ended July 1, 2018 and July 2, 2017, respectively.



The Wendy's Company and Subsidiaries
Reconciliation of Recast Net (Loss) Income to Recast Adjusted EBITDA (a)
(In Thousands)
(Unaudited)

2017 Recast	Three Months Ended	Six Months Ended
	2017	2017
Net (loss) income	\$ (5,903)	\$ 14,582
(Benefit from) provision for income taxes	(2,550)	6,096
(Loss) income before income taxes	(8,453)	20,678
Other income, net	(2,844)	(3,233)
Interest expense, net	28,935	57,910
Operating profit	17,638	75,355
Plus (less):		
Advertising funds revenue	(83,229)	(161,411)
Advertising funds expense	83,229	161,411
Depreciation and amortization	31,309	60,474
System optimization losses, net	41,050	39,643
Reorganization and realignment costs	17,699	17,880
Impairment of long-lived assets	253	763
Adjusted EBITDA	\$ 107,949	\$ 194,115
Revenues	\$ 395,415	\$ 756,413
Less:		
Advertising funds revenue	(83,229)	(161,411)
Adjusted revenues	\$ 312,186	\$ 595,002
Adjusted EBITDA margin	34.6%	32.6%

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The reconciliation of recast net (loss) income and diluted (loss) earnings per share to recast adjusted income and adjusted earnings per share reflects adjustments for the implementation of the new revenue recognition standard as if the full retrospective method was applied upon adoption.



**Reconciliation of Recast Net Income (Loss) and Diluted (Loss) Earnings Per Share to
Recast Adjusted Income and Adjusted Earnings Per Share (a)
(In Thousands Except Per Share Amounts)
(Unaudited)**

2017 Recast	Three Months Ended	Six Months Ended
	2017 (b)	2017
Net (loss) income	\$ (5,903)	\$ 14,582
Plus (less):		
Advertising funds revenue	(83,229)	(161,411)
Advertising funds expense	83,229	161,411
Depreciation of assets that will be replaced as part of the Image Activation initiative	(2)	447
System optimization losses, net	41,050	39,643
Reorganization and realignment costs	17,699	17,880
Impairment of long-lived assets	253	763
Total adjustments	59,000	58,733
Income tax impact on adjustments	(20,002)	(20,036)
Total adjustments, net of income taxes	38,998	38,697
Adjusted income	\$ 33,095	\$ 53,279
Diluted (loss) earnings per share	\$ (.02)	\$.06
Total adjustments per share, net of income taxes	.15	.15
Adjusted earnings per share	\$.13	\$.21
Reported number of shares used to calculate diluted (loss) income per share	245,261	253,896
Plus: Dilutive effect of stock options and restricted shares	8,292	—
Adjusted number of shares used to calculate adjusted earnings per share	253,553	253,896

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The reconciliation of recast net (loss) income and diluted (loss) earnings per share to recast adjusted income and adjusted earnings per share reflects adjustments for the implementation of the new revenue recognition standard as if the full retrospective method was applied upon adoption.

(b) Adjusted earnings per share for the second quarter of 2017 includes the dilutive effect of stock options and restricted shares, which were excluded from the reported number of shares used to calculate diluted loss per share, as the impact would have been anti-dilutive. Included above is a reconciliation of the number of shares used to calculate adjusted earnings per share amounts.