



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

	Three Months Ended		Nine Months Ended	
	2018	2017 (a)	2018	2017 (a)
Net income	\$ 391,249	\$ 14,257	\$ 441,284	\$ 34,753
Provision for income taxes	107,668	17,298	114,250	28,639
Income before income taxes	498,917	31,555	555,534	63,392
Other income, net	(1,061)	(511)	(2,423)	(1,022)
Investment (income) loss, net	(450,133)	636	(450,432)	(2,086)
Loss on early extinguishment of debt	—	—	11,475	—
Interest expense, net	29,625	29,977	89,939	87,887
Operating profit	77,348	61,657	204,093	148,171
Plus (less):				
Depreciation and amortization	29,070	31,216	94,649	91,690
System optimization (gains) losses, net	(486)	106	(8)	39,749
Reorganization and realignment costs	941	2,888	6,691	20,768
Impairment of long-lived assets	347	1,041	2,156	1,804
Adjusted EBITDA	\$ 107,220	\$ 96,908	\$ 307,581	\$ 302,182
Revenues	\$ 400,550	\$ 308,000	\$ 1,192,116	\$ 914,161
Less:				
Advertising funds revenue	(81,541)	—	(245,011)	—
Adjusted revenues	\$ 319,009	\$ 308,000	\$ 947,105	\$ 914,161
Adjusted EBITDA margin	33.6%	31.5%	32.5%	33.1%

(a) 2017 reconciliation of net 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.



The Wendy's Company and Subsidiaries
Reconciliation of Net Income and Diluted Earnings Per Share to
Adjusted Income and Adjusted Earnings Per Share
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	2018	2017 (a)	2018	2017 (a)
Net income	\$ 391,249	\$ 14,257	\$ 441,284	\$ 34,753
Plus (less):				
Advertising funds revenue	(81,541)	—	(245,011)	—
Advertising funds expense	81,541	—	245,011	—
Depreciation of assets that will be replaced as part of the Image Activation initiative	—	(261)	—	186
System optimization (gains) losses, net	(486)	106	(8)	39,749
Reorganization and realignment costs	941	2,888	6,691	20,768
Impairment of long-lived assets	347	1,041	2,156	1,804
Loss on early extinguishment of debt	—	—	11,475	—
Gain on sale of investment in Inspire Brands	(449,921)	—	(449,921)	—
Total adjustments	(449,119)	3,774	(429,607)	62,507
Income tax impact on adjustments (b)	95,308	4,190	90,336	(15,846)
Tax reform	4,871	—	2,076	—
Total adjustments, net of income taxes	(348,940)	7,964	(337,195)	46,661
Adjusted income	<u>\$ 42,309</u>	<u>\$ 22,221</u>	<u>\$ 104,089</u>	<u>\$ 81,414</u>
Diluted earnings per share	\$ 1.60	\$.06	\$ 1.79	\$.14
Total adjustments per share, net of income taxes	(1.43)	.03	(1.37)	.18
Adjusted earnings per share	<u>\$.17</u>	<u>\$.09</u>	<u>\$.42</u>	<u>\$.32</u>

(a) 2017 reconciliation of net income and diluted 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) The (benefit from) provision for income taxes on "System optimization (gains) losses, net" was \$(1,275) and \$5,626 for the three months ended September 30, 2018 and October 1, 2017, respectively, and \$(1,321) and \$(6,980) for the nine months ended September 30, 2018 and October 1, 2017, respectively. The provision for income taxes on the "Gain on sale of investment in Inspire Brands" was \$96,906 for the three and nine months ended September 30, 2018. The benefit from income taxes on all other adjustments was calculated using an effective tax rate of 25.09% and 39.15% for the three months ended September 30, 2018 and October 1, 2017, respectively, and 25.83% and 38.96% for the nine months ended September 30, 2018 and October 1, 2017, respectively.



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

2017 Recast	Three Months Ended	Nine Months Ended
	2017	2017
Net income	\$ 13,749	\$ 28,331
Provision for income taxes	18,476	24,572
Income before income taxes	32,225	52,903
Other income, net	(511)	(1,022)
Investment loss (income), net	636	(2,086)
Interest expense, net	29,977	87,887
Operating profit	62,327	137,682
Plus (less):		
Advertising funds revenue	(82,583)	(243,994)
Advertising funds expense	82,583	243,994
Depreciation and amortization	31,216	91,690
System optimization losses, net	106	39,749
Reorganization and realignment costs	2,888	20,768
Impairment of long-lived assets	1,041	1,804
Adjusted EBITDA	\$ 97,578	\$ 291,693
Revenues	\$ 391,253	\$ 1,147,666
Less:		
Advertising funds revenue	(82,583)	(243,994)
Adjusted revenues	\$ 308,670	\$ 903,672
Adjusted EBITDA margin	31.6%	32.3%

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



The Wendy's Company and Subsidiaries
Reconciliation of Recast Net Income and Diluted Earnings Per Share to
Recast Adjusted Income and Adjusted Earnings Per Share (a)
(In Thousands Except Per Share Amounts)
(Unaudited)

	Three Months	Nine Months
	Ended	Ended
2017 Recast	2017	2017
Net income	\$ 13,749	\$ 28,331
Plus (less):		
Advertising funds revenue	(82,583)	(243,994)
Advertising funds expense	82,583	243,994
Depreciation of assets that will be replaced as part of the Image Activation initiative	(261)	186
System optimization losses, net	106	39,749
Reorganization and realignment costs	2,888	20,768
Impairment of long-lived assets	1,041	1,804
Total adjustments	3,774	62,507
Income tax impact on adjustments	4,190	(15,846)
Total adjustments, net of income taxes	7,964	46,661
Adjusted income	<u>\$ 21,713</u>	<u>\$ 74,992</u>
Diluted earnings per share	\$.05	\$.11
Total adjustments per share, net of income taxes	.04	.19
Adjusted earnings per share	<u>\$.09</u>	<u>\$.30</u>

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The reconciliation of recast net income and diluted 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.