



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

	Three Months Ended		Nine Months Ended	
	2017	2016	2017	2016
Net income	\$ 14,257	\$ 48,890	\$ 34,753	\$ 100,733
Provision for income taxes	17,298	28,965	28,639	50,385
Income before income taxes	31,555	77,855	63,392	151,118
Other expense (income), net	125	(498)	(3,108)	(1,036)
Interest expense	29,977	28,731	87,887	85,483
Operating profit	61,657	106,088	148,171	235,565
Plus (less):				
Depreciation and amortization	31,216	29,362	91,690	92,456
System optimization losses (gains), net	106	(37,756)	39,749	(48,106)
Reorganization and realignment costs	2,888	2,129	20,768	7,866
Impairment of long-lived assets	1,041	361	1,804	12,991
Adjusted EBITDA	\$ 96,908	\$ 100,184	\$ 302,182	\$ 300,772
Adjusted EBITDA margin	31.5%	27.5%	33.1%	26.7%

**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	
	2017	2016	2017	2016
Net income	\$ 14,257	\$ 48,890	\$ 34,753	\$ 100,733
Plus (less):				
Depreciation of assets that will be replaced as part of the Image Activation initiative	(261)	(285)	186	2,930
System optimization losses (gains), net	106	(37,756)	39,749	(48,106)
Reorganization and realignment costs	2,888	2,129	20,768	7,866
Impairment of long-lived assets	1,041	361	1,804	12,991
Total adjustments	3,774	(35,551)	62,507	(24,319)
Income tax impact on adjustments (a)	4,190	16,083	(15,846)	9,243
Total adjustments, net of income taxes	7,964	(19,468)	46,661	(15,076)
Adjusted income	\$ 22,221	\$ 29,422	\$ 81,414	\$ 85,657
Diluted earnings per share	\$ .06	\$ .18	\$ .14	\$ .37
Total adjustments per share, net of income taxes	.03	(.07)	.18	(.05)
Adjusted earnings per share	\$ .09	\$ .11	\$ .32	\$ .32

(a) The provision for (benefit from) income taxes on "System optimization losses (gains), net" was \$5,626 and \$16,935 for the three months ended October 1, 2017 and October 2, 2016, respectively, and \$(6,980) and \$18,425 for the nine months ended October 1, 2017 and October 2, 2016, respectively. The provision for (benefit from) income taxes on "System optimization losses (gains), net" includes the impact of non-deductible goodwill disposed of in connection with our system optimization initiative, adjustments related to prior year tax matters, changes to state deferred taxes and changes to valuation allowances on state net operating loss carryforwards. The benefit from income taxes on all other adjustments was calculated using an effective tax rate of 39.15% and 38.96% for the three and nine months ended October 1, 2017, respectively, and 38.60% for both the three and nine months ended October 2, 2016.