



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

	First Quarter	
	2018	2017 (a)
Net income	\$ 20,159	\$ 22,341
(Benefit from) provision for income taxes	(5,806)	9,793
Income before income taxes	14,353	32,134
Other income, net	(744)	(389)
Loss on early extinguishment of debt	11,475	—
Interest expense, net	30,178	28,975
Operating profit	55,262	60,720
Plus (less):		
Depreciation and amortization	32,152	29,165
System optimization losses (gains), net	570	(1,407)
Reorganization and realignment costs	2,626	181
Impairment of long-lived assets	206	510
Adjusted EBITDA	<u>\$ 90,816</u>	<u>\$ 89,169</u>
Revenues	\$ 380,564	\$ 285,819
Less:		
Advertising funds revenue	(78,900)	—
Adjusted revenues	<u>\$ 301,664</u>	<u>\$ 285,819</u>
Adjusted EBITDA margin	30.1%	31.2%

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

	First Quarter	
	2018	2017 (a)
Net income	\$ 20,159	\$ 22,341
Plus (less):		
Advertising funds revenue	(78,900)	—
Advertising funds expense	78,900	—
Depreciation of assets that will be replaced as part of the Image Activation initiative	—	449
System optimization losses (gains), net	570	(1,407)
Reorganization and realignment costs	2,626	181
Impairment of long-lived assets	206	510
Loss on early extinguishment of debt	11,475	—
Total adjustments	14,877	(267)
Income tax impact on adjustments (b)	(3,868)	(34)
Tax reform	(3,623)	—
Total adjustments, net of income taxes	7,386	(301)
Adjusted income	<u>\$ 27,545</u>	<u>\$ 22,040</u>
Diluted earnings per share	\$ .08	\$ .09
Total adjustments per share, net of income taxes	.03	.00
Adjusted earnings per share	<u>\$ .11</u>	<u>\$ .09</u>

(a) 2017 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 income taxes on all adjustments for the three months ended April 1, 2018 was calculated using an effective tax rate of 26.00%. For the three months ended April 2, 2017, the provision for income taxes on "System optimization losses (gains), net" was \$407 and the benefit from income taxes on all other adjustments was calculated using an effective tax rate of 38.67%.



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

<b>2017 Recast</b>	<b>First Quarter</b>
	<b>2017</b>
Net income	\$ 20,485
Provision for income taxes	8,646
Income before income taxes	29,131
Other income, net	(389)
Interest expense, net	28,975
Operating profit	57,717
Plus (less):	
Advertising funds revenue	(78,182)
Advertising funds expense	78,182
Depreciation and amortization	29,165
System optimization gains, net	(1,407)
Reorganization and realignment costs	181
Impairment of long-lived assets	510
Adjusted EBITDA	\$ 86,166
Revenues	\$ 360,998
Less:	
Advertising funds revenue	(78,182)
Adjusted revenues	\$ 282,816
Adjusted EBITDA margin	30.5%

**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)

<b>2017 Recast</b>	<b>First Quarter</b>
	<b>2017</b>
Net income	\$ 20,485
Plus (less):	
Advertising funds revenue	(78,182)
Advertising funds expense	78,182
Depreciation of assets that will be replaced as part of the Image Activation initiative	449
System optimization gains, net	(1,407)
Reorganization and realignment costs	181
Impairment of long-lived assets	510
Total adjustments	(267)
Income tax impact on adjustments	(34)
Total adjustments, net of income taxes	(301)
Adjusted income	\$ 20,184
Diluted earnings per share	\$ .08
Total adjustments per share, net of income taxes	.00
Adjusted earnings per share	\$ .08

(a) The Company applied the modified retrospective method upon adoption of the new revenue recognition standard. The above reconciliations reflect adjustments for the implementation of the new revenue recognition standard as if the full retrospective method was applied upon adoption.