

THE WENDY'S COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands Except Par Value)

	December 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 431,405	\$ 171,447
Restricted cash	29,860	32,633
Accounts and notes receivable, net	109,805	114,390
Inventories	3,687	3,156
Prepaid expenses and other current assets	14,452	20,125
Advertising funds restricted assets	76,509	62,602
Total current assets	665,718	404,353
Properties	1,213,236	1,263,059
Goodwill	747,884	743,334
Other intangible assets	1,294,153	1,321,585
Investments	47,660	56,002
Net investment in direct financing leases	226,477	229,089
Other assets	96,907	79,516
Total assets	<u>\$ 4,292,035</u>	<u>\$ 4,096,938</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 31,655	\$ 30,172
Accounts payable	21,741	22,764
Accrued expenses and other current liabilities	150,636	111,624
Advertising funds restricted liabilities	80,153	62,602
Total current liabilities	284,185	227,162
Long-term debt	2,752,783	2,724,230
Deferred income taxes	269,160	299,053
Deferred franchise fees	92,232	10,881
Other liabilities	245,226	262,409
Total liabilities	3,643,586	3,523,735
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 231,233 and 240,512 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,884,696	2,885,955
Retained earnings (accumulated deficit)	146,277	(163,289)
Common stock held in treasury, at cost; 239,191 and 229,912 shares, respectively	(2,367,893)	(2,150,307)
Accumulated other comprehensive loss	(61,673)	(46,198)
Total stockholders' equity	648,449	573,203
Total liabilities and stockholders' equity	<u>\$ 4,292,035</u>	<u>\$ 4,096,938</u>

See accompanying notes to consolidated financial statements.

THE WENDY'S COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Thousands Except Per Share Amounts)

	Year Ended		
	December 30, 2018	December 31, 2017	January 1, 2017
Revenues:			
Sales	\$ 651,577	\$ 622,802	\$ 920,758
Franchise royalty revenue and fees	409,043	410,503	371,545
Franchise rental income	203,297	190,103	143,115
Advertising funds revenue	326,019	—	—
	<u>1,589,936</u>	<u>1,223,408</u>	<u>1,435,418</u>
Costs and expenses:			
Cost of sales	548,588	517,935	752,079
Franchise support and other costs	25,203	16,325	6,885
Franchise rental expense	91,104	88,015	67,760
Advertising funds expense	321,866	—	—
General and administrative	217,489	203,593	236,786
Depreciation and amortization	128,879	125,687	122,704
System optimization (gains) losses, net	(463)	39,076	(71,931)
Reorganization and realignment costs	9,068	22,574	10,083
Impairment of long-lived assets	4,697	4,097	16,241
Other operating income, net	(6,387)	(8,652)	(19,969)
	<u>1,340,044</u>	<u>1,008,650</u>	<u>1,120,638</u>
Operating profit	249,892	214,758	314,780
Interest expense, net	(119,618)	(118,059)	(114,802)
Loss on early extinguishment of debt	(11,475)	—	—
Investment income, net	450,736	2,703	723
Other income, net	5,381	1,617	989
	<u>574,916</u>	<u>101,019</u>	<u>201,690</u>
Income before income taxes	574,916	101,019	201,690
(Provision for) benefit from income taxes	(114,801)	93,010	(72,066)
Net income	<u>\$ 460,115</u>	<u>\$ 194,029</u>	<u>\$ 129,624</u>
Net income per share:			
Basic	\$ 1.93	\$.79	\$.49
Diluted	1.88	.77	.49

See accompanying notes to consolidated financial statements.

THE WENDY'S COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	Year Ended		
	December 30, 2018	December 31, 2017	January 1, 2017
Cash flows from operating activities:			
Net income	\$ 460,115	\$ 194,029	\$ 129,624
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	128,879	125,687	124,304
Share-based compensation	17,918	20,928	18,141
Impairment of long-lived assets	4,697	4,097	16,241
Deferred income tax	(6,568)	(119,330)	(14,213)
Non-cash rental income, net	(17,043)	(11,822)	(7,543)
Net receipt of deferred vendor incentives	139	1,901	959
System optimization (gains) losses, net	(463)	39,076	(71,931)
Gain on sale of investments, net	(450,000)	(2,570)	(497)
Distributions received from TimWen joint venture	13,390	11,713	11,426
Equity in earnings in joint ventures, net	(8,076)	(7,573)	(8,351)
Long-term debt-related activities, net (see below)	18,673	12,075	11,767
Other, net	5,178	1,253	3,719
Changes in operating assets and liabilities:			
Accounts and notes receivable, net	13,226	(17,340)	(34,213)
Inventories	(434)	(305)	34
Prepaid expenses and other current assets	6,824	(3,488)	(3,276)
Advertising funds restricted assets and liabilities	13,955	(12,230)	5,572
Accounts payable	(145)	(2,290)	(6,635)
Accrued expenses and other current liabilities	23,963	4,982	18,697
Net cash provided by operating activities	224,228	238,793	193,825
Cash flows from investing activities:			
Capital expenditures	(69,857)	(81,710)	(150,023)
Acquisitions	(21,401)	(86,788)	(2,209)
Dispositions	3,223	81,516	262,173
Proceeds from sale of investments	450,000	4,111	890
Notes receivable, net	959	(9,000)	(3,581)
Payments for investments	(13)	(375)	(172)
Net cash provided by (used in) investing activities	362,911	(92,246)	107,078
Cash flows from financing activities:			
Proceeds from long-term debt	934,837	31,130	—
Repayments of long-term debt	(900,072)	(58,113)	(24,617)
Deferred financing costs	(17,340)	(1,424)	(1,983)
Repurchases of common stock	(269,809)	(126,231)	(336,958)
Dividends	(80,532)	(68,322)	(63,832)
Proceeds from stock option exercises	45,228	12,884	19,773
Payments related to tax withholding for share-based compensation	(11,805)	(5,721)	(4,444)
Contingent consideration payment	(6,269)	—	—
Net cash used in financing activities	(305,762)	(215,797)	(412,061)
Net cash provided by (used in) operations before effect of exchange rate changes on cash	281,377	(69,250)	(111,158)
Effect of exchange rate changes on cash	(7,689)	6,125	2,127
Net increase (decrease) in cash, cash equivalents and restricted cash	273,688	(63,125)	(109,031)
Cash, cash equivalents and restricted cash at beginning of period	212,824	275,949	384,980
Cash, cash equivalents and restricted cash at end of period	\$ 486,512	\$ 212,824	\$ 275,949