THE WENDY'S COMPANY REPORTS FIRST QUARTER 2022 RESULTS

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The Wendy's Company →
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COMPANY TO HOST VIRTUAL INVESTOR DAY ON JUNE 9

DUBLIN, Ohio, May 11, 2022 /PRNewswire/ -- The Wendy's Company (Nasdaq: WEN) today reported unaudited results for the first quarter ended April 3, 2022.

"We continue to make meaningful progress against our three strategic growth pillars, reinforcing the strength and resiliency of the Wendy's® brand and driving robust AUV and sales increases," President and Chief Executive Officer Todd Penegor said. "We had one of our best quarters in our history for unit growth, with over 90 new restaurant openings, and are on track to reach our planned net unit growth goal of 5 to 6 percent for the year. We also competed well with Global same-restaurant sales up double digits once again on a two-year basis and increased our Global digital sales mix to over 10%. We are well positioned to win in this volatile environment, with strong franchisee alignment behind our strategies, and have strengthened our balance sheet with the successful debt raise transaction we recently completed. With sustained focus on executing against our key priorities, we are confident we will achieve our vision of becoming the world's most thriving and beloved restaurant brand."

First Quarter 2022 Summary

See "Disclosure Regarding Non-GAAP Financial Measures" and the reconciliation tables that accompany this release for a discussion and reconciliation of certain non-GAAP financial measures included in this release.

Operational Highlights	**First Quarter**	
	2022	**2021**
Systemwide Sales Growth[1]		
U.S.	2.4%	13.1%
International[2]	19.2%	7.3%
Global	4.2%	12.5%
Same-Restaurant Sales Growth[1]		
U.S.	1.1%	13.5%
International[2]	14.1%	7.9%
Global	2.4%	13.0%
Systemwide Sales (In US$ Millions)[3]		
U.S.	$2,712	$2,647
International[2]	$360	$304
Global	$3,072	$2,951
Restaurant Openings		
U.S. - Total / Net	45 / 31	20 / 4
International - Total / Net	48 / 36	18 / 6
Global - Total / Net	93 / 67	38 / 10
Global Reimaging Completion Percentage	74%	66%

(1) Systemwide sales growth and same-restaurant sales growth are calculated on a constant currency basis and include sales by both Company-operated and franchise restaurants.

(2) Excludes Venezuela and Argentina.

(3) Systemwide sales include sales at both Company-operated and franchise restaurants.

Financial Highlights	First Quarter		
	2022	2021	B / (W)
(In Millions Except Per Share Amounts)	(Unaudited)		
Total Revenues	$ 488.6	$ 460.2	6.2%
Adjusted Revenues[(1)]	$ 396.1	$ 370.8	6.8%
Company-Operated Restaurant Margin	11.6%	17.0%	(5.4)%
General and Administrative Expense	$ 62.3	$ 52.6	(18.5)%
Operating Profit	$ 74.9	$ 83.1	(9.9)%
Net Income	$ 37.4	$ 41.4	(9.6)%
Adjusted EBITDA	$ 106.9	$ 121.0	(11.6)%
Reported Diluted Earnings Per Share	$ 0.17	$ 0.18	(5.6)%
Adjusted Earnings Per Share	$ 0.17	$ 0.20	(15.0)%
Cash Flows from Operations	$ 21.0	$ 85.8	(75.5)%
Capital Expenditures	$ (12.5)	$ (10.4)	(20.6)%
Free Cash Flow[(2)]	$ 44.4	$ 97.5	(54.5)%

[(1)] Total revenues less advertising funds revenue.

[(2)] Cash flows from operations minus capital expenditures and the impact of our advertising funds.

First Quarter Financial Highlights

Total Revenues

The increase in revenues was primarily driven by higher sales at Company-operated restaurants driven largely by the favorable impact of the acquisition of 93 franchise-operated restaurants in Florida during the fourth quarter of 2021, partially offset by the sale of 47 Company-operated restaurants in the New York market during the second quarter of 2021. Revenues also benefited from an increase in franchise royalty revenue and advertising funds revenue, both of which increased largely due to higher same-restaurant sales.

Company-Operated Restaurant Margin

The decrease in Company-operated restaurant margin was primarily the result of higher commodity and labor costs, customer count declines, and the impact of the Company's investments to support the entry into the United Kingdom market. These decreases were partially offset by a higher average check and the net favorable impact of the acquisition and disposition of restaurants in 2021.

General and Administrative Expense

The increase in general and administrative expense was primarily driven by higher salaries and benefits, reflecting investments in resources to support the Company's development and digital organizations, increased travel expenses, a higher stock compensation accrual, and technology costs primarily related to the Company's ERP implementation.

Operating Profit

The decrease in operating profit resulted primarily from higher general and administrative expense and a decrease in Company-operated restaurant margin. These decreases were partially offset by lower reorganization and realignment costs, and higher franchise royalty revenue.

Net Income

The decrease in net income resulted primarily from a decrease in operating profit. This was partially offset by lower interest expense as a result of the Company's debt refinancing completed in the second quarter of 2021.

Adjusted EBITDA

The decrease in adjusted EBITDA resulted primarily from higher general and administrative expense and a decrease in Company-operated restaurant margin. These decreases were partially offset by higher franchise royalty revenue.

Adjusted Earnings Per Share

The decrease in adjusted earnings per share was driven by a decrease in adjusted EBITDA. This was partially offset by fewer shares outstanding as a result of the Company's share repurchase program and lower interest expense.

Free Cash Flow

The decrease in free cash flow resulted primarily from an increase in payments for incentive compensation for the 2021 fiscal year paid in 2022, lower net income, adjusted for non-cash expenses, and cash paid for cloud computing arrangements primarily related to the Company's ERP implementation.

Company Declares Quarterly Dividend

The Company announced today the declaration of its regular quarterly cash dividend of 12.5 cents per share, payable on June 15, 2022, to shareholders of record as of June 1, 2022. The number of common shares outstanding as of May 4, 2022 was approximately 214 million.

Company Increased Share Repurchase Authorization to $250 Million After Successful Debt Raise Transaction

On April 4, the Company announced that its Board of Directors had approved a $150 million increase to the Company's existing share repurchase authorization following the completion of its $500 million debt raise transaction. The Company's increased share repurchase authorization, which now totals $250 million in the aggregate, continues to expire in February 2023.

The Company repurchased 0.7 million shares in the first quarter of 2022, which resulted in the completion of its prior share repurchase authorization, and has repurchased 1.2 million shares for $23.5 million in the second quarter of 2022 through May 4. As of the date of this release, approximately $226.5 million remains available under the Company's increased share repurchase authorization.

2022 Outlook

This release includes forward-looking projections for certain non-GAAP financial measures, including systemwide sales, adjusted EBITDA, adjusted earnings per share and free cash flow. The Company excludes certain expenses and benefits from adjusted EBITDA, adjusted earnings per share and free cash flow, such as the impact from our advertising funds, including the net change in the restricted operating assets and liabilities and any excess or deficit of advertising fund revenues over advertising fund expenses, impairment of long-lived assets, reorganization and realignment costs, system optimization gains, net, and the timing and resolution of certain tax matters. Due to the uncertainty and variability of the nature and amount of those expenses and benefits, the Company is unable without unreasonable effort to provide projections of net income, earnings per share or net cash provided by operating activities, or a reconciliation of those projected measures.

During 2022, the Company Continues to Expect:

- Global systemwide sales growth: 6 to 8 percent
- Adjusted EBITDA: $490 to $505 million
- Adjusted earnings per share: $0.82 to $0.86
- Cash flows from operations: $305 to $325 million
- Capital expenditures: $90 to $100 million
- Free cash flow: $215 to $225 million

Company to Host Virtual Investor Day on June 9, 2022

The Company will host a virtual investor day on Thursday, June 9, 2022 where it plans to provide an update on its long-term strategic vision and re-introduce its long-term outlook, including updates on its U.S. and International businesses and technology initiatives.

The event will be available to all interested parties via webcast from the Company's Investor Relations website at www.irwendys.com, including the related presentation materials. The presentations will begin at 9:30 a.m. ET and will be followed by a live question and answer session beginning at approximately 11:00 a.m. ET. The event will conclude at approximately 12:00 p.m. ET. An archived replay of the webcast, including the related presentation materials, will also be available at www.irwendys.com.

Conference Call and Webcast Scheduled for 8:30 a.m. Today, May 11

The Company will host a conference call on Wednesday, May 11 at 8:30 a.m. ET, with a simultaneous webcast from the Company's Investor Relations website at www.irwendys.com. The related presentation materials will also be available on the Company's Investor Relations website. The live conference call will be available by telephone at (866) 211-4759 for domestic callers and (647) 689-6752 for international callers. An archived webcast and presentation materials will be available on the Company's Investor Relations website.

Forward-Looking Statements

This release contains certain statements that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Generally, forward-looking statements include the words "may," "believes," "plans," "expects," "anticipates," "intends," "estimate," "goal," "upcoming," "outlook," "guidance" or the negation thereof, or similar expressions. In addition, all statements that address future operating, financial or business performance, strategies or initiatives, future efficiencies or savings, anticipated costs or charges, future capitalization, anticipated impacts of recent or pending investments or transactions and statements expressing general views about future results or brand health are forward-looking statements within the meaning of the Reform Act. Forward-looking statements are based on the Company's expectations at the time such statements are made, speak only as of the dates they are made and are susceptible to a number of risks, uncertainties and other factors. For all such forward-looking statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Reform Act. The Company's actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by the Company's forward-looking statements.

Many important factors could affect the Company's future results and cause those results to differ materially from those expressed in or implied by the Company's forward-looking statements. Such factors include, but are not limited to, the following: (1) the disruption to the Company's business from the novel coronavirus (COVID-19) pandemic and the impact of the pandemic on the Company's results of operations, financial condition and prospects; (2) the impact of competition or poor customer experiences at Wendy's restaurants; (3) adverse economic conditions or disruptions, including in regions with a high concentration of Wendy's restaurants; (4) changes in discretionary consumer spending and consumer tastes and preferences; (5) impacts to the Company's corporate reputation or the value and perception of the Company's brand; (6) the effectiveness of the Company's marketing and advertising programs and new product development; (7) the Company's ability to manage the accelerated impact of social media; (8) the Company's ability to protect its intellectual property; (9) food safety events or health concerns involving the Company's products; (10) the Company's ability to achieve its growth strategy through new restaurant development and its Image Activation program; (11) the Company's ability to effectively manage the acquisition and disposition of restaurants or successfully implement other strategic initiatives; (12) risks associated with leasing and owning significant amounts of real estate, including environmental matters; (13) the Company's ability to achieve and maintain market share in the breakfast daypart; (14) risks associated with the Company's international operations, including the ability to execute its international growth strategy; (15) changes in commodity and other operating costs; (16) shortages or interruptions in the supply or distribution of the Company's products and other risks associated with the Company's independent supply chain purchasing co-op; (17) the impact of increased labor costs or labor shortages; (18) the continued succession and retention of key personnel and the effectiveness of the Company's leadership structure; (19) risks associated with the Company's digital commerce strategy, platforms and technologies, including its ability to adapt to changes in industry trends and consumer preferences; (20) the Company's dependence on computer systems and information technology, including risks associated with the failure, misuse, interruption or breach of its systems or technology or other cyber incidents or deficiencies; (21) risks associated with the Company's securitized financing facility and other debt agreements, including compliance with operational and financial covenants, restrictions on its ability to raise additional capital, the impact of its overall debt levels and the Company's ability to generate sufficient cash flow to meet its debt service obligations and operate its business; (22) risks associated with the Company's capital allocation policy, including the amount and timing of equity and debt repurchases and dividend payments; (23) risks associated with complaints and litigation, compliance with legal and regulatory requirements and an increased focus on environmental, social and governance issues; (24) risks associated with the availability and cost of insurance, changes in accounting standards, the recognition of impairment or other charges, the impact of reorganization and realignment initiatives, changes in tax rates or tax laws and fluctuations in foreign currency exchange rates; (25) conditions beyond the Company's control, such as adverse weather conditions, natural disasters, hostilities, social unrest, health epidemics or pandemics or other catastrophic events; and (26) other risks and uncertainties cited in the Company's releases, public statements and/or filings with the Securities and Exchange Commission, including those identified in the "Risk Factors" sections of the Company's Forms 10-K and 10-Q.

In addition to the factors described above, there are risks associated with the Company's predominantly franchised business model that could impact its results, performance and achievements. Such risks include the Company's ability to identify, attract and retain experienced and qualified franchisees, the Company's ability to effectively manage the transfer of restaurants between and among franchisees, the business and financial health of franchisees, the ability of franchisees to meet their royalty, advertising, development, reimaging and other commitments, participation by franchisees in brand strategies and the fact that franchisees are independent third parties that own, operate and are responsible for overseeing the operations of their restaurants. The Company's predominantly franchised business model may also impact the ability of the Wendy's system to effectively respond and adapt to market changes. Many of these risks have been or in the future may be heightened due to the business disruption and impact from the COVID-19 pandemic.

All future written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. New risks and uncertainties arise from time to time, and factors that the Company currently deems immaterial may become material, and it is impossible for the Company to predict these events or how they may affect the Company.

The Company assumes no obligation to update any forward-looking statements after the date of this release as a result of new information, future events or developments, except as required by federal securities laws, although the Company may do so from time to time. The

Company does not endorse any projections regarding future performance that may be made by third parties.

There can be no assurance that any additional regular quarterly cash dividends will be declared or paid after the date hereof, or of the amount or timing of such dividends, if any. Future dividend payments, if any, are subject to applicable law, will be made at the discretion of the Board of Directors and will be based on factors such as the Company's earnings, financial condition and cash requirements and other factors.

Disclosure Regarding Non-GAAP Financial Measures
In addition to the financial measures presented in this release in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), the Company has included certain non-GAAP financial measures in this release, including adjusted revenue, adjusted EBITDA, adjusted earnings per share, free cash flow and systemwide sales.

The Company uses adjusted revenue, adjusted EBITDA, adjusted earnings per share and systemwide sales as internal measures of business operating performance and as performance measures for benchmarking against the Company's peers and competitors. Adjusted EBITDA and systemwide sales are also used by the Company in establishing performance goals for purposes of executive compensation. The Company believes its presentation of adjusted revenue, adjusted EBITDA, adjusted earnings per share and systemwide sales provides a meaningful perspective of the underlying operating performance of our current business and enables investors to better understand and evaluate our historical and prospective operating performance. The Company believes these non-GAAP financial measures are important supplemental measures of operating performance because they eliminate items that vary from period to period without correlation to our core operating performance and highlight trends in our business that may not otherwise be apparent when relying solely on GAAP financial measures. Due to the nature and/or size of the items being excluded, such items do not reflect future gains, losses, expenses or benefits and are not indicative of our future operating performance. The Company believes investors, analysts and other interested parties use adjusted revenue, adjusted EBITDA, adjusted earnings per share and systemwide sales in evaluating issuers, and the presentation of these measures facilitates a comparative assessment of the Company's operating performance in addition to the Company's performance based on GAAP results.

This release also includes disclosure regarding the Company's free cash flow. Free cash flow is a non-GAAP financial measure that is used by the Company as an internal measure of liquidity. Free cash flow is also used by the Company in establishing performance goals for purposes of executive compensation. The Company defines free cash flow as cash flows from operations minus (i) capital expenditures and (ii) the net change in the restricted operating assets and liabilities of the advertising funds and any excess/deficit of advertising funds revenue over advertising funds expense included in net income, as reported under GAAP. The impact of our advertising funds is excluded because the funds are used solely for advertising and are not available for the Company's working capital needs. The Company may also make additional adjustments for certain non-recurring or unusual items to the extent identified in the reconciliation tables that accompany this release, such as the cash paid for taxes related to the disposition of the New York market. The cash paid for taxes related to the disposition of the New York market is excluded from free cash flow because the cash we received on the sales of those restaurants is being recorded in cash flows from investing activities. The Company believes free cash flow is an important liquidity measure for investors and other interested persons because it communicates how much cash flow is available for working capital needs or to be used for repurchasing shares, paying dividends, repaying or refinancing debt, financing possible acquisitions or investments or other uses of cash.

Adjusted revenue, adjusted EBITDA, adjusted earnings per share, free cash flow and systemwide sales are not recognized terms under GAAP, and the Company's presentation of these non-GAAP financial measures does not replace the presentation of the Company's financial results in accordance with GAAP. Because all companies do not calculate adjusted revenue, adjusted EBITDA, adjusted earnings per share, free cash flow and systemwide sales (and similarly titled financial measures) in the same way, those measures as used by other companies may not be consistent with the way the Company calculates such measures. The non-GAAP financial measures included in this release should not be construed as substitutes for or better indicators of the Company's performance than the most directly comparable GAAP financial measures. See the reconciliation tables that accompany this release for additional information regarding certain of the non-GAAP financial measures included herein.

Key Business Measures

The Company tracks its results of operations and manages its business using certain key business measures, including same-restaurant sales, systemwide sales and Company-operated restaurant margin, which are measures commonly used in the quick-service restaurant industry that are important to understanding Company performance.

Same-restaurant sales and systemwide sales each include sales by both Company-operated and franchise restaurants. The Company reports same-restaurant sales for new restaurants after they have been open for 15 continuous months and for reimaged restaurants as soon as they reopen. Restaurants temporarily closed for more than one fiscal week are excluded from same-restaurant sales. For fiscal 2021, same-restaurant sales compared the 52 weeks from January 4, 2021 through January 2, 2022 to the 52 weeks from January 6, 2020 through January 3, 2021.

Franchise restaurant sales are reported by our franchisees and represent their revenues from sales at franchised Wendy's restaurants. Sales by franchise restaurants are not recorded as Company revenues and are not included in the Company's consolidated financial statements. However, the Company's royalty revenues are computed as percentages of sales made by Wendy's franchisees and, as a result, sales by franchisees have a direct effect on the Company's royalty revenues and profitability.

Same-restaurant sales and systemwide sales exclude sales from Venezuela and Argentina due to the highly inflationary economies of those countries.

The Company calculates same-restaurant sales and systemwide sales growth on a constant currency basis. Constant currency results exclude the impact of foreign currency translation and are derived by translating current year results at prior year average exchange rates. The Company believes excluding the impact of foreign currency translation provides better year over year comparability.

Company-operated restaurant margin is defined as sales from Company-operated restaurants less cost of sales divided by sales from Company-operated restaurants. Cost of sales includes food and paper, restaurant labor and occupancy, advertising and other operating costs.

About Wendy's

Wendy's® was founded in 1969 by Dave Thomas in Columbus, Ohio. Dave built his business on the premise, "Quality is our Recipe®," which remains the guidepost of the Wendy's system. Wendy's is best known for its made-to-order square hamburgers, using fresh, never frozen beef*, freshly-prepared salads, and other signature items like chili, baked potatoes and the Frosty® dessert. The Wendy's Company (Nasdaq: WEN) is committed to doing the right thing and making a positive difference in the lives of others. This is most visible through the Company's support of the Dave Thomas Foundation for Adoption® and its signature Wendy's Wonderful Kids® program, which seeks to find a loving, forever home for every child waiting to be adopted from the North American foster care system. Today, Wendy's and its franchisees employ hundreds of thousands of people across approximately 7,000 restaurants worldwide with a vision of becoming the world's most thriving and beloved restaurant brand. For details on franchising, connect with us at www.wendys.com/franchising. Visit www.wendys.com and www.squaredealblog.com for more information and connect with us on Twitter and Instagram using @wendys, and on Facebook at www.facebook.com/wendys.

*Fresh beef available in the contiguous U.S., Alaska, and Canada.

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