UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended April 2, 2023

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________ to ______________

Commission file number: 1-2207

THE WENDY'S COMPANY

(Exact name of registrant as specified in its charter)

Delaware	**38-0471180**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One Dave Thomas Blvd.	
Dublin, Ohio	**43017**
(Address of principal executive offices)	(Zip Code)

(614) 764-3100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.10 par value	WEN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

There were 210,736,503 shares of The Wendy’s Company common stock outstanding as of May 3, 2023.

THE WENDY'S COMPANY AND SUBSIDIARIES
INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements.*

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

	April 2, 2023	January 1, 2023
ASSETS	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 676,469	$ 745,889
Restricted cash	36,348	35,203
Accounts and notes receivable, net	136,343	116,426
Inventories	6,452	7,129
Prepaid expenses and other current assets	29,952	26,963
Advertising funds restricted assets	117,839	126,673
Total current assets	1,003,403	1,058,283
Properties	885,089	895,778
Finance lease assets	229,736	234,570
Operating lease assets	741,258	754,498
Goodwill	773,095	773,088
Other intangible assets	1,239,572	1,248,800
Investments	42,082	46,028
Net investment in sales-type and direct financing leases	314,763	317,337
Other assets	179,030	170,962
Total assets	$ 5,408,028	$ 5,499,344
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 29,250	$ 29,250
Current portion of finance lease liabilities	18,744	18,316
Current portion of operating lease liabilities	48,754	48,120
Accounts payable	45,338	43,996
Accrued expenses and other current liabilities	133,848	116,010
Advertising funds restricted liabilities	123,597	132,307
Total current liabilities	399,531	387,999
Long-term debt	2,786,493	2,822,196
Long-term finance lease liabilities	567,849	571,877
Long-term operating lease liabilities	777,395	792,051
Deferred income taxes	272,553	270,421
Deferred franchise fees	88,161	90,231
Other liabilities	96,489	98,849
Total liabilities	4,988,471	5,033,624
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 211,701 and 213,101 shares outstanding, respectively	47,042	47,042
Additional paid-in capital	2,941,138	2,937,885
Retained earnings	401,445	414,749
Common stock held in treasury, at cost; 258,723 and 257,323 shares, respectively	(2,906,050)	(2,869,780)
Accumulated other comprehensive loss	(64,018)	(64,176)
Total stockholders' equity	419,557	465,720
Total liabilities and stockholders' equity	$ 5,408,028	$ 5,499,344

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	April 2, 2023	April 3, 2022
	(Unaudited)	
Revenues:		
Sales	$ 227,949	$ 209,275
Franchise royalty revenue and fees	141,677	128,976
Franchise rental income	57,807	57,871
Advertising funds revenue	101,374	92,521
	528,807	488,643
Costs and expenses:		
Cost of sales	196,536	185,053
Franchise support and other costs	13,260	11,816
Franchise rental expense	30,629	28,936
Advertising funds expense	101,661	97,800
General and administrative	62,276	62,346
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)	33,472	33,231
Amortization of cloud computing arrangements	1,582	—
System optimization gains, net	(5)	(3,534)
Reorganization and realignment costs	6,808	464
Impairment of long-lived assets	376	616
Other operating income, net	(2,266)	(2,966)
	444,329	413,762
Operating profit	84,478	74,881
Interest expense, net	(31,705)	(26,365)
Loss on early extinguishment of debt	(1,266)	—
Investment (loss) income, net	(3,562)	2,111
Other income, net	7,336	207
Income before income taxes	55,281	50,834
Provision for income taxes	(15,460)	(13,432)
Net income	$ 39,821	$ 37,402
Basic and diluted net income per share	$ .19	$ .17

See accompanying notes to condensed consolidated financial statements.

THE WENDY'S COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	Three Months Ended	
	April 2, 2023	April 3, 2022
	(Unaudited)	
Net income	$ 39,821	$ 37,402
Other comprehensive income:		
Foreign currency translation adjustment	158	1,118
Other comprehensive income	158	1,118
Comprehensive income	$ 39,979	$ 38,520

See accompanying notes to condensed consolidated financial statements.

THE WENDY'S COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Common Stock Held in Treasury	Accumulated Other Comprehensive Loss	Total
			(Unaudited)			
Balance at January 1, 2023	$ 47,042	$ 2,937,885	$ 414,749	$ (2,869,780)	$ (64,176)	$ 465,720
Net income	—	—	39,821	—	—	39,821
Other comprehensive income	—	—	—	—	158	158
Cash dividends	—	—	(53,103)	—	—	(53,103)
Repurchases of common stock	—	—	—	(38,810)	—	(38,810)
Share-based compensation	—	4,609	—	—	—	4,609
Common stock issued upon exercises of stock options	—	808	—	1,808	—	2,616
Common stock issued upon vesting of restricted shares	—	(2,222)	—	678	—	(1,544)
Other	—	58	(22)	54	—	90
Balance at April 2, 2023	$ 47,042	$ 2,941,138	$ 401,445	$ (2,906,050)	$ (64,018)	$ 419,557
Balance at January 2, 2022	$ 47,042	$ 2,898,633	$ 344,198	$ (2,805,268)	$ (48,200)	$ 436,405
Net income	—	—	37,402	—	—	37,402
Other comprehensive income	—	—	—	—	1,118	1,118
Cash dividends	—	—	(26,911)	—	—	(26,911)
Repurchases of common stock, including accelerated share repurchase	—	18,750	—	(18,750)	—	—
Share-based compensation	—	6,348	—	—	—	6,348
Common stock issued upon exercises of stock options	—	237	—	1,354	—	1,591
Common stock issued upon vesting of restricted shares	—	(1,989)	—	459	—	(1,530)
Other	—	63	(8)	57	—	112
Balance at April 3, 2022	$ 47,042	$ 2,922,042	$ 354,681	$ (2,822,148)	$ (47,082)	$ 454,535

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	April 2, 2023	April 3, 2022
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 39,821	$ 37,402
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)	33,472	33,231
Amortization of cloud computing arrangements	1,582	—
Share-based compensation	4,609	6,348
Impairment of long-lived assets	376	616
Deferred income tax	2,302	4,527
Non-cash rental expense, net	9,012	6,874
Change in operating lease liabilities	(11,718)	(11,615)
Net (recognition) receipt of deferred vendor incentives	(1,197)	7,711
System optimization gains, net	(5)	(3,534)
Distributions received from joint ventures, net of equity in earnings	394	898
Long-term debt-related activities, net	3,419	1,717
Cloud computing arrangements expenditures	(6,643)	(4,656)
Changes in operating assets and liabilities and other, net	(22,449)	(58,537)
Net cash provided by operating activities	52,975	20,982
Cash flows from investing activities:		
Capital expenditures	(12,240)	(12,496)
Franchise development fund	(218)	(955)
Dispositions	287	263
Notes receivable, net	110	141
Net cash used in investing activities	(12,061)	(13,047)
Cash flows from financing activities:		
Proceeds from long-term debt	—	500,000
Repayments of long-term debt	(39,122)	(6,063)
Repayments of finance lease liabilities	(4,398)	(4,076)
Deferred financing costs	—	(10,209)
Repurchases of common stock	(36,727)	—
Dividends	(53,103)	(26,911)
Proceeds from stock option exercises	2,881	1,591
Payments related to tax withholding for share-based compensation	(1,809)	(1,530)
Net cash (used in) provided by financing activities	(132,278)	452,802
Net cash (used in) provided by operations before effect of exchange rate changes on cash	(91,364)	460,737
Effect of exchange rate changes on cash	129	305
Net (decrease) increase in cash, cash equivalents and restricted cash	(91,235)	461,042
Cash, cash equivalents and restricted cash at beginning of period	831,801	366,966
Cash, cash equivalents and restricted cash at end of period	$ 740,566	$ 828,008

See accompanying notes to condensed consolidated financial statements.

THE WENDY'S COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Per Share Amounts)

(1) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements (the "Financial Statements") of The Wendy's Company ("The Wendy's Company" and, together with its subsidiaries, the "Company," "we," "us" or "our") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and, therefore, do not include all information and footnotes required by GAAP for complete financial statements. In our opinion, the Financial Statements contain all adjustments of a normal recurring nature necessary to present fairly our financial position as of April 2, 2023 and the results of our operations and cash flows for the three months ended April 2, 2023 and April 3, 2022. The results of operations for the three months ended April 2, 2023 are not necessarily indicative of the results to be expected for the full 2023 fiscal year. The Financial Statements should be read in conjunction with the audited consolidated financial statements for The Wendy's Company and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 1, 2023 (the "Form 10-K").

The principal 100% owned subsidiary of the Company is Wendy's International, LLC and its subsidiaries ("Wendy's"). The Company manages and internally reports its business in the following segments: (1) Wendy's U.S., (2) Wendy's International and (3) Global Real Estate & Development. See Note 17 for further information.

We report on a fiscal year consisting of 52 or 53 weeks ending on the Sunday closest to or on December 31. All three-month periods presented herein contain 13 weeks. All references to years, quarters and months relate to fiscal periods rather than calendar periods.

Our significant interim accounting policies include the recognition of advertising funds expense in proportion to advertising funds revenue.

(2) Revenue

Disaggregation of Revenue

The following tables disaggregate revenue by segment and source:

	Wendy's U.S.	Wendy's International	Global Real Estate & Development	Total
Three Months Ended April 2, 2023				
Sales at Company-operated restaurants	$ 222,632	$ 5,317	$ —	$ 227,949
Franchise royalty revenue	106,339	15,811	—	122,150
Franchise fees	17,272	1,523	732	19,527
Franchise rental income	—	—	57,807	57,807
Advertising funds revenue	94,745	6,629	—	101,374
Total revenues	$ 440,988	$ 29,280	$ 58,539	$ 528,807
Three Months Ended April 3, 2022				
Sales at Company-operated restaurants	$ 206,501	$ 2,774	$ —	$ 209,275
Franchise royalty revenue	97,920	13,825	—	111,745
Franchise fees	15,405	1,271	555	17,231
Franchise rental income	—	—	57,871	57,871
Advertising funds revenue	87,485	5,036	—	92,521
Total revenues	$ 407,311	$ 22,906	$ 58,426	$ 488,643

THE WENDY'S COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Per Share Amounts)

Contract Balances

The following table provides information about receivables and contract liabilities (deferred franchise fees) from contracts with customers:

	April 2, 2023 (a)	January 1, 2023 (a)
Receivables, which are included in "Accounts and notes receivable, net" (b)	$ 55,588	$ 54,497
Receivables, which are included in "Advertising funds restricted assets"	65,735	70,422
Deferred franchise fees (c)	97,694	99,208

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(a) Excludes funds collected from the sale of gift cards, which are primarily reimbursed to franchisees upon redemption at franchised restaurants and do not ultimately result in the recognition of revenue in the Company's condensed consolidated statements of operations.

(b) Includes receivables related to "Sales" and "Franchise royalty revenue and fees."

(c) Deferred franchise fees are included in "Accrued expenses and other current liabilities" and "Deferred franchise fees" and totaled $9,533 and $88,161, respectively, as of April 2, 2023, and $8,977 and $90,231, respectively, as of January 1, 2023.

Significant changes in deferred franchise fees are as follows:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Deferred franchise fees at beginning of period	$ 99,208	$ 97,186
Revenue recognized during the period	(2,814)	(2,283)
New deferrals due to cash received and other	1,300	3,526
Deferred franchise fees at end of period	$ 97,694	$ 98,429

Anticipated Future Recognition of Deferred Franchise Fees

The following table reflects the estimated franchise fees to be recognized in the future related to performance obligations that are unsatisfied at the end of the period:

Estimate for fiscal year:	
2023 (a)	$ 8,037
2024	5,850
2025	5,684
2026	5,577
2027	5,486
Thereafter	67,060
	$ 97,694

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(a) Represents franchise fees expected to be recognized for the remainder of 2023, which includes development-related franchise fees expected to be recognized over a duration of one year or less.

(In Thousands Except Per Share Amounts)

(3) System Optimization Gains, Net

The Company's system optimization initiative included a shift from Company-operated restaurants to franchised restaurants over time, through acquisitions and dispositions, as well as facilitating franchisee-to-franchisee restaurant transfers ("Franchise Flips"). As of January 1, 2017, the Company achieved its plan to reduce its ongoing Company-operated restaurant ownership to approximately 5% of the total system. While the Company has no plans to move its ownership away from approximately 5% of the total system, the Company expects to continue to optimize the Wendy's system through Franchise Flips, as well as evaluating strategic acquisitions of franchised restaurants and strategic dispositions of Company-operated restaurants to existing and new franchisees, to further strengthen the franchisee base and drive new restaurant development. During the three months ended April 3, 2022, the Company facilitated five Franchise Flips. During the three months ended April 2, 2023, the Company facilitated no Franchise Flips.

Gains and losses recognized on dispositions are recorded to "System optimization gains, net" in our condensed consolidated statements of operations. Costs related to acquisitions and dispositions under our system optimization initiative are recorded to "Reorganization and realignment costs." All other costs incurred related to facilitating Franchise Flips are recorded to "Franchise support and other costs."

The following is a summary of the disposition activity recorded as a result of our system optimization initiative:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Post-closing adjustments on sales of restaurants (a)	$ —	$ 3,447
Gain on sales of other assets, net (b)	5	87
System optimization gains, net	$ 5	$ 3,534

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(a) Represents the recognition of deferred gains as a result of the resolution of certain contingencies related to the extension of lease terms for restaurants previously sold to franchisees.

(b) During the three months ended April 2, 2023 and April 3, 2022, the Company received net cash proceeds of $287 and $168, respectively, primarily from the sale of surplus and other properties.

The Company also received cash proceeds of $95 during the three months ended April 3, 2022 related to a note receivable issued in connection with the sale of the Manhattan Company-operated restaurants.

Assets Held for Sale

As of April 2, 2023 and January 1, 2023, the Company had assets held for sale of $1,379 and $1,661, respectively, primarily consisting of surplus properties. Assets held for sale are included in "Prepaid expenses and other current assets."

(4) Reorganization and Realignment Costs

The following is a summary of the initiatives included in "Reorganization and realignment costs:"

	Three Months Ended	
	April 2, 2023	April 3, 2022
Organizational redesign	$ 6,737	$ —
Other reorganization and realignment plans	71	464
Reorganization and realignment costs	$ 6,808	$ 464

(In Thousands Except Per Share Amounts)

Organizational Redesign

In February 2023, the Board of Directors approved a plan to redesign the Company's organizational structure to better support the execution of the Company's long-term growth strategy by maximizing organizational efficiency and streamlining decision making (the "Organizational Redesign Plan"). As a result of the Organizational Redesign Plan, the Company expects to hold its general and administrative expense in 2023 and 2024 relatively flat compared with 2022. The Company expects to incur total costs of approximately $11,000 to $13,000 related to the Organizational Redesign Plan. During the three months ended April 2, 2023, the Company recognized costs totaling $6,737, which primarily included severance and related employee costs and share-based compensation. The Company expects to incur additional costs aggregating approximately $4,000 to $6,000, comprised of (1) severance and related employee costs of approximately $2,500, (2) recruitment and relocation costs of approximately $900, (3) third-party and other costs of approximately $700 and (4) share-based compensation of approximately $1,200. The Company expects costs related to the Organizational Redesign Plan to continue into 2026, with approximately three-fourths of the total costs to be recognized during 2023.

The following is a summary of the costs recorded as a result of the Organizational Redesign Plan:

	Three Months Ended April 2, 2023
Severance and related employee costs	$ 5,539
Recruitment and relocation costs	78
Third-party and other costs	345
	5,962
Share-based compensation (a)	775
Total organizational redesign	$ 6,737

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(a) Primarily represents the accelerated recognition of share-based compensation resulting from the termination of employees under the Organizational Redesign Plan.

As of April 2, 2023, the accruals for the Organizational Redesign Plan are included in "Accrued expenses and other current liabilities" and "Other liabilities" and totaled $4,650 and $431, respectively. The table below presents a rollforward of our accruals for the Organizational Redesign Plan.

	Balance January 1, 2023	Charges	Payments	Balance April 2, 2023
Severance and related employee costs	$ —	$ 5,539	$ (741)	$ 4,798
Recruitment and relocation costs	—	78	(78)	—
Third-party and other costs	—	345	(62)	283
	$ —	$ 5,962	$ (881)	$ 5,081

Other Reorganization and Realignment Plans

Costs incurred under the Company's other reorganization and realignment plans were not material during the three months ended April 2, 2023 and April 3, 2022. The Company does not expect to incur any material additional costs under these plans.

(In Thousands Except Per Share Amounts)

(5) Investments

The following is a summary of the carrying value of our investments:

	April 2, 2023	January 1, 2023
Equity method investments	$ 33,537	$ 33,921
Other investments in equity securities	8,545	12,107
	$ 42,082	$ 46,028

Equity Method Investments

Wendy's has a 50% share in a partnership in a Canadian restaurant real estate joint venture ("TimWen") with a subsidiary of Restaurant Brands International Inc., a quick-service restaurant company that owns the Tim Hortons® brand (Tim Hortons is a registered trademark of Tim Hortons USA Inc.). In addition, the Company has a 20% share in a joint venture in Brazil (the "Brazil JV"). The Company has significant influence over these investees. Such investments are accounted for using the equity method, under which our results of operations include our share of the income (loss) of the investees in "Other operating income, net."

Presented below is activity related to our investment in TimWen and the Brazil JV included in our condensed consolidated financial statements:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Balance at beginning of period	$ 33,921	$ 39,870
Equity in earnings for the period	2,783	2,508
Amortization of purchase price adjustments (a)	(684)	(731)
	2,099	1,777
Distributions received	(2,493)	(2,675)
Foreign currency translation adjustment included in "Other comprehensive income" and other	10	374
Balance at end of period	$ 33,537	$ 39,346

(a) Purchase price adjustments that impacted the carrying value of the Company's investment in TimWen are being amortized over the average original aggregate life of 21 years.

Other Investments in Equity Securities

During 2021, the Company made an investment in equity securities of $10,000 and, during the three months ended April 3, 2022, recognized a gain of $2,107 as a result of an observable price change for a similar investment of the same issuer. During the three months ended April 2, 2023, the Company recorded an impairment charge of $3,562 for the difference between the estimated fair value and the carrying value of the investment. The Company will continue to monitor its investment in equity securities and it is possible that additional impairment charges will be recorded in future periods if there are further declines in fair value of the investment.

(In Thousands Except Per Share Amounts)

(6) Long-Term Debt

Long-term debt consisted of the following:

	April 2, 2023	January 1, 2023
Series 2022-1 Class A-2 Notes:		
4.236% Series 2022-1 Class A-2-I Notes, anticipated repayment date 2029	$ 99,250	$ 99,500
4.535% Series 2022-1 Class A-2-II Notes, anticipated repayment date 2032	397,000	398,000
Series 2021-1 Class A-2 Notes:		
2.370% Series 2021-1 Class A-2-I Notes, anticipated repayment date 2029	442,125	443,250
2.775% Series 2021-1 Class A-2-II Notes, anticipated repayment date 2031	638,625	640,250
Series 2019-1 Class A-2 Notes:		
3.783% Series 2019-1 Class A-2-I Notes, anticipated repayment date 2026	363,000	364,000
4.080% Series 2019-1 Class A-2-II Notes, anticipated repayment date 2029	408,375	409,500
Series 2018-1 Class A-2 Notes:		
3.884% Series 2018-1 Class A-2-II Notes, anticipated repayment date 2028	450,063	451,250
7% debentures, due in 2025 (a)	56,264	86,369
Unamortized debt issuance costs	(38,959)	(40,673)
	2,815,743	2,851,446
Less amounts payable within one year	(29,250)	(29,250)
Total long-term debt	$ 2,786,493	$ 2,822,196

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(a) Wendy's 7% debentures are unsecured and were reduced to fair value in connection with the Wendy's Merger. The fair value adjustment is being accreted and the related charge included in "Interest expense, net" until the debentures mature. During the three months ended April 2, 2023, Wendy's repurchased $31,571 in principal of its 7% debentures at par value. As a result, the Company recognized a loss on early extinguishment of debt of $1,266 during the three months ended April 2, 2023.

(7) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques under the accounting guidance related to fair value measurements are based on observable and unobservable inputs. Observable inputs reflect readily obtainable data from independent sources, while unobservable inputs reflect our market assumptions. These inputs are classified into the following hierarchy:

- Level 1 Inputs - Quoted prices for identical assets or liabilities in active markets.
- Level 2 Inputs - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 Inputs - Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value require significant management judgment or estimation.

(In Thousands Except Per Share Amounts)

Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company’s financial instruments:

	April 2, 2023		January 1, 2023		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Fair Value Measurements
Financial assets					
Cash equivalents	$ 491,577	$ 491,577	$ 560,682	$ 560,682	Level 1
Other investments in equity securities (a)	8,545	8,545	12,107	12,107	Level 2
Financial liabilities (b)					
Series 2022-1 Class A-2-I Notes	99,250	92,322	99,500	89,401	Level 2
Series 2022-1 Class A-2-II Notes	397,000	362,183	398,000	349,444	Level 2
Series 2021-1 Class A-2-I Notes	442,125	370,987	443,250	357,304	Level 2
Series 2021-1 Class A-2-II Notes	638,625	517,350	640,250	499,011	Level 2
Series 2019-1 Class A-2-I Notes	363,000	341,184	364,000	334,334	Level 2
Series 2019-1 Class A-2-II Notes	408,375	373,908	409,500	361,875	Level 2
Series 2018-1 Class A-2-II Notes	450,063	416,758	451,250	405,809	Level 2
7% debentures, due in 2025	56,264	58,283	86,369	92,367	Level 2

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(a) The fair value of our other investments in equity securities is based on our review of information provided by the investment manager, which, as of April 2, 2023, was based on a valuation performed by the investment manager and, as of January 1, 2023, was based on an observable price change in an orderly transaction for a similar investment of the same issuer.

(b) The fair values were based on quoted market prices in markets that are not considered active markets.

The carrying amounts of cash, accounts payable and accrued expenses approximate fair value due to the short-term nature of those items. The carrying amounts of accounts and notes receivable, net (both current and non-current) approximate fair value due to the effect of the related allowance for doubtful accounts. Our cash equivalents are the only financial assets measured and recorded at fair value on a recurring basis.

Non-Recurring Fair Value Measurements

Assets and liabilities remeasured to fair value on a non-recurring basis resulted in impairment that we have recorded to “Impairment of long-lived assets” in our condensed consolidated statements of operations.

Total impairment losses may reflect the impact of remeasuring long-lived assets held and used (including land, buildings, leasehold improvements, favorable lease assets and right-of-use assets) to fair value as a result of (1) the deterioration in operating performance of certain Company-operated restaurants and (2) the Company’s decision to lease and/or sublease the land and/or buildings to franchisees in connection with the sale or anticipated sale of restaurants, including any subsequent lease modifications. The fair values of long-lived assets held and used presented in the tables below represent the remaining carrying value and were estimated based on either discounted cash flows of future anticipated lease and sublease income or discounted cash flows of future anticipated Company-operated restaurant performance.

(In Thousands Except Per Share Amounts)

Total impairment losses may also include the impact of remeasuring long-lived assets held for sale. The fair values of long-lived assets held for sale presented in the tables below represent the remaining carrying value and were estimated based on current market values. See Note 8 for further information on impairment of our long-lived assets.

		Fair Value Measurements		
	April 2, 2023	**Level 1**	**Level 2**	**Level 3**
Held and used	$ 603	$ —	$ —	$ 603
Held for sale	475	—	—	475
Total	$ 1,078	$ —	$ —	$ 1,078

		Fair Value Measurements		
	January 1, 2023	**Level 1**	**Level 2**	**Level 3**
Held and used	$ 4,590	$ —	$ —	$ 4,590
Held for sale	1,314	—	—	1,314
Total	$ 5,904	$ —	$ —	$ 5,904

(8) Impairment of Long-Lived Assets

The Company records impairment charges as a result of (1) the deterioration in operating performance of certain Company-operated restaurants, (2) the Company's decision to lease and/or sublease properties to franchisees in connection with the sale or anticipated sale of Company-operated restaurants, including any subsequent lease modifications, and (3) closing Company-operated restaurants and classifying such surplus properties as held for sale.

The following is a summary of impairment losses recorded, which represent the excess of the carrying amount over the fair value of the affected assets and are included in "Impairment of long-lived assets:"

	Three Months Ended	
	April 2, 2023	**April 3, 2022**
Company-operated restaurants	$ 350	$ 367
Restaurants leased or subleased to franchisees	—	194
Surplus properties	26	55
	$ 376	$ 616

(9) Income Taxes

The Company's effective tax rate for the three months ended April 2, 2023 and April 3, 2022 was 28.0% and 26.4%, respectively. The Company's effective tax rate varied from the U.S. federal statutory rate of 21% for the three months ended April 2, 2023 primarily due to a one-time adjustment to our foreign deferred income taxes related to prior periods and state income taxes, including discrete changes to state deferred income taxes.

There were no significant changes to the unrecognized tax benefits or related interest and penalties for the three months ended April 2, 2023. During the next twelve months, we believe it is reasonably possible the Company will reduce unrecognized tax benefits by up to $582 due to lapses of statutes of limitations.

The current portion of refundable income taxes was $4,357 and $3,236 as of April 2, 2023 and January 1, 2023, respectively, and is included in "Accounts and notes receivable, net." There were no long-term refundable income taxes as of April 2, 2023 and January 1, 2023.

(In Thousands Except Per Share Amounts)

(10) Net Income Per Share

The calculation of basic and diluted net income per share was as follows:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Net income	$ 39,821	$ 37,402
Common stock:		
Weighted average basic shares outstanding	212,547	215,619
Dilutive effect of stock options and restricted shares	2,482	2,548
Weighted average diluted shares outstanding	215,029	218,167
Basic and diluted net income per share	$ .19	$ .17

Basic net income per share for the three months ended April 2, 2023 and April 3, 2022 was computed by dividing net income amounts by the weighted average number of shares of common stock outstanding. Diluted net income per share was computed by dividing net income by the weighted average number of basic shares outstanding plus the potential common share effect of dilutive stock options and restricted shares. We excluded potential common shares of 4,532 and 3,295 for the three months ended April 2, 2023 and April 3, 2022, respectively, from our diluted net income per share calculation as they would have had anti-dilutive effects.

(11) Stockholders' Equity

Dividends

During the first quarter of 2023 and 2022, the Company paid dividends per share of $.25 and $.125, respectively.

Repurchases of Common Stock

In January 2023, our Board of Directors authorized a repurchase program for up to $500,000 of our common stock through February 28, 2027, when and if market conditions warrant and to the extent legally permissible (the "January 2023 Authorization"). In connection with the January 2023 Authorization, the remaining portion of the previous February 2022 authorization for $250,000 was canceled. During the three months ended April 2, 2023, the Company repurchased 1,794 shares under the January 2023 Authorization with an aggregate purchase price of $38,785, of which $2,083 was accrued as of April 2, 2023, and excluding commissions of $25. As of April 2, 2023, the Company had $461,215 of availability remaining under the January 2023 Authorization. Subsequent to April 2, 2023 through May 3, 2023, the Company repurchased 1,074 shares under the January 2023 Authorization with an aggregate purchase price of $23,597, excluding commissions of $15.

In February 2020, our Board of Directors authorized a repurchase program for up to $100,000 of our common stock through February 28, 2021, when and if market conditions warranted and to the extent legally permissible (the "February 2020 Authorization"). In July 2020, the Company's Board of Directors approved an extension of the February 2020 Authorization by one year, through February 28, 2022. In addition, the Board of Directors approved increases totaling $200,000 to the February 2020 Authorization, resulting in an aggregate authorization of $300,000 that continued to expire on February 28, 2022. In November 2021, the Company entered into an accelerated share repurchase agreement (the "2021 ASR Agreement") with a third-party financial institution to repurchase common stock as part of the February 2020 Authorization. Under the 2021 ASR Agreement, the Company paid the financial institution an initial purchase price of $125,000 in cash and received an initial delivery of 4,910 shares of common stock, representing an estimated 85% of the total shares expected to be delivered under the 2021 ASR Agreement. In February 2022, the Company completed the 2021 ASR Agreement and received an additional 715 shares of common stock. The total number of shares of common stock ultimately purchased by the Company under the 2021 ASR Agreement was based on the average of the daily volume-weighted average prices of the common stock during the term of the 2021 ASR Agreement, less an agreed upon discount. In total, 5,625 shares were delivered under the 2021 ASR Agreement at an average purchase price of $22.22 per share. With the completion of the 2021 ASR Agreement in February 2022 as described above, the Company completed the February 2020 Authorization.

(In Thousands Except Per Share Amounts)

Accumulated Other Comprehensive Loss

The following table provides a rollforward of accumulated other comprehensive loss, which is entirely comprised of foreign currency translation:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Balance at beginning of period	$ (64,176)	$ (48,200)
Foreign currency translation	158	1,118
Balance at end of period	$ (64,018)	$ (47,082)

(12) Leases

Nature of Leases

The Company operates restaurants that are located on sites owned by us and sites leased by us from third parties. In addition, the Company owns sites and leases sites from third parties, which it leases and/or subleases to franchisees. At April 2, 2023, Wendy’s and its franchisees operated 7,095 Wendy’s restaurants. Of the 414 Company-operated Wendy’s restaurants, Wendy’s owned the land and building for 158 restaurants, owned the building and held long-term land leases for 145 restaurants and held leases covering the land and building for 111 restaurants. Wendy’s also owned 486 and leased 1,192 properties that were either leased or subleased principally to franchisees. The Company also leases restaurant, office and transportation equipment.

Company as Lessee

The components of lease cost are as follows:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Finance lease cost:		
Amortization of finance lease assets	$ 4,063	$ 4,064
Interest on finance lease liabilities	10,750	10,645
	14,813	14,709
Operating lease cost	21,449	20,661
Variable lease cost (a)	16,081	14,803
Short-term lease cost	1,506	1,433
Total operating lease cost (b)	39,036	36,897
Total lease cost	$ 53,849	$ 51,606

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(a) Includes expenses for executory costs of $9,848 and $9,608 for the three months ended April 2, 2023 and April 3, 2022, respectively, for which the Company is reimbursed by sublessees.

(b) Includes $30,598 and $28,925 for the three months ended April 2, 2023 and April 3, 2022, respectively, recorded to “Franchise rental expense” for leased properties that are subsequently leased to franchisees. Also includes $7,865 and $7,294 for the three months ended April 2, 2023 and April 3, 2022, respectively, recorded to “Cost of sales” for leases for Company-operated restaurants.

THE WENDY’S COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Per Share Amounts)

Company as Lessor

The components of lease income are as follows:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Sales-type and direct-financing leases:		
Selling profit	$ 129	$ 480
Interest income (a)	7,862	7,740
Operating lease income	42,156	43,314
Variable lease income	15,651	14,557
Franchise rental income (b)	$ 57,807	$ 57,871

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(a) Included in “Interest expense, net.”

(b) Includes sublease income of $42,951 and $43,165 recognized during the three months ended April 2, 2023 and April 3, 2022, respectively. Sublease income includes lessees’ variable payments to the Company for executory costs of $9,778 and $9,535 for the three months ended April 2, 2023 and April 3, 2022, respectively.

(13) Supplemental Cash Flow Information

The following table includes supplemental non-cash investing and financing activities:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Supplemental non-cash investing and financing activities:		
Capital expenditures included in accounts payable	$ 9,119	$ 6,522
Finance leases	333	7,207

The following table includes a reconciliation of cash, cash equivalents and restricted cash:

	April 2, 2023	January 1, 2023
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents	$ 676,469	$ 745,889
Restricted cash	36,348	35,203
Restricted cash, included in Advertising funds restricted assets	27,749	50,709
Total cash, cash equivalents and restricted cash	$ 740,566	$ 831,801

(14) Transactions with Related Parties

Except as described below, the Company did not have any significant changes in or transactions with its related parties during the current fiscal period since those reported in the Form 10-K.

TimWen Lease and Management Fee Payments

A wholly-owned subsidiary of Wendy’s leases restaurant facilities from TimWen, which are then subleased to franchisees for the operation of Wendy’s/Tim Hortons combo units in Canada. Wendy’s paid TimWen $4,673 and $4,350 under these lease agreements during the three months ended April 2, 2023 and April 3, 2022, respectively, which has been recorded to “Franchise rental expense.” In addition, TimWen paid Wendy’s a management fee under the TimWen joint venture agreement of $60 and $54 during the three months ended April 2, 2023 and April 3, 2022, respectively, which has been included as a reduction to “General and administrative.”

Transactions with Yellow Cab

Certain family members and affiliates of Mr. Nelson Peltz, our Chairman, and Mr. Peter May, our Senior Vice Chairman, as well as Mr. Matthew Peltz, our Vice Chairman, hold indirect, minority ownership interests in Yellow Cab Holdings, LLC (“Yellow Cab”) and operating companies managed by Yellow Cab, a Wendy’s franchisee, that as of April 2, 2023 owned and operated 83 Wendy’s restaurants. During the three months ended April 2, 2023 and April 3, 2022, the Company recognized $3,610 and $3,067, respectively, in royalty, advertising fund, lease and other income from Yellow Cab and related entities. As of April 2, 2023 and January 1, 2023, $1,271 and $1,125, respectively, was due from Yellow Cab for such income, which is included in “Accounts and notes receivable, net” and “Advertising funds restricted assets.”

Transactions with AMC

In February 2023, Ms. Kristin Dolan, a director of the Company, was appointed as the Chief Executive Officer of AMC Networks Inc. (“AMC”). During the three months ended April 2, 2023, the Company purchased $419 of advertising time from a subsidiary of AMC. As of April 2, 2023, approximately $450 was due to AMC for advertising time, which is included in “Advertising funds restricted liabilities.”

(15) Guarantees and Other Commitments and Contingencies

Except as described below, the Company did not have any significant changes in guarantees and other commitments and contingencies during the current fiscal period since those reported in the Form 10-K. Refer to the Form 10-K for further information regarding the Company’s additional commitments and obligations.

Franchisee Image Activation Incentive Programs

To promote new restaurant development, Wendy’s has provided franchisees with certain incentive programs for qualifying new restaurants. In February 2023, Wendy’s announced a new restaurant development incentive program in the U.S. and Canada that provides for waivers of royalty, national advertising and technical assistance fees for up to the first three years of operation for qualifying new restaurants (referred to as the “Pacesetter” program). Wendy’s previously offered and will continue to offer a restaurant development incentive program that provides for reductions in royalty and national advertising fees for up to the first two years of operation for qualifying new restaurants (referred to as the “Groundbreaker” program). Wendy’s U.S. and Canadian franchisees may elect either the Pacesetter program or the Groundbreaker program when committing to new multi-unit development agreements or adding incremental commitments to existing development agreements. Wendy’s also provides franchisees with the option of an early 20-year or 25-year renewal of their franchise agreement upon completion of reimaging utilizing certain approved Image Activation reimage designs.

Lease Guarantees

Wendy’s has guaranteed the performance of certain leases and other obligations, primarily from former Company-operated restaurant locations now operated by franchisees, amounting to $99,392 as of April 2, 2023. These leases extend through 2045. We have had no judgments against us as guarantor of these leases as of April 2, 2023. In the event of default by a franchise owner where Wendy’s is called upon to perform under its guarantee, Wendy’s has the ability to pursue repayment from the

THE WENDY'S COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(In Thousands Except Per Share Amounts)

franchise owner. The liability recorded for our probable exposure associated with these lease guarantees was not material as of April 2, 2023.

Letters of Credit

As of April 2, 2023, the Company had outstanding letters of credit with various parties totaling $28,861. Substantially all of the outstanding letters of credit include amounts outstanding against the 2021-1 Variable Funding Senior Secured Notes, Class A-1. We do not expect any material loss to result from these letters of credit.

(16) Legal and Environmental Matters

The Company is involved in litigation and claims incidental to our business. We provide accruals for such litigation and claims when we determine it is probable that a liability has been incurred and the loss is reasonably estimable. The Company believes it has adequate accruals for all of our legal and environmental matters. We cannot estimate the aggregate possible range of loss for our existing litigation and claims due to various reasons, including, but not limited to, many proceedings being in preliminary stages, with various motions either yet to be submitted or pending, discovery yet to occur and significant factual matters unresolved. In addition, most cases seek an indeterminate amount of damages and many involve multiple parties. Predicting the outcomes of settlement discussions or judicial or arbitral decisions is thus inherently difficult and future developments could cause these actions or claims, individually or in aggregate, to have a material adverse effect on the Company's financial condition, results of operations, or cash flows of a particular reporting period.

(17) Segment Information

Revenues by segment are as follows:

	Three Months Ended	
	April 2, 2023	**April 3, 2022**
Wendy's U.S.	$ 440,988	$ 407,311
Wendy's International	29,280	22,906
Global Real Estate & Development	58,539	58,426
Total revenues	$ 528,807	$ 488,643

(In Thousands Except Per Share Amounts)

The following table reconciles profit by segment to the Company's consolidated income before income taxes:

	Three Months Ended	
	April 2, 2023	April 3, 2022
Wendy's U.S. (a)	$ 125,230	$ 104,824
Wendy's International (b)	7,446	5,453
Global Real Estate & Development	25,068	27,607
Total segment profit	157,744	137,884
Unallocated franchise support and other costs	—	6
Advertising funds surplus (deficit)	1,106	(1,243)
Unallocated general and administrative (c)	(32,161)	(31,005)
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)	(33,472)	(33,231)
Amortization of cloud computing arrangements	(1,582)	—
System optimization gains, net	5	3,534
Reorganization and realignment costs	(6,808)	(464)
Impairment of long-lived assets	(376)	(616)
Unallocated other operating income, net	22	16
Interest expense, net	(31,705)	(26,365)
Loss on early extinguishment of debt	(1,266)	—
Investment (loss) income, net	(3,562)	2,111
Other income, net	7,336	207
Income before income taxes	$ 55,281	$ 50,834

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(a) Wendy's U.S. includes advertising funds expense of $2,556 for the three months ended April 3, 2022 related to the Company's funding of incremental advertising.

(b) Wendy's International includes advertising funds expense of $548 and $838 for the three months ended April 2, 2023 and April 3, 2022, respectively, related to the Company's funding of incremental advertising. In addition, Wendy's International includes other international-related advertising deficit of $845 and $642 for the three months ended April 2, 2023 and April 3, 2022, respectively.

(c) Includes corporate overhead costs, such as employee compensation and related benefits.

(18) New Accounting Standards

Business Combinations

In October 2021, the Financial Accounting Standards Board ("FASB") issued an amendment to improve the accounting for revenue contracts with customers acquired in a business combination. The amendment requires contract assets and contract liabilities acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with current revenue recognition guidance as if the acquirer had originated the contracts. The Company adopted this amendment during the first quarter of 2023. The adoption of this guidance did not have a material impact on our condensed consolidated financial statements.

Common-Control Lease Arrangements

In March 2023, the FASB issued an update to amend certain lease accounting guidance that applies to arrangements between related parties under common control. The amendment requires a lessee in a common-control lease arrangement to amortize leasehold improvements that it owns over the useful life of the improvements to the common-control group, regardless of the lease term, if the lessee continues to control the use of the underlying asset through a lease. The standard is effective beginning with our 2024 fiscal year. The Company does not expect the guidance to have a material impact on our condensed consolidated financial statements.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

Introduction

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" of The Wendy's Company ("The Wendy's Company" and, together with its subsidiaries, the "Company," "we," "us," or "our") should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes included elsewhere within this report and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended January 1, 2023 (the "Form 10-K"). There have been no material changes as of April 2, 2023 to the application of our critical accounting policies as described in Item 7 of the Form 10-K. Certain statements we make under this Item 2 constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. See "Special Note Regarding Forward-Looking Statements and Projections" in "Part II. Other Information" of this report. You should consider our forward-looking statements in light of the risks discussed in "Item 1A. Risk Factors" in "Part II. Other Information" of this report and our unaudited condensed consolidated financial statements, related notes and other financial information appearing elsewhere in this report, the Form 10-K and our other filings with the Securities and Exchange Commission (the "SEC").

The Wendy's Company is the parent company of its 100% owned subsidiary holding company, Wendy's Restaurants, LLC ("Wendy's Restaurants"). Wendy's Restaurants is the parent company of Wendy's International, LLC (formerly known as Wendy's International, Inc). Wendy's International, LLC is the indirect parent company of (1) Quality Is Our Recipe, LLC ("Quality"), which is the owner and franchisor of the Wendy's restaurant system in the United States (the "U.S.") and all international jurisdictions except for Canada, and (2) Wendy's Restaurants of Canada Inc., which is the owner and franchisor of the Wendy's restaurant system in Canada. As used herein, unless the context requires otherwise, the term "Company" refers to The Wendy's Company and its direct and indirect subsidiaries, and "Wendy's" refers to Quality when the context relates to the ownership or franchising of the Wendy's restaurant system and to Wendy's International, LLC when the context refers to the Wendy's brand.

Wendy's is primarily engaged in the business of operating, developing and franchising a system of distinctive quick-service restaurants serving high quality food. Wendy's opened its first restaurant in Columbus, Ohio in 1969. Today, Wendy's is the second largest quick-service restaurant company in the hamburger sandwich segment in the U.S. based on traffic share, and the third largest globally with 7,095 restaurants in the U.S. and 31 foreign countries and U.S. territories as of April 2, 2023.

Each Wendy's restaurant offers an extensive menu specializing in hamburger sandwiches and featuring filet of chicken breast sandwiches, which are prepared to order with the customer's choice of toppings and condiments. Wendy's menu also includes chicken nuggets, chili, french fries, baked potatoes, freshly prepared salads, soft drinks, Frosty® desserts and kids' meals. In addition, Wendy's restaurants sell a variety of promotional products on a limited time basis. Wendy's also offers breakfast across the U.S. system and in Canada. Wendy's breakfast menu features a variety of breakfast sandwiches such as the Breakfast Baconator® and sides such as seasoned potatoes.

The Company is comprised of the following segments: (1) Wendy's U.S., (2) Wendy's International and (3) Global Real Estate & Development. Wendy's U.S. includes the operation and franchising of Wendy's restaurants in the U.S. and derives its revenues from sales at Company-operated restaurants and royalties, fees and advertising fund collections from franchised restaurants. Wendy's International includes the operation and franchising of Wendy's restaurants in countries and territories other than the U.S. and derives its revenues from sales at Company-operated restaurants and royalties, fees and advertising fund collections from franchised restaurants. Global Real Estate & Development includes real estate activity for owned sites and sites leased from third parties, which are leased and/or subleased to franchisees, and also includes our share of the income of our TimWen real estate joint venture. In addition, Global Real Estate & Development earns fees from facilitating franchisee-to-franchisee restaurant transfers ("Franchise Flips") and providing other development-related services to franchisees. In this "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company reports on the segment profit for each of the three segments described above. The Company measures segment profit using segment adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA"). Segment adjusted EBITDA excludes certain unallocated general and administrative expenses and other items that vary from period to period without correlation to the Company's core operating performance. See "Results of Operations" below and Note 17 to the Condensed Consolidated Financial Statements contained in Item 1 herein for segment financial information.

The Company's fiscal reporting periods consist of 52 or 53 weeks ending on the Sunday closest to December 31. All three-month periods presented herein contain 13 weeks. All references to years, quarters and months relate to fiscal periods rather than calendar periods.

Executive Overview

Our Business

As of April 2, 2023, the Wendy's restaurant system was comprised of 7,095 restaurants, with 5,989 Wendy's restaurants in operation in the U.S. Of the U.S. restaurants, 403 were operated by the Company and 5,586 were operated by a total of 217 franchisees. In addition, at April 2, 2023, there were 1,106 Wendy's restaurants in operation in 31 foreign countries and U.S. territories. Of the international restaurants, 1,095 were operated by a total of 106 franchisees and 11 were operated by the Company in the United Kingdom (the "U.K.").

The revenues from our restaurant business are derived from two principal sources: (1) sales at Company-operated restaurants and (2) franchise-related revenues, including royalties, national advertising funds contributions, rents and franchise fees received from Wendy's franchised restaurants. Company-operated restaurants comprised approximately 5% of the total Wendy's system as of April 2, 2023.

Wendy's operating results are impacted by a number of external factors, including commodity costs, labor costs, intense price competition, unemployment and consumer spending levels, general economic and market trends and weather.

Wendy's long-term growth opportunities include delivering accelerated global growth through (1) driving strong same-restaurant sales momentum across all dayparts, (2) accelerating our implementation of consumer-facing digital platforms and technologies and (3) expanding the Company's footprint through global restaurant expansion.

Key Business Measures

We track our results of operations and manage our business using the following key business measures, which includes a non-GAAP financial measure:

- Same-Restaurant Sales - We report same-restaurant sales commencing after new restaurants have been open for 15 continuous months and as soon as reimaged restaurants reopen. Restaurants temporarily closed for more than one week are excluded from same-restaurant sales. The table summarizing same-restaurant sales below in "Results of Operations" provides the same-restaurant sales percent changes.

- Restaurant Margin - We define restaurant margin 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. Cost of sales excludes certain costs that support restaurant operations that are not allocated to individual restaurants, which are included in "General and administrative." Cost of sales also excludes depreciation and amortization expense and impairment of long-lived assets. Therefore, as restaurant margin as presented excludes certain costs as described above, its usefulness may be limited and may not be comparable to other similarly titled measures of other companies in our industry.

  Restaurant margin is influenced by factors such as price increases, the effectiveness of our advertising and marketing initiatives, featured products, product mix, fluctuations in food and labor costs, restaurant openings, remodels and closures and the level of our fixed and semi-variable costs.

- Systemwide Sales - Systemwide sales is a non-GAAP financial measure, which includes sales by both Company-operated restaurants and franchised restaurants. Franchised restaurants' sales are reported by our franchisees and represent their revenues from sales at franchised Wendy's restaurants. The Company's consolidated financial statements do not include sales by franchised restaurants to their customers. The Company's royalty and advertising funds revenues are computed as percentages of sales made by Wendy's franchisees. As a result, sales by Wendy's franchisees have a direct effect on the Company's royalty and advertising funds revenues and profitability.

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.

Same-restaurant sales and systemwide sales exclude sales from Argentina due to that country's highly inflationary economy. The Company considers economies that have had cumulative inflation in excess of 100% over a three-year period as highly inflationary.

The Company believes its presentation of same-restaurant sales, restaurant margin and systemwide sales provide a meaningful perspective of the underlying operating performance of the Company's current business and enables investors to better understand and evaluate the Company's historical and prospective operating performance. The Company believes that these metrics are important supplemental measures of operating performance because they highlight trends in the Company's business that may not otherwise be apparent when relying solely on GAAP financial measures. The Company believes investors, analysts and other interested parties use these metrics in evaluating issuers and that the presentation of these measures facilitates a comparative assessment of the Company's operating performance. With respect to same-restaurant sales and systemwide sales, the Company also believes that the data is useful in assessing consumer demand for the Company's products and the overall success of the Wendy's brand.

The non-GAAP financial measure discussed above does not replace the presentation of the Company's financial results in accordance with GAAP. Because all companies do not calculate non-GAAP financial measures in the same way, this measure as used by other companies may not be consistent with the way the Company calculates such measure.

First Quarter Financial Highlights

- Revenue increased 8.2% to $528.8 million in the first quarter of 2023 compared with $488.6 million in the first quarter of 2022;

- Global same-restaurant sales increased 8.0%, U.S. same-restaurant sales increased 7.2% and international same-restaurant sales increased 13.9% compared with the first quarter of 2022. On a two-year basis, global same-restaurant sales increased 10.4%;

- Global Company-operated restaurant margin was 13.8% in the first quarter of 2023, an increase of 220 basis points compared with the first quarter of 2022; and

- Net income increased 6.4% to $39.8 million in the first quarter of 2023 compared with $37.4 million in the first quarter of 2022.

Global Same-Restaurant Sales

Wendy's long-term growth opportunities include driving strong same-restaurant sales momentum across all dayparts through our ownable core products, exciting menu innovation, compelling value offerings and improvements in speed and consistency in our restaurants. Global same-restaurant sales increased 8.0% in the first quarter of 2023 and increased 10.4% on a two-year basis.

Digital

Wendy's long-term growth opportunities include accelerated implementation of consumer-facing digital platforms and technologies. The Company has invested significant resources to focus on consumer-facing technology, including activating mobile ordering via Wendy's mobile app, launching the Wendy's Rewards loyalty program in the U.S. and Canada and establishing delivery agreements with third-party vendors. The Company is also partnering with key technology providers to help execute our digital, restaurant technology and enterprise technology initiatives and support our technology innovation and growth. The Company's digital business represented approximately 12.4% and 10.6% of global systemwide sales during the three months ended April 2, 2023 and April 3, 2022, respectively.

New Restaurant Development

Wendy's long-term growth opportunities include expanding the Company's footprint through global restaurant expansion. To promote new restaurant development, the Company has provided franchisees with certain incentive programs for qualifying new restaurants. In February 2023, the Company announced a new restaurant development incentive program in the U.S. and Canada that provides for waivers of royalty, national advertising and technical assistance fees for up to the first three years of operation for qualifying new restaurants. In addition, the Company has development agreements in place with a number of franchisees that contractually obligate such franchisees to open additional Wendy’s restaurants over a specified timeframe. Global restaurant counts as of April 2, 2023 were flat compared with January 1, 2023.

Organizational Redesign

In February 2023, the Board of Directors approved a plan to redesign the Company’s organizational structure to better support the execution of the Company’s long-term growth strategy by maximizing organizational efficiency and streamlining decision making (the “Organizational Redesign Plan”). As a result of the Organizational Redesign Plan, the Company expects to hold its general and administrative expense in 2023 and 2024 relatively flat compared with 2022. The Company expects to incur total costs of approximately $11 million to $13 million related to the Organizational Redesign Plan, of which approximately $9 million to $11 million will be cash expenditures. The cash expenditures are expected to continue into 2025, with approximately two-thirds of the total cash expenditures occurring in 2023. Costs related to the Organizational Redesign Plan are recorded to “Reorganization and realignment costs.” During the three months ended April 2, 2023, the Company recognized costs totaling $6.7 million, which primarily included severance and related employee costs and share-based compensation. The Company expects to incur additional costs aggregating approximately $4 million to $6 million, comprised of (1) severance and related employee costs of approximately $2.5 million, (2) recruitment and relocation costs of approximately $0.9 million, (3) third-party and other costs of approximately $0.7 million and (4) share-based compensation of approximately $1.2 million. The Company expects costs related to the Organizational Redesign Plan to continue into 2026, with approximately three-fourths of the total costs to be recognized during 2023.

Results of Operations

The tables included throughout this Results of Operations set forth in millions the Company's condensed consolidated results of operations for the first quarter of 2023 and 2022.

	First Quarter					
	2023		2022		Change	
Revenues:						
Sales	$	227.9	$	209.3	$	18.6
Franchise royalty revenue and fees		141.7		128.9		12.8
Franchise rental income		57.8		57.9		(0.1)
Advertising funds revenue		101.4		92.5		8.9
		528.8		488.6		40.2
Costs and expenses:						
Cost of sales		196.5		185.1		11.4
Franchise support and other costs		13.3		11.8		1.5
Franchise rental expense		30.6		28.9		1.7
Advertising funds expense		101.7		97.8		3.9
General and administrative		62.3		62.3		—
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)		33.5		33.2		0.3
Amortization of cloud computing arrangements		1.6		—		1.6
System optimization gains, net		—		(3.5)		3.5
Reorganization and realignment costs		6.8		0.5		6.3
Impairment of long-lived assets		0.4		0.6		(0.2)
Other operating income, net		(2.4)		(3.0)		0.6
		444.3		413.7		30.6
Operating profit		84.5		74.9		9.6
Interest expense, net		(31.7)		(26.4)		(5.3)
Loss on early extinguishment of debt		(1.3)		—		(1.3)
Investment (loss) income, net		(3.6)		2.1		(5.7)
Other income, net		7.4		0.2		7.2
Income before income taxes		55.3		50.8		4.5
Provision for income taxes		(15.5)		(13.4)		(2.1)
Net income	$	39.8	$	37.4	$	2.4

	First Quarter			
	2023	% of Total Revenues	2022	% of Total Revenues
Revenues:				
Sales	$ 227.9	43.1 %	$ 209.3	42.8 %
Franchise royalty revenue and fees:				
Franchise royalty revenue	122.2	23.1 %	111.7	22.9 %
Franchise fees	19.5	3.7 %	17.2	3.5 %
Total franchise royalty revenue and fees	141.7	26.8 %	128.9	26.4 %
Franchise rental income	57.8	10.9 %	57.9	11.9 %
Advertising funds revenue	101.4	19.2 %	92.5	18.9 %
Total revenues	$ 528.8	100.0 %	$ 488.6	100.0 %

	First Quarter			
	2023	% of Sales	2022	% of Sales
Cost of sales:				
Food and paper	$ 73.8	32.4 %	$ 68.3	32.6 %
Restaurant labor	73.6	32.3 %	70.5	33.7 %
Occupancy, advertising and other operating costs	49.1	21.5 %	46.3	22.1 %
Total cost of sales	$ 196.5	86.2 %	$ 185.1	88.4 %

	First Quarter			
	2023	% of Sales	2022	% of Sales
Company-operated restaurant margin:				
U.S.	$ 32.7	14.7 %	$ 24.7	12.0 %
Global	31.4	13.8 %	24.2	11.6 %

The table below presents certain of the Company's key business measures, which are defined and further discussed in the "Executive Overview" section included herein.

	First Quarter	
	2023	2022
Key business measures:		
U.S. same-restaurant sales:		
Company-operated	7.4 %	2.9 %
Franchised	7.2 %	1.0 %
Systemwide	7.2 %	1.1 %
International same-restaurant sales (a)	13.9 %	14.1 %
Global same-restaurant sales:		
Company-operated	7.4 %	2.9 %
Franchised (a)	8.0 %	2.4 %
Systemwide (a)	8.0 %	2.4 %
Systemwide sales (b):		
U.S. Company-operated	$ 222.6	$ 206.5
U.S. franchised	2,722.2	2,505.8
U.S. systemwide	2,944.8	2,712.3
International Company-operated	5.3	2.8
International franchised (a)	413.2	356.7
International systemwide (a)	418.5	359.5
Global systemwide (a)	$ 3,363.3	$ 3,071.8

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(a) Excludes Argentina due to the impact of that country's highly inflationary economy.

(b) During the first quarter of 2023 and 2022, global systemwide sales increased 10.0% and 4.2%, respectively, U.S. systemwide sales increased 8.6% and 2.4%, respectively, and international systemwide sales increased 21.0% and 19.2%, respectively, on a constant currency basis.

	First Quarter				
	U.S. Company-operated	U.S. Franchised	International Company-operated	International Franchised	Systemwide
Restaurant count:					
Restaurant count at January 1, 2023	403	5,591	12	1,089	7,095
Opened	1	19	—	19	39
Closed	(1)	(24)	(1)	(13)	(39)
Restaurant count at April 2, 2023	403	5,586	11	1,095	7,095

Sales	First Quarter		
	2023	2022	Change
Sales	$ 227.9	$ 209.3	$ 18.6

The increase in sales during the first quarter of 2023 was primarily due to (1) a 7.4% increase in Company-operated same-restaurant sales of $14.9 million and (2) net new restaurant development compared with the first quarter of 2022 of $4.2 million. Company-operated same-restaurant sales increased due to higher average check, partially offset by a decrease in customer count.

Franchise Royalty Revenue and Fees	First Quarter		
	2023	**2022**	**Change**
Franchise royalty revenue	$ 122.2	$ 111.7	$ 10.5
Franchise fees	19.5	17.2	2.3
	$ 141.7	$ 128.9	$ 12.8

Franchise royalty revenue during the first quarter of 2023 increased $10.5 million, of which (1) $8.8 million was due to an 8.0% increase in global franchise same-restaurant sales and (2) $2.0 million was due to net new restaurant development compared with the first quarter of 2022. Franchise same-restaurant sales during the first quarter of 2023 increased due to (1) higher average check and (2) an increase in customer count.

The increase in franchise fees during the first quarter of 2023 was primarily due to (1) higher fees for providing information technology services to franchisees of $0.9 million and (2) higher other miscellaneous franchise fees of $0.9 million.

Franchise Rental Income	First Quarter		
	2023	**2022**	**Change**
Franchise rental income	$ 57.8	$ 57.9	$ (0.1)

The decrease in franchise rental income during the first quarter of 2023 was primarily due to the impact of assigning fewer leases to franchisees during 2023 compared with 2022.

Advertising Funds Revenue	First Quarter		
	2023	**2022**	**Change**
Advertising funds revenue	$ 101.4	$ 92.5	$ 8.9

The increase in advertising funds revenue during the first quarter of 2023 was primarily due to an increase in franchise same-restaurant sales in the U.S. and Canada.

Cost of Sales, as a Percent of Sales	First Quarter		
	2023	**2022**	**Change**
Food and paper	32.4 %	32.6 %	(0.2)%
Restaurant labor	32.3 %	33.7 %	(1.4)%
Occupancy, advertising and other operating costs	21.5 %	22.1 %	(0.6)%
	86.2 %	88.4 %	(2.2)%

The decrease in cost of sales, as a percent of sales, during the first quarter of 2023 was primarily due to higher average check. This impact was partially offset by (1) higher commodity costs, (2) an increase in restaurant labor rates, (3) a decrease in customer count and (4) the impact of the Company’s investments to support the entry into the U.K. market and additional inflationary pressures in the U.K.

Franchise Support and Other Costs	First Quarter		
	2023	**2022**	**Change**
Franchise support and other costs	$ 13.3	$ 11.8	$ 1.5

The increase in franchise support and other costs during the first quarter of 2023 was primarily due to an increase in costs incurred to provide information technology and other services to franchisees.

Franchise Rental Expense

	First Quarter		
	2023	2022	Change
Franchise rental expense	$ 30.6	$ 28.9	$ 1.7

The increase in franchise rental expense during the first quarter of 2023 was primarily due to the impact of assigning fewer leases to franchisees during 2023 compared with 2022.

Advertising Funds Expense

	First Quarter		
	2023	2022	Change
Advertising funds expense	$ 101.7	$ 97.8	$ 3.9

On an interim basis, advertising funds expense is recognized in proportion to advertising funds revenue. The Company expects advertising funds expense to be lower than advertising funds revenue by approximately $3.0 million for 2023, which includes the amount by which advertising funds expense exceeded advertising funds revenue in prior years (excluding the Company's funding of incremental advertising) of approximately $5.0 million, partially offset by the Company's planned incremental funding of advertising in Canada of approximately $2.0 million.

During the first quarter of 2023, advertising funds expense increased due to an increase in franchise same-restaurant sales in the U.S. and Canada, partially offset by a decrease in the Company's funding of incremental advertising.

General and Administrative

	First Quarter		
	2023	2022 (a)	Change
Share-based compensation	$ 3.8	$ 6.3	$ (2.5)
Professional fees	15.0	13.5	1.5
Incentive compensation	7.5	6.2	1.3
Other, net	36.0	36.3	(0.3)
	$ 62.3	$ 62.3	$ —

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(a) Certain reclassifications have been made to the prior year presentation to conform to the current year presentation.

General and administrative expenses during the first quarter of 2023 were flat compared with the first quarter of 2022, primarily due to a decrease in share-based compensation, offset by (1) higher professional fees, reflecting higher information technology-related costs, and (2) an increase in incentive compensation accruals.

Depreciation and Amortization (exclusive of amortization of cloud computing arrangements shown separately below)

	First Quarter		
	2023	2022	Change
Restaurants	$ 20.9	$ 21.8	$ (0.9)
Technology support, corporate and other	12.6	11.4	1.2
	$ 33.5	$ 33.2	$ 0.3

The increase in depreciation and amortization during the first quarter of 2023 was primarily due to depreciation and amortization for technology investments and new restaurant assets, partially offset by assets becoming fully depreciated.

Amortization of Cloud Computing Arrangements

	First Quarter		
	2023	2022	Change
Amortization of cloud computing arrangements	$ 1.6	$ —	$ 1.6

Amortization of cloud computing arrangements primarily represents amortization of assets associated with the Company's enterprise resource planning ("ERP") system implementation completed in the third quarter of 2022.

System Optimization Gains, Net

	First Quarter		
	2023	2022	Change
System optimization gains, net	$ —	$ (3.5)	$ 3.5

System optimization gains, net for the first quarter of 2022 were primarily comprised of post-closing adjustments on previous sales of restaurants. See Note 3 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information.

Reorganization and Realignment Costs

	First Quarter		
	2023	2022	Change
Organizational redesign	$ 6.7	$ —	$ 6.7
Other reorganization and realignment plans	0.1	0.5	(0.4)
	$ 6.8	$ 0.5	$ 6.3

During the three months ended April 2, 2023, the Company recognized costs totaling $6.7 million under the Organizational Redesign Plan, which primarily included severance and related employee costs of $5.5 million and share-based compensation of $0.8 million. See Note 4 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information.

Costs incurred under the Company’s other reorganization and realignment plans were not material during the first quarter of 2023 and 2022. The Company does not expect to incur any material additional costs under these plans.

Impairment of Long-Lived Assets

	First Quarter		
	2023	2022	Change
Impairment of long-lived assets	$ 0.4	$ 0.6	$ (0.2)

The decrease in impairment charges during the first quarter of 2023 was primarily driven by lease modifications associated with restaurants leased or subleased to franchisees in the prior year.

Other Operating Income, Net

	First Quarter		
	2023	2022	Change
Lease buyout	$ (0.2)	$ (0.8)	$ 0.6
Gains on sales-type leases	(0.1)	(0.5)	0.4
Equity in earnings in joint ventures, net	(2.1)	(1.7)	(0.4)
	$ (2.4)	$ (3.0)	$ 0.6

The decrease in other operating income, net during the first quarter of 2023 was primarily due to (1) lower lease buyout activity and (2) lower gains on sales-type leases. These decreases were partially offset by an increase in the equity in earnings from our TimWen joint venture.

Interest Expense, Net

	First Quarter		
	2023	2022	Change
Interest expense, net	$ 31.7	$ 26.4	$ 5.3

The increase in interest expense, net during the first quarter of 2023 was primarily due to the impact of completing a debt financing transaction under the Company’s securitized financing facility in the first quarter of 2022.

Loss on Early Extinguishment of Debt

	First Quarter		
	2023	2022	Change
Loss on early extinguishment of debt	$ 1.3	$ —	$ 1.3

During the first quarter of 2023, the Company incurred a loss on early extinguishment of debt of $1.3 million due to the repurchase of $31.6 million in principal of the Company's 7% debentures.

Investment (Loss) Income, Net

	First Quarter		
	2023	2022	Change
Investment (loss) income, net	$ (3.6)	$ 2.1	$ (5.7)

During the first quarter of 2023, the Company recorded a loss of $3.6 million due to an impairment charge for the difference between the estimated fair value and the carrying value of an investment in equity securities. During the first quarter of 2022, the Company recognized a gain of $2.1 million on an investment in equity securities as a result of an observable price change.

Other Income, Net

	First Quarter		
	2023	2022	Change
Other income, net	$ 7.4	$ 0.2	$ 7.2

The increase in other income, net during the first quarter of 2023 was primarily due to interest income earned on our cash equivalents, which increased as a result of cash received from our debt financing transaction under the Company's securitized financing facility in the first quarter of 2022.

Provision for Income Taxes

	First Quarter		
	2023	2022	Change
Income before income taxes	$ 55.3	$ 50.8	$ 4.5
Provision for income taxes	(15.5)	(13.4)	(2.1)
Effective tax rate on income	28.0 %	26.4 %	1.6 %

Our effective tax rates for the first quarter of 2023 and 2022 were impacted by variations in income before income taxes, adjusted for recurring items such as non-deductible expenses and state income taxes, as well as non-recurring discrete items. The increase in the effective tax rate for the first quarter of 2023 compared with the first quarter of 2022 was primarily due to a one-time adjustment to our foreign deferred income taxes related to prior periods. This unfavorable adjustment was partially offset by state income taxes, including discrete changes to state deferred income taxes.

Segment Information

See Note 17 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information regarding the Company's segments.

Wendy's U.S.

	First Quarter		
	2023	2022	Change
Sales	$ 222.6	$ 206.5	$ 16.1
Franchise royalty revenue	106.4	97.9	8.5
Franchise fees	17.3	15.4	1.9
Advertising fund revenue	94.7	87.5	7.2
Total revenues	$ 441.0	$ 407.3	$ 33.7
Segment profit	$ 125.2	$ 104.8	$ 20.4

The increase in Wendy's U.S. revenues during the first quarter of 2023 was primarily due to an increase in same-restaurant sales. Same-restaurant sales increased during the first quarter of 2023 primarily due to (1) higher average check and (2) an increase in customer count.

The increase in Wendy's U.S. segment profit during the first quarter of 2023 was primarily due to (1) higher revenues, (2) lower cost of sales, as a percent of sales for Company-operated restaurants driven by the same factors as described above for "Cost of Sales, as a Percent of Sales" (excluding the impact of the U.K. market) and (3) a decrease in the recognition of the Company's funding of incremental advertising.

Wendy's International

	First Quarter		
	2023	2022	Change
Sales	$ 5.3	$ 2.8	$ 2.5
Franchise royalty revenue	15.8	13.8	2.0
Franchise fees	1.5	1.3	0.2
Advertising fund revenue	6.7	5.0	1.7
Total revenues	$ 29.3	$ 22.9	$ 6.4
Segment profit	$ 7.4	$ 5.5	$ 1.9

The increase in Wendy's International revenues during the first quarter of 2023 was primarily due to (1) net new restaurant development in the U.K. and (2) an increase in same-restaurant sales. Same-restaurant sales increased during the first quarter of 2023 due to (1) an increase in customer count and (2) higher average check.

The increase in Wendy's International segment profit during the first quarter of 2023 was primarily due to higher revenues, partially offset by the Company's investments to support the entry into the U.K. market and inflationary pressures in the U.K.

Global Real Estate & Development

	First Quarter		
	2023	2022	Change
Franchise fees	$ 0.7	$ 0.5	$ 0.2
Franchise rental income	57.8	57.9	(0.1)
Total revenues	$ 58.5	$ 58.4	$ 0.1
Segment profit	$ 25.1	$ 27.6	$ (2.5)

The increase in Global Real Estate & Development revenues during the first quarter of 2023 was primarily due to higher franchise development-related fees.

The decrease in Global Real Estate & Development segment profit during the first quarter of 2023 was primarily due to an increase in franchise rental expense. See "Franchise Rental Expense" above for further information.

Liquidity and Capital Resources

Cash Flows

Our primary sources of liquidity and capital resources are cash flows from operations and borrowings under our securitized financing facility. Our principal uses of cash are operating expenses, capital expenditures, repurchases of common stock, dividends to stockholders and repurchases of debt.

Our anticipated cash requirements for the remainder of 2023, exclusive of operating cash flow requirements, consist principally of:

- capital expenditures of approximately $63.0 million to $73.0 million, resulting in total anticipated cash capital expenditures for the year of approximately $75.0 million to $85.0 million;

- cash dividends aggregating approximately $158.1 million as discussed below in "Dividends;"

- stock repurchases under the Company's January 2023 Authorization as discussed below in "Stock Repurchases;" and

- debt repurchases of up to $43.4 million as discussed below in "Long-Term Debt, Including Current Portion."

Based on current levels of operations, the Company expects that available cash and cash flows from operations will provide sufficient liquidity to meet operating cash requirements for the next 12 months.

We currently believe we have the ability to pursue additional sources of liquidity if needed or desired to fund operating cash requirements or for other purposes. However, there can be no assurance that additional liquidity will be readily available or available on terms acceptable to us.

The table below summarizes our cash flows from operating, investing and financing activities for the first three months of 2023 and 2022:

	First Quarter		
	2023	2022	Change
Net cash provided by (used in):			
Operating activities	$ 53.0	$ 21.0	$ 32.0
Investing activities	(12.1)	(13.0)	0.9
Financing activities	(132.3)	452.8	(585.1)
Effect of exchange rate changes on cash	0.2	0.2	—
Net (decrease) increase in cash, cash equivalents and restricted cash	$ (91.2)	$ 461.0	$ (552.2)

Operating Activities

Cash provided by operating activities consists primarily of net income, adjusted for non-cash expenses such as depreciation and amortization, deferred income tax and share-based compensation, and the net change in operating assets and liabilities. Cash provided by operating activities was $53.0 million and $21.0 million in the first quarter of 2023 and 2022, respectively. The change was primarily due to (1) a decrease in payments for incentive compensation, (2) higher net income, adjusted for non-cash expenses, and (3) the timing of payments for marketing expenses of the national advertising funds. These changes were partially offset by the timing of receipt of franchisee rental payments in the first quarter of 2022.

Investing Activities

Cash used in investing activities was $12.1 million and $13.0 million in the first quarter of 2023 and 2022, respectively. The change was primarily due to a decrease in expenditures associated with the Company's franchise development fund of $0.7 million.

Financing Activities

Cash (used in) provided by financing activities was $(132.3) million and $452.8 million in the first quarter of 2023 and 2022, respectively. The change was primarily due to (1) a net increase in cash used in long-term debt activities of $522.9 million, reflecting the respective impacts of the completion of the Company's debt financing transaction during the first quarter of 2022 and repurchases of the Company's 7% debentures during the first quarter of 2023, (2) an increase in the repurchases of common stock of $36.7 million and (3) an increase in dividends of $26.2 million.

Long-Term Debt, Including Current Portion

During the three months ended April 2, 2023, Wendy's repurchased $31.6 million in principal of its 7% debentures at par value.

We may from time to time seek to repurchase additional portions of our outstanding long-term debt, including our 7% debentures and/or our senior secured notes, through open market purchases, privately negotiated transactions or otherwise. In February 2023, our Board of Directors authorized additional debt repurchases through February 2024, resulting in total debt repurchases of up to $75.0 million in 2023. As of April 2, 2023, the Company had $43.4 million of additional debt repurchases remaining under the authorization. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. Whether or not to repurchase any debt and the size and timing of any such repurchases will be determined at our discretion.

Except as described above, there were no material changes to the Company's debt obligations since January 1, 2023. The Company was in compliance with its debt covenants as of April 2, 2023. See Note 6 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information related to our long-term debt obligations.

Dividends

On March 15, 2023, the Company paid quarterly cash dividends per share of $.25, aggregating $53.1 million. On May 10, 2023, the Company announced a dividend of $.25 per share to be paid on June 15, 2023 to stockholders of record as of June 1, 2023. If the Company pays regular quarterly cash dividends for the remainder of 2023 at the same rate as declared in the second quarter of 2023, the Company's total cash requirement for dividends for the remainder of 2023 will be approximately $158.1 million based on the number of shares of its common stock outstanding at May 3, 2023. The Company currently intends to continue to declare and pay quarterly cash dividends; however, there can be no assurance that any additional quarterly dividends will be declared or paid or of the amount or timing of such dividends, if any.

Stock Repurchases

In January 2023, our Board of Directors authorized a repurchase program for up to $500.0 million of our common stock through February 28, 2027, when and if market conditions warrant and to the extent legally permissible (the "January 2023 Authorization"). In connection with the January 2023 Authorization, the remaining portion of the previous February 2022 authorization for $250.0 million was canceled. During the three months ended April 2, 2023, the Company repurchased 1.8 million shares under the January 2023 Authorization with an aggregate purchase price of $38.8 million, of which $2.1 million was accrued as of April 2, 2023, and excluding commissions. As of April 2, 2023, the Company had $461.2 million of availability remaining under the January 2023 Authorization. Subsequent to April 2, 2023 through May 3, 2023, the Company repurchased 1.1 million shares under the January 2023 Authorization with an aggregate purchase price of $23.6 million, excluding commissions.

Cloud Computing Arrangements

In addition to the anticipated cash requirements for capital expenditures noted above in "Cash Flows," the Company expects to spend approximately $25.0 million during 2023 on cloud computing arrangements ("CCA"), primarily related to the Company's human capital management system implementation. The Company's cash expenditures related to CCA amounted to $6.6 million during the three months ended April 2, 2023.

General Inflation, Commodities and Changing Prices

Inflationary pressures on labor and commodity price increases directly impacted our consolidated results of operations during the three months ended April 2, 2023, and we expect this to continue throughout the remainder of 2023. We attempt to manage any inflationary costs and commodity price increases through selective menu price increases and product mix. Delays in implementing such menu price increases and competitive pressures may limit our ability to recover such cost increases in the future. Inherent volatility experienced in certain commodity markets, such as those for beef, chicken, pork, cheese and grains, could have a significant effect on our results of operations and may have an adverse effect on us in the future. The extent of any impact will depend on our ability to manage such volatility through product mix and selective menu price increases.

Seasonality

Wendy’s restaurant operations are moderately seasonal. Wendy’s average restaurant sales are normally higher during the summer months than during the winter months. Because our business is moderately seasonal, results for a particular quarter are not necessarily indicative of the results that may be achieved for any other quarter or for the full fiscal year.

Item 3. *Quantitative and Qualitative Disclosures about Market Risk.*

As of April 2, 2023, there were no material changes from the information contained in the Company’s Form 10-K for the fiscal year ended January 1, 2023.

Item 4. *Controls and Procedures.*

Evaluation of Disclosure Controls and Procedures

The management of the Company, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of April 2, 2023. Based on such evaluations, the Chief Executive Officer and Chief Financial Officer concluded that as of April 2, 2023, the disclosure controls and procedures of the Company were effective at a reasonable assurance level in (1) recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act and (2) ensuring that information required to be disclosed by the Company in such reports is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in the internal control over financial reporting of the Company during the first quarter of 2023 that materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

There are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. Additionally, judgments in decision-making can be faulty and breakdowns can occur because of a simple error or mistake. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, the management of the Company, including its Chief Executive Officer and Chief Financial Officer, does not expect that the control system can prevent or detect all error or fraud. Finally, projections of any evaluation or assessment of effectiveness of a control system to future periods are subject to the risks that, over time, controls may become inadequate because of changes in an entity’s operating environment or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

Special Note Regarding Forward-Looking Statements and Projections

This Quarterly Report on Form 10-Q and oral statements made from time to time by representatives of the Company may contain or incorporate by reference 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 our 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 of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act. Our actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by our forward-looking statements. Many important factors could affect our future results and cause those results to differ materially from those expressed in or implied by our forward-looking statements. Such factors include, but are not limited to, the following:

- the impact of competition or poor customer experiences at Wendy's restaurants;
- adverse economic conditions or disruptions, including in regions with a high concentration of Wendy's restaurants;
- changes in discretionary consumer spending and consumer tastes and preferences;
- the disruption to our business from the COVID-19 pandemic and the impact of the pandemic on our results of operations, financial condition and prospects;
- impacts to our corporate reputation or the value and perception of our brand;
- the effectiveness of our marketing and advertising programs and new product development;
- our ability to manage the accelerated impact of social media;
- our ability to protect our intellectual property;
- food safety events or health concerns involving our products;
- our ability to deliver accelerated global sales growth and achieve or maintain market share across our dayparts;
- our ability to achieve our growth strategy through new restaurant development and our Image Activation program;
- our ability to effectively manage the acquisition and disposition of restaurants or successfully implement other strategic initiatives;
- risks associated with leasing and owning significant amounts of real estate, including environmental matters;
- risks associated with our international operations, including our ability to execute our international growth strategy;
- changes in commodity and other operating costs;
- shortages or interruptions in the supply or distribution of our products and other risks associated with our independent supply chain purchasing co-op;
- the impact of increased labor costs or labor shortages;
- the continued succession and retention of key personnel and the effectiveness of our leadership and organizational structure;

- risks associated with our digital commerce strategy, platforms and technologies, including our ability to adapt to changes in industry trends and consumer preferences;

- our dependence on computer systems and information technology, including risks associated with the failure or interruption of our systems or technology or the occurrence of cyber incidents or deficiencies;

- risks associated with our securitized financing facility and other debt agreements, including compliance with operational and financial covenants, restrictions on our ability to raise additional capital, the impact of our overall debt levels and our ability to generate sufficient cash flow to meet our debt service obligations and operate our business;

- risks associated with our capital allocation policy, including the amount and timing of equity and debt repurchases and dividend payments;

- risks associated with complaints and litigation, compliance with legal and regulatory requirements and an increased focus on environmental, social and governance issues;

- risks associated with the availability and cost of insurance, changes in accounting standards, the recognition of impairment or other charges, changes in tax rates or tax laws and fluctuations in foreign currency exchange rates;

- conditions beyond our control, such as adverse weather conditions, natural disasters, hostilities, social unrest, health epidemics or pandemics or other catastrophic events;

- risks associated with our organizational redesign; and

- other risks and uncertainties affecting us and our subsidiaries referred to in our Annual Report on Form 10-K filed with the SEC on March 1, 2023 (see especially “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”) and in our other current and periodic filings with the SEC.

In addition to the factors described above, there are risks associated with our predominantly franchised business model that could impact our results, performance and achievements. Such risks include our ability to identify, attract and retain experienced and qualified franchisees, our 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. Our predominantly franchised business model may also impact the ability of the Wendy’s system to effectively respond and adapt to market changes.

All future written and oral forward-looking statements attributable to us or any person acting on our 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 we currently deem immaterial may become material, and it is impossible for us to predict these events or how they may affect us. We assume no obligation to update any forward-looking statements after the date of this Quarterly Report on Form 10-Q as a result of new information, future events or developments, except as required by federal securities laws, although we may do so from time to time. We do not endorse any projections regarding future performance that may be made by third parties.

Item 1. *Legal Proceedings.*

The Company is involved in litigation and claims incidental to our business. We provide accruals for such litigation and claims when we determine it is probable that a liability has been incurred and the loss is reasonably estimable. The Company believes it has adequate accruals for all of its legal and environmental matters. We cannot estimate the aggregate possible range of loss for our existing litigation and claims due to various reasons, including, but not limited to, many proceedings being in preliminary stages, with various motions either yet to be submitted or pending, discovery yet to occur, and significant factual matters unresolved. In addition, most cases seek an indeterminate amount of damages and many involve multiple parties. Predicting the outcomes of settlement discussions or judicial or arbitral decisions is thus inherently difficult and future developments could cause these actions or claims, individually or in aggregate, to have a material adverse effect on the Company’s financial condition, results of operations, or cash flows of a particular reporting period.

Item 1A. ***Risk Factors.***

In addition to the information contained in this report, you should carefully consider the risk factors disclosed in our Form 10-K, which could materially affect our business, financial condition or future results. Except as described elsewhere in this report, there have been no material changes from the risk factors previously disclosed in our Form 10-K.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds.***

The following table provides information with respect to repurchases of shares of our common stock by us and our "affiliated purchasers" (as defined in Rule 10b-18(a)(3) under the Exchange Act) during the first quarter of 2023:

Issuer Repurchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans (2)
January 2, 2023 through February 5, 2023	412,675	$22.38	318,041	$492,952,784
February 6, 2023 through March 5, 2023	499,065	$22.42	432,000	$483,244,922
March 6, 2023 through April 2, 2023	1,044,961	$21.12	1,043,972	$461,214,676
Total	1,956,701	$21.72	1,794,013	$461,214,676

(1) Represents shares of common stock reacquired by the Company from holders of share-based awards to satisfy certain requirements associated with the vesting or exercise of the respective award. The shares were valued at the fair market value of the Company's common stock on the vesting or exercise date of such awards, as set forth in the applicable plan document.

(2) In January 2023, our Board of Directors authorized a repurchase program for up to $500.0 million of our common stock through February 28, 2027, when and if market conditions warrant and to the extent legally permissible.

Subsequent to April 2, 2023 through May 3, 2023, the Company repurchased 1.1 million shares under the January 2023 Authorization with an aggregate purchase price of $23.6 million, excluding commissions.

Item 6. ***Exhibits.***

EXHIBIT NO.	DESCRIPTION
10.1	Form of Long-Term Performance Unit Award Agreement for 2023 under The Wendy's Company 2020 Omnibus Award Plan.* **
31.1	Certification of the Chief Executive Officer of The Wendy's Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer of The Wendy's Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certifications of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101	The following financial information from The Wendy's Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2023 formatted in Inline eXtensible Business Reporting Language: (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statements of Stockholders' Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) Notes to Condensed Consolidated Financial Statements.
104	The cover page from The Wendy's Company's Quarterly Report on Form 10-Q for the quarter ended April 2, 2023, formatted in Inline XBRL and contained in Exhibit 101.

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* Filed herewith.

** Identifies a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE WENDY'S COMPANY
(Registrant)

Date: May 10, 2023

By: /s/ Gunther Plosch
Gunther Plosch
Chief Financial Officer
(On behalf of the registrant)

Date: May 10, 2023

By: /s/ Suzanne M. Thuerk
Suzanne M. Thuerk
Chief Accounting Officer
(Principal Accounting Officer)

THE WENDY'S COMPANY
LONG-TERM PERFORMANCE UNIT AWARD AGREEMENT
(this "Agreement")

The Wendy's Company (the "Company"), pursuant to the provisions of The Wendy's Company 2020 Omnibus Award Plan (the "Plan"), hereby irrevocably grants to the Participant stated below an Award (the "Award") of Performance Units (the "Units"), on _____________, 20___ (the "Award Date"), as specified below:

Participant:	_______________________
Performance Period:	January 2, 2023 to December 28, 2025
Target Free Cash Flow Units:	____________ (the "Free Cash Flow Units")
Target TSR Units:	____________ (the "TSR Units")

Each Unit represents the right to receive one (1) share of Common Stock provided that the applicable performance goal as described in this Agreement is achieved. Capitalized terms used and not otherwise defined in this Agreement shall have the respective meanings assigned to them under the Plan.

1. **Free Cash Flow.**

(a) **Earning of Award.** The extent to which the Participant will earn the Free Cash Flow Units is based on the Company's cumulative Free Cash Flow (as defined below) for the Performance Period compared to the cumulative Free Cash Flow Target established by the Committee for the Performance Period as shown in the chart below (with the Threshold, Above Threshold, Target, Above Target and Maximum cumulative Free Cash Flow amounts to be set forth on a separate exhibit which will be provided to the Participant).

Company Cumulative Free Cash Flow	Percentage of Free Cash Flow Units Earned
Maximum	200.0%
Above Target	150.0%
Target	100.0%
Above Threshold	75.0%
Threshold	37.5%
Below Threshold	0.0%

Linear interpolation shall be used to determine the percentage of Free Cash Flow Units earned in the event the Company's cumulative Free Cash Flow falls between the (i) Threshold and Above Threshold, (ii) Above Threshold and Target, (iii) Target and Above Target or (iv) Above Target and Maximum performance levels shown in the chart above. The Company's cumulative Free Cash Flow will be determined as set forth in Section 1(b) below.

(b) **Calculation of Free Cash Flow.** The Company's "cumulative Free Cash Flow" means the sum of the Company's Free Cash Flow (as defined below) for each fiscal year of the Performance Period.

"Free Cash Flow" means cash flows from operations minus (i) capital expenditures and (ii) the net change in the restricted operating assets and liabilities of the Company's U.S. and Canadian national advertising funds and any excess/deficit of advertising funds revenue over advertising funds expenses included in net income, each as prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and reported in the Company's fiscal 2023, 2024 and 2025 Consolidated Statements of Cash Flows, as adjusted (A) within the "Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow" (or similarly titled non-GAAP reconciliation table) as presented in the Company's fiscal 2023, 2024 and 2025 earnings release and (B) to exclude the impact of (1) changes in tax law, accounting standards or principles, or other laws or regulations affecting the Company's reported results, (2) any other specific non-recurring and unusual items as described in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to stockholders for the applicable fiscal year and (3) any other adjustments to the extent approved by the Committee. Each adjustment made pursuant to the preceding sentence shall be calculated by reference to the applicable line item on the Company's Consolidated Statements of Cash Flows or the applicable account or journal entry on the Company's general ledger.

2. **Relative TSR Performance.**

(a) **Earning of Award.** The extent to which the Participant will earn the TSR Units is based on the Company TSR Percentile Ranking (as defined below) for the Performance Period based on the following chart:

Company TSR Percentile Ranking	Percentage of TSR Units Earned
≥ 90th	200.0% (Maximum)
75th	150.0% (Above Target)
50th	100.0% (Target)
37.5th	75.0% (Above Threshold)
25th	37.5% (Threshold)
< 25th	0.0% (Below Threshold)

Linear interpolation shall be used to determine the percentage of TSR Units earned in the event the Company TSR Percentile Ranking falls between the (i) 25th and 37.5th percentiles, (ii) the 37.5th and 50th percentiles, (iii) the 50th and 75th percentiles or (iv) the 75th and 90th percentiles listed in the above chart. The Company TSR Percentile Ranking will be determined as set forth in Section 2(c) below.

(b) **<u>Calculation of TSR</u>.** "TSR" means total stockholder return, which shall be calculated as follows:

$$\text{“TSR”} = \frac{\text{Change in Stock Price + Dividends Paid}}{\text{Beginning Stock Price}}$$

(i) Beginning Stock Price shall mean the average of the Closing Prices for each of the twenty (20) trading days immediately prior to the first trading day of the Performance Period;

(ii) Ending Stock Price shall mean the average of the Closing Prices for each of the last twenty (20) trading days of the Performance Period;

(iii) Change in Stock Price shall equal the Ending Stock Price minus the Beginning Stock Price;

(iv) Dividends Paid shall mean the total of all dividends paid on one (1) share of Common Stock during the Performance Period, provided that dividends shall be treated as though they are reinvested;

(v) Closing Price shall mean the last reported sale price on the applicable stock exchange or market of one (1) share of Common Stock for a particular trading day; and

(vi) In all events, TSR shall be adjusted to give effect to any stock dividends, stock splits, reverse stock splits and similar transactions.

(c) **<u>Calculation of Company TSR Percentile Ranking</u>**. The Company shall determine (i) the Company's TSR for the Performance Period and (ii) the TSR for the Performance Period of each company that was included in the S&P MidCap 400 Index as of the last day of the Performance Period. The Company TSR Percentile Ranking shall mean the percentage of TSRs of the companies included the S&P MidCap 400 Index as of the last day of the Performance Period that are lower than the Company's TSR for the Performance Period.

3. **<u>Form and Timing of Payments Under Award</u>.**

(a) Following the end of the Performance Period, the Committee shall determine whether and the extent to which the Company's cumulative Free Cash Flow and the Company TSR Percentile Ranking (the "Performance Goals") have been achieved for the Performance Period and shall determine the number of shares of Common Stock, if any, issuable to the Participant with respect to the level of achievement of the Performance Goals; provided that with respect to any Award, the Committee shall have certified the achievement of the Performance Goals. The Committee's determination with respect to the achievement of the Performance Goals shall be based on the Company's financial statements and other relevant information, subject to any adjustments made by the Committee in accordance with this Section 3.

(b) Notwithstanding satisfaction, achievement or completion of the Performance Goals (or any adjustments thereto as provided below), the number of shares of Common Stock issuable hereunder may be reduced or eliminated by the Committee on the basis of such further considerations as the Committee in its sole discretion shall determine. The Committee shall have the right to adjust or modify the calculation of the Performance Goals as permitted under the Plan.

(c) The Units earned pursuant to this Award shall be paid out to the Participant in shares of Common Stock as soon as reasonably practicable following the Committee's determination, but in no event later than March 15, 2026. For the avoidance of doubt, fractional shares of Common Stock shall be rounded down to the nearest whole number without any payment therefor.

4. <u>Change in Control</u>.

(a) In the event a Change in Control occurs during the Performance Period, then immediately before such Change in Control, any unvested outstanding Units shall be converted (without proration for the percentage of the Performance Period that has elapsed) into time-based restricted stock units (vesting on the last day of the Performance Period); provided, that the number of Units that shall be converted into time-based restricted stock units shall be based on (i) actual performance through the date of the Change of Control as determined by the Committee or (ii) if the Committee determines that measurement of actual performance cannot be reasonably assessed, the assumed achievement of Target performance as determined by the Committee. If, to the extent applicable, such time-based restricted stock units are not assumed or replaced by the acquirer/continuing entity in connection with such Change in Control on terms deemed by the Committee to be substantially equivalent, then all such time-based restricted stock units shall vest (and the restrictions thereon shall lapse) on the date of the Change in Control and shall be paid out to the Participant in shares of Common Stock as soon as practicable following the Committee's determination, but in no event later than seventy-four (74) days following the last day of the calendar year in which the Change in Control occurred. Any such determination(s) by the Committee shall be final and binding on all parties, absent manifest error.

(b) In the event the Participant's employment or service to the Company and its Subsidiaries is terminated prior to the end of the Performance Period by the Company or its Subsidiaries other than for Cause (and other than due to death or Disability), or by the Participant for Good Reason, in each case following a Change in Control, then the Participant shall become vested in the time-based restricted stock units received pursuant to Section 4(a) above and the restrictions thereon shall immediately lapse as of the date of such termination of employment or service; provided, in each case, that the number of restricted stock units that shall become fully vested and free from such restrictions shall be prorated, with such proration determined by multiplying the number of restricted stock units by a fraction, the numerator of which is the number of full calendar months worked by the Participant since the Award Date (with the month in which the Award Date occurred being the first month) to the date of termination of employment or service, and the denominator of which is the total number of months between the

Award Date and the end of the Performance Period. The restricted stock units earned in accordance with the foregoing shall be paid out to the Participant in shares of Common Stock as soon as practicable following the Committee's determination, but in no event later than seventy-four (74) days following the last day of the calendar year in which the termination of employment occurred.

5. Effect of Termination of Employment or Service.

(a) General. If the Participant ceases employment or service to the Company and its Subsidiaries for any reason prior to the end of the Performance Period (except following a Change in Control as described in Section 4(b) above or as a result of the Participant's death or Disability or severance as described in Sections 5(b) or (c) below), the Units shall be immediately canceled and the Participant shall thereupon cease to have any right or entitlement to receive any shares of Common Stock under the Award.

(b) Death or Disability. Notwithstanding Sections 3(c) and 5(a) above, in the event the Participant's employment or service to the Company and its Subsidiaries is terminated by the Company or its Subsidiaries due to death or Disability, outstanding Units granted to the Participant shall become vested and the restrictions thereon shall immediately lapse as of the date of such termination of employment or service; provided, that the portion of any such Units that shall become fully vested and free from such restrictions shall be based on (i) actual performance through the date of termination as determined by the Committee or (ii) if the Committee determines that measurement of actual performance cannot be reasonably assessed, the assumed achievement of Target performance as determined by the Committee, in each case prorated, with such proration determined by multiplying the number of Units by a fraction, the numerator of which is the number of full calendar months worked by the Participant since the Award Date (with the month in which the Award Date occurred being the first month) to the date of death or Disability, and the denominator of which is the total number of months between the Award Date and the end of the Performance Period. The Units earned in accordance with the foregoing shall be paid out to the Participant in shares of Common Stock as soon as practicable following the Committee's determination, but in no event later than seventy-four (74) days following the last day of the calendar year in which the termination of employment or service occurred.

(c) Severance. In addition, notwithstanding Section 5(a) above, in the event the Participant's employment or service to the Company and its Subsidiaries is terminated by the Company or its Subsidiaries prior to the end of the Performance Period other than for Cause (and other than due to death or Disability as described in Section 5(b) or in connection with a Change in Control as described in Section 4(b) above), (i) if the Participant holds the position of senior vice president or higher, the Units shall vest and the restrictions thereon shall lapse as set forth under the Company's Executive Severance Pay Policy or the Participant's employment letter with the Company, as applicable; otherwise (ii) provided that the Participant otherwise complies with the Company's then-current severance policy, a prorated portion of the Units shall become vested and the restrictions thereon shall immediately lapse as of the date of such termination of employment or service; provided, that the portion of any such Units that shall become fully vested and free from such restrictions shall be based on actual performance through the end of the Performance Period as determined by the Committee in accordance with Section 3 above, with such proration determined by multiplying the number of Units by a fraction, the numerator of which is the number of full calendar months worked by the Participant since the Award Date (with the month in which the Award Date occurred being the first month) to the date of termination of employment or service, and the denominator of which is the total number of months between the Award Date and the end of the Performance Period. The Units earned in accordance with the foregoing shall be paid out to the Participant in shares of Common Stock as soon as practicable following the Committee's determination, subject to and in accordance with Section 3 above.

6. **Dividend Equivalent Rights.** Each Unit shall also have a dividend equivalent right (a "Dividend Equivalent Right"). Each Dividend Equivalent Right represents the right to receive all of the ordinary cash dividends that are or would be payable with respect to the Units. With respect to each Dividend Equivalent Right, any such cash dividends shall be converted into additional Units based on the Fair Market Value of a share of Common Stock on the date such dividend is paid. Such additional Units shall be subject to the same terms and conditions applicable to the Unit to which the Dividend Equivalent Right relates, including, without limitation, the restrictions on transfer, forfeiture, vesting and payment provisions contained in this Agreement. In the event that a Unit is forfeited as provided in Sections 3 and 5 above, then the related Dividend Equivalent Right shall also be forfeited.

7. **Withholding Taxes.** The Participant shall be required to pay to the Company, and the Company shall have the right and is hereby authorized to withhold, from any cash, shares of Common Stock, other securities or other property deliverable in respect of the Units or from any compensation or other amounts owing to the Participant, the amount (in cash, Common Stock, other securities or other property) of any required withholding taxes in respect of the Units, and to take such other action as may be necessary in the opinion of the Committee or the Company to satisfy all obligations for the payment of such withholding and taxes. In addition, the Committee may, in its sole discretion, permit the Participant to satisfy, in whole or in part, the foregoing withholding liability (but no more than the withholding liability calculated using the highest marginal tax rate) by (a) the delivery of shares of Common Stock (which are not subject to any pledge or other security interest) owned by the Participant having a Fair Market Value equal to such withholding liability or (b) having the Company withhold from the number of shares of Common Stock otherwise issuable or deliverable upon settlement of the Units a number of shares with a Fair Market Value equal to such withholding liability. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. If no election is made by the Participant, the Company will withhold shares of Common Stock to satisfy the minimum statutory required tax withholding.

8. **Securities Laws.** The Participant agrees that the obligation of the Company to issue shares of Common Stock upon the achievement of the Performance Goal shall also be subject, as conditions precedent, to compliance with applicable provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, state securities or corporation laws, rules and regulations under any of the foregoing and applicable requirements of any securities exchange upon which the Company's securities shall be listed.

9. **<u>Bound by Plan</u>.** The Units have been granted subject to the terms and conditions of the Plan, a copy of which has been provided to the Participant and which the Participant acknowledges having received and reviewed. Any conflict between this Agreement and the Plan shall be decided in favor of the provisions of the Plan. Any conflict between this Agreement and the terms of a written employment agreement for the Participant that has been approved, ratified or confirmed by the Board of Directors of the Company (the "Board") or the Committee shall be decided in favor of the provisions of such employment agreement. This Agreement represents the entire agreement between the parties and supersedes all prior and contemporaneous agreements and understandings relative to the same subject matter. This Agreement may not be amended, altered, suspended, discontinued, cancelled or terminated in any manner that would materially and adversely affect the rights of the Participant except by a written agreement executed by the Participant and the Company.

10. **<u>Clawback</u>.** The Participant acknowledges and agrees that the Award of Units is subject to the clawback and forfeiture provisions of Section 14(u) of the Plan and any subsequent clawback or forfeiture policy adopted by the Board or the Committee that is communicated to the Participant or that is consistent with applicable law, whether the Award was granted before or after the effective date of any such clawback or forfeiture policy. Consistent with Section 14(u) of the Plan, the Committee may, in its sole discretion, cancel the Award if the Participant, without the consent of the Company, while employed by or providing services to the Company or any Affiliate or after termination of such employment or service, violates a non-competition, non-solicitation or non-disclosure covenant or agreement or otherwise has engaged in or engages in any Detrimental Activity that is in conflict with or adverse to the interest of the Company or any Affiliate, including fraud or conduct contributing to any financial restatements or irregularities, as determined by the Committee in its sole discretion. If the Committee determines, in its sole discretion, that the Participant has engaged in or engages in any activity referred to in the preceding sentence, the Committee may require the Participant to forfeit any gain realized on the vesting of the Award and to repay the gain to the Company. In addition, if the Participant receives any amount in excess of what the Participant should have received under the terms of the Award for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), then the Participant agrees to repay any such excess amount to the Company.

11. **<u>Electronic Delivery</u>.** By accepting the Award evidenced by this Agreement, the Participant hereby consents to the electronic delivery of all documents, including prospectuses, annual reports and other information required to be delivered by Securities and Exchange Commission rules. This consent may be revoked in writing by the Participant at any time upon three (3) business days' notice to the Company, in which case all documents, including subsequent prospectuses, annual reports and other information, will be delivered in hard copy to the Participant.

12. **<u>Notices</u>.** Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to The Wendy's Company, One Dave Thomas Boulevard, Dublin, Ohio 43017, Attention: Corporate Secretary, or any other address designated by the Company in a written notice to the Participant. Notices to the Participant will be directed to the address of the Participant then currently on file with the Company, or at any other address given by the Participant in a written notice to the Company.

13. **<u>No Right to Continued Employment; No Waiver</u>.** This grant does not constitute an employment contract. Nothing in this Agreement or the Plan shall (a) confer upon the Participant the right to continue to serve as a director or officer to, or to continue as an employee or service provider of, the Company or its Affiliates during all or any portion of the Performance Period or (b) be deemed to be a modification or waiver of the terms and conditions set forth in any written employment agreement for the Participant that has been approved, ratified or confirmed by the Board or the Committee. The failure of either party to enforce any term of this Agreement shall not constitute a waiver of any rights or deprive the party of the right to insist thereafter upon strict adherence to that or any other term of this Agreement, nor shall a waiver of any breach of this Agreement constitute a waiver of any preceding or succeeding breach.

14. **<u>Section 409A of the Code</u>.** If any provision of this Agreement could cause the application of an accelerated or additional tax under Section 409A of the Code upon the vesting or settlement of the Units (or any portion thereof), such provision shall be restructured, to the minimum extent possible, in a manner determined by the Company (and reasonably acceptable to the Participant) that does not cause such an accelerated or additional tax. It is intended that this Agreement shall not be subject to Section 409A of the Code by reason of the short-term deferral rule under Treas. Reg. Section 1.409A-1(b)(4), and this Agreement shall be interpreted accordingly.

15. **<u>Governing Law; Venue</u>.** This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware applicable to contracts made and performed wholly within the State of Delaware, without giving effect to the conflict of laws provisions thereof. For purposes of litigating any dispute that arises under this Agreement, unless otherwise provided in a written employment agreement or letter, arbitration agreement or severance agreement and release executed by the parties, the parties hereby submit to and consent to the jurisdiction of the State of Ohio and agree that such litigation shall be conducted in the courts of Franklin County in the State of Ohio, or the federal courts for the Southern District of Ohio, where the grant of Units is made and/or to be performed.

16. **<u>Counterparts</u>.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument. Furthermore, delivery of a copy of a counterpart signature by facsimile or electronic transmission shall constitute a valid and binding execution and delivery of this Agreement, and such copy shall constitute an enforceable original document.

17. **<u>Electronic Signature</u>.** This Agreement may be executed and exchanged by facsimile or electronic mail transmission, and the facsimile or electronic mail copies of each party's

respective signature will be binding as if the same were an original signature. This Agreement may also be executed through the use of electronic signature, which each party acknowledges is a lawful means of obtaining signatures in the United States. Each party agrees that its electronic signature is the legal equivalent of its manual signature on this Agreement. Each party further agrees that its use of a key pad, mouse or other device to select an item, button, icon, or similar act/action, regarding any agreement, acknowledgement, consent terms, disclosures or conditions constitutes its signature, acceptance and agreement as if actually signed by such party in writing. Furthermore, to the extent applicable, all references to signatures in this Agreement may be satisfied by procedures that the Company or a third party designated by the Company has established or may establish for an electronic signature system, and the Participant's electronic signature shall be the same as, and shall have the same force and effect as, such Participant's written signature.

18. **Data Privacy.** The Participant agrees and acknowledges that by entering into this Agreement and accepting this Award, the Participant (a) consents to the collection, use and transfer, in electronic or other form, of any of the Participant's personal data that is necessary or appropriate to facilitate the implementation, administration and management of this Award and the Plan, (b) understands that the Company may, for purposes of implementing, administering and managing the Plan, hold certain personal information about the Participant, including, without limitation, the Participant's name, home address, telephone number, date of birth, social security number or other identification number, salary, nationality, job title, and details of all awards or entitlements to awards granted to the Participant under the Plan or otherwise ("Personal Data"), (c) understands that Personal Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, including any broker with whom the shares of Common Stock issued upon vesting of the Award may be deposited, and that these recipients may be located in the United States or elsewhere, and that the recipient's country may have different data privacy laws and protections than the United States, (d) waives, solely for purposes of implementing, administering and managing the Award and the Plan, any data privacy rights that the Participant may have with respect to the Personal Data, and (e) authorizes the Company, its Affiliates and its agents, to store and transmit such Personal Data and related information in electronic form. The Participant understands that the Participant is providing consent under this Section on a purely voluntary basis. If the Participant does not consent, or if the Participant later seeks to revoke consent, the Participant's employment status or service with the Company will not be affected; the only consequence of the Participant's refusing or withdrawing consent is that the Company would not be able to grant the Award or other awards to the Participant or implement, administer or maintain such awards.

19. **Validity of Agreement.** This Agreement shall be valid, binding and effective upon the Company and the Participant as of the date the Participant accepts and agrees to the Agreement, so long as such acceptance is received by the Company by the deadline and in the manner prescribed by the Company and communicated to the Participant. If the Participant fails to accept and agree to this Agreement on or prior to such date and in the manner prescribed by the Company and communicated to the Participant, this Agreement will not be binding and enforceable, the Participant shall have no rights and interests pursuant to this Agreement, including specifically the Units evidenced by this Agreement shall be forfeited, and neither the

Participant nor the Participant's heirs, executors, administrators and successors shall have any rights with respect thereto.

20. **Transferability**. This Award shall not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance shall be void and unenforceable against the Company or an Affiliate; provided that the designation of a beneficiary shall not constitute an assignment, alienation, pledge, attachment, sale, transfer or encumbrance. The shares of Common Stock acquired by the Participant upon settlement of the Units may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered by the Participant, unless in compliance with all applicable securities laws as set forth in Section 8 above. The Participant shall not be deemed for any purpose to be the owner of any shares of Common Stock subject to the Units prior to settlement of any vested Units.

21. **Beneficiary**. The Participant may designate in writing one or more beneficiaries to receive the stock certificates (or, if applicable, a notice evidencing book entry notation) representing those Units that become vested and non-forfeitable and settled upon the Participant's death. The Participant has the right to change any such beneficiary designation at will.

22. **Impact on Other Benefits**. The Units and any underlying shares of Common Stock, and the income from and value of the same (either on the Award Date or at the time any Units become vested and/or settled), shall not be taken into account in determining any benefits under any pension, retirement, profit sharing, group insurance or other benefit plan of the Company except as otherwise specifically provided in such other plan.

23. **Administration**. The Committee shall have full authority and discretion (subject only to the express provisions of the Plan) to decide all matters relating to the administration and interpretation of this Agreement. All such Committee determinations shall be final, conclusive, and binding upon the Company, the Participant, and any and all interested parties.

24. **Successors**. This Agreement shall be binding and inure to the benefit of the successors, assigns and heirs of the respective parties.

25. **Force and Effect**. The various provisions of this Agreement are severable in their entirety. Any determination of invalidity or unenforceability of any one provision shall have no effect on the continuing force and effect of the remaining provisions.

26. **No Company Advice.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the shares of Common Stock. The Participant should consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

IN WITNESS WHEREOF, the Company, by a duly authorized officer thereof, has caused this Long-Term Performance Unit Award Agreement to be executed as of the Award Date stated above.

THE WENDY'S COMPANY

By: ______________________________

Name:

Title:

EXHIBIT 31.1

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
OF THE WENDY'S COMPANY, PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Todd A. Penegor, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Wendy's Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Todd A. Penegor
Todd A. Penegor
President and Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
OF THE WENDY'S COMPANY, PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Gunther Plosch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Wendy's Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2023

/s/ Gunther Plosch
Gunther Plosch
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATIONS OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, each of the undersigned officers of The Wendy's Company, a Delaware corporation (the "Company"), does hereby certify, to the best of such officer's knowledge, that in connection with the Quarterly Report on Form 10-Q of the Company for the quarter ended April 2, 2023 (the "Form 10-Q"):

1. the Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 10, 2023

/s/ Todd A. Penegor
Todd A. Penegor
President and Chief Executive Officer

Date: May 10, 2023

/s/ Gunther Plosch
Gunther Plosch
Chief Financial Officer