

REFINITIV

## DELTA REPORT

### 10-Q

WEN - WENDYS CO

10-Q - SEPTEMBER 29, 2024 COMPARED TO 10-Q - JUNE 30, 2024

The following comparison report has been automatically generated

**TOTAL DELTAS** 795

█ **CHANGES** 377

█ **DELETIONS** 155

█ **ADDITIONS** 263

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 **June 30, 2024** **September 29, 2024**

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.**

**43017**

**Dublin, Ohio**

(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 every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 203,242,708 203,845,085 shares of The Wendy's Company common stock outstanding as of July 25, 2024 October 24, 2024.

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THE WENDY'S COMPANY AND SUBSIDIARIES  
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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

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

	June 30, 2024	December 31, 2023
	September 29, 2024	December 31, 2023

ASSETS	ASSETS	(Unaudited)	ASSETS	(Unaudited)
Current assets:				
Cash and cash equivalents				
Cash and cash equivalents				
Cash and cash equivalents				
Restricted cash				
Accounts and notes receivable, net				
Inventories				
Prepaid expenses and other current assets				
Advertising funds restricted assets				
Total current assets				
Properties				
Finance lease assets				
Operating lease assets				
Goodwill				
Other intangible assets				
Investments				
Net investment in sales-type and direct financing leases				
Other assets				
Total assets				
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Current liabilities:	Current liabilities:	Current liabilities:	Current liabilities:	
Current portion of long-term debt				
Current portion of finance lease liabilities				
Current portion of operating lease liabilities				
Accounts payable				
Accrued expenses and other current liabilities				
Advertising funds restricted liabilities				
Total current liabilities				
Long-term debt				
Long-term finance lease liabilities				
Long-term operating lease liabilities				
Deferred income taxes				
Deferred franchise fees				
Other liabilities				
Total liabilities				
Commitments and contingencies	Commitments and contingencies	Commitments and contingencies	Commitments and contingencies	
Stockholders' equity:				
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 204,149 and 205,397 shares outstanding, respectively				
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 204,149 and 205,397 shares outstanding, respectively				
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 204,149 and 205,397 shares outstanding, respectively				
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 204,149 and 205,397 shares outstanding, respectively				
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 203,089 and 205,397 shares outstanding, respectively				
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 203,089 and 205,397 shares outstanding, respectively				
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued; 203,089 and 205,397 shares outstanding, respectively				

Additional paid-in capital
Retained earnings
Common stock held in treasury, at cost; 266,275 and 265,027 shares, respectively
Common stock held in treasury, at cost; 267,335 and 265,027 shares, respectively
Accumulated other comprehensive loss
Total stockholders' equity
Total liabilities and stockholders' equity

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	Three Months Ended	Six Months Ended		Three Months Ended	Nine Months Ended
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	September 29, 2023
					October 1, 2023	October 1, 2024

(Unaudited)

Revenues:

Sales	
Sales	
Sales	
Franchise royalty revenue and fees	
Franchise rental income	
Advertising funds revenue	570,727
	566,739

Costs and expenses:

Cost of sales	
Cost of sales	
Cost of sales	
Franchise support and other costs	
Franchise rental expense	
Advertising funds expense	
General and administrative	
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)	
Amortization of cloud computing arrangements	
System optimization (gains) losses, net	
System optimization gains, net	
Reorganization and realignment costs	
Impairment of long-lived assets	
Other operating income, net	471,220
	472,064
Operating profit	

Interest expense, net

Loss on early extinguishment of debt
Investment income (loss), net
Other income, net
Income before income taxes
Provision for income taxes
Net income
Net income per share:
Net income per share:
Net income per share:
Basic
Basic
Basic
Diluted

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 June 30, 2024	Three Months Ended July 2, 2023	Six Months Ended		Three Months Ended September 29, 2024	Three Months Ended October 1, 2023	Nine Months Ended
			June 30, 2024	July 2, 2023			
(Unaudited)							
Net income							
Other comprehensive (loss) income:							
Other comprehensive income (loss):							
Foreign currency translation adjustment							
Foreign currency translation adjustment							
Foreign currency translation adjustment							
Other comprehensive (loss) income							
Other comprehensive income (loss)							
Comprehensive income							

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock	Common Stock	Paid-In Capital	Retained Earnings	Common Stock Held in Treasury	Additional Accumulated Comprehensive Loss	Common Stock	Paid-In Capital	Retained Earnings	Held in Treasury	Common Stock	Accumulated Other Comprehensive Loss
						Total						Total
(Unaudited)												
(Unaudited)												
(Unaudited)												
Balance at December 31, 2023												
Net income												
Other comprehensive loss												
Cash dividends												
Repurchases of common stock												

Share-based compensation
Common stock issued upon exercises of stock options
Common stock issued upon vesting of restricted shares
Other
Balance at March 31, 2024
Net income
Other comprehensive loss
Cash dividends
Repurchases of common stock
Share-based compensation
Common stock issued upon exercises of stock options
Common stock issued upon vesting of restricted shares
Other
Balance at June 30, 2024
Net income
Other comprehensive income
Cash dividends
Repurchases of common stock
Share-based compensation
Common stock issued upon exercises of stock options
Common stock issued upon vesting of restricted shares
Other
Balance at September 29, 2024

See accompanying notes to condensed consolidated financial statements.

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

	Additional						Additional						Common Stock		Accumulated Other	
	Common Stock	Common Stock	Paid-In Capital	Retained Earnings	Common Stock Held in Treasury	Accumulated Other Comprehensive Loss	Common Stock	Paid-In Capital	Retained Earnings	Held in Treasury	Comprehensive Loss	Total	Common Stock	Accumulated Other		
(Unaudited)																
(Unaudited)																
(Unaudited)																
Balance at January 1, 2023																
Net income																
Other comprehensive income																
Cash dividends																
Repurchases of common stock																
Share-based compensation																
Common stock issued upon exercises of stock options																
Common stock issued upon vesting of restricted shares																
Other																
Balance at April 2, 2023																
Net income																
Other comprehensive income																
Cash dividends																
Repurchases of common stock																

Share-based compensation
Common stock issued upon exercises of stock options
Common stock issued upon vesting of restricted shares
Other
<b>Balance at July 2, 2023</b>
Net income
Other comprehensive loss
Cash dividends
Repurchases of common stock
Share-based compensation
Common stock issued upon exercises of stock options
Common stock issued upon vesting of restricted shares
Other
<b>Balance at October 1, 2023</b>

See accompanying notes to condensed consolidated financial statements.

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

	<b>Six Months Ended</b>	
	<b>June 30, 2024</b>	<b>July 2, 2023</b>
<b>Nine Months Ended</b>		
	<b>September 29, 2024</b>	<b>October 1, 2023</b>
<b>(Unaudited)</b>		

Cash flows from operating activities:

Net income
Net income
Net income
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)
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)
Amortization of cloud computing arrangements
Share-based compensation
Impairment of long-lived assets
Deferred income tax
Non-cash rental expense, net
Change in operating lease liabilities
Net receipt of deferred vendor incentives
<b>System optimization (gains) losses, net</b>
<b>System optimization (gains), net</b>
Distributions received from joint ventures, net of equity in earnings
Long-term debt-related activities, net

Cloud computing arrangements expenditures		
Changes in operating assets and liabilities and other, net		
Net cash provided by operating activities		
Cash flows from investing activities:	Cash flows from investing activities:	Cash flows from investing activities:
Capital expenditures		
Franchise development fund		
Dispositions		
Dispositions		
Dispositions		
Notes receivable, net		
Notes receivable, net		
Notes receivable, net		
Net cash used in investing activities		
Cash flows from financing activities:	Cash flows from financing activities:	Cash flows from financing activities:
Repayments of long-term debt		
Repayments of long-term debt		
Repayments of long-term debt		
Repayments of finance lease liabilities		
Repurchases of common stock		
Repurchases of common stock		
Repurchases of common stock		
Dividends		
Proceeds from stock option exercises		
Payments related to tax withholding for share-based compensation		
Net cash used in financing activities		
Net cash used in operations before effect of exchange rate changes on cash		
Effect of exchange rate changes on cash		
Net decrease in cash, cash equivalents and restricted cash		
Cash, cash equivalents and restricted cash at beginning of period		
Cash, cash equivalents and restricted cash at end of period		

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 **June 30, 2024** **September 29, 2024**, the results of our operations for the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023** and cash flows for the **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**. The results of operations for the **six** **nine** months ended **June 30, 2024** **September 29, 2024** are not necessarily indicative of the results to be expected for the full 2024 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 December 31, 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 16 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- and **six-month** **nine-month** periods presented herein contain 13 weeks and **26** **39** weeks, respectively. 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 U.S.	Wendy's International	Global Real Estate & Development	Total	Wendy's U.S.	Wendy's International	Global Real Estate & Development	Total
<b>Three Months Ended June 30, 2024</b>									
<b>Three Months Ended September 29, 2024</b>									
Sales at Company-operated restaurants									
Sales at Company-operated restaurants									
Sales at Company-operated restaurants									
Franchise royalty revenue									
Franchise fees									
Franchise rental income									
Advertising funds revenue									
Total revenues									
<b>Three Months Ended July 2, 2023</b>									
<b>Three Months Ended July 2, 2023</b>									
<b>Three Months Ended July 2, 2023</b>									
<b>Three Months Ended October 1, 2023</b>									
<b>Three Months Ended October 1, 2023</b>									
<b>Three Months Ended October 1, 2023</b>									
Sales at Company-operated restaurants									
Sales at Company-operated restaurants									
Sales at Company-operated restaurants									
Franchise royalty revenue									
Franchise fees									
Franchise rental income									
Advertising funds revenue									
Total revenues									

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

	Wendy's U.S.	Wendy's U.S.	Wendy's International	Global Real Estate & Development	Total	Wendy's U.S.	Wendy's International	Global Real Estate & Development	Total
<b>Six Months Ended June 30, 2024</b>									
<b>Nine Months Ended September 29, 2024</b>									
Sales at Company-operated restaurants									
Sales at Company-operated restaurants									
Sales at Company-operated restaurants									
Franchise royalty revenue									
Franchise fees									
Franchise rental income									
Advertising funds revenue									
Total revenues									

<b>Six Months Ended July 2, 2023</b>
<b>Six Months Ended July 2, 2023</b>
<b>Six Months Ended July 2, 2023</b>
<b>Nine Months Ended October 1, 2023</b>
<b>Nine Months Ended October 1, 2023</b>
<b>Nine Months Ended October 1, 2023</b>
Sales at Company-operated restaurants
Sales at Company-operated restaurants
Sales at Company-operated restaurants
Franchise royalty revenue
Franchise fees
Franchise rental income
Advertising funds revenue
Total revenues

#### **Contract Balances**

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

	June 30, 2024 (a)	December 31, 2023 (a)
	September 29, 2024 (a)	December 31, 2023 (a)
Receivables, which are included in "Accounts and notes receivable, net" (b)		
Receivables, which are included in "Advertising funds restricted assets"		
Deferred franchise fees (c)		

(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 \$10,954 \$11,454 and \$89,054, \$89,300, respectively, as of June 30, 2024 September 29, 2024, and \$10,673 and \$90,132, respectively, as of December 31, 2023.

Significant changes in deferred franchise fees are as follows:

	<b>Six Months Ended</b>	
	June 30, 2024	July 2, 2023
	<b>Nine Months Ended</b>	
Deferred franchise fees at beginning of period		
Revenue recognized during the period		
New deferrals due to cash received and other		
Deferred franchise fees at end of period		

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

#### **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:**

2024 (a)

2024 (a)	
2024 (a)	
2025	
2026	
2027	
2028	
Thereafter	\$

(a) Represents franchise fees expected to be recognized for the remainder of 2024, which includes development-related franchise fees expected to be recognized over a duration of one year or less.

### (3) System Optimization (Gains) Losses, 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 **June 30, 2024** **September 29, 2024**, Company-operated restaurant ownership was 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, drive new restaurant development and accelerate reimages. During the **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, the Company facilitated 14 and 88 Franchise Flips, respectively. Additionally, during the **nine** months ended **September 29, 2024**, the Company completed the sale of one Company-operated restaurant to a franchisee. No Company-operated restaurants were sold to or purchased from franchisees during the **six** **nine** months ended **June 30, 2024** or **July 2, 2023** **October 1, 2023**.

Gains and losses recognized on dispositions are recorded to "System optimization (gains) losses, 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," which are further described in Note 4. All other costs incurred related to facilitating Franchise Flips are recorded to "Franchise support and other costs."

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Post-closing adjustments on sales of restaurants (a)	\$ 254	\$ —	\$ 254	\$ —
Gain (loss) on sales of other assets, net (b)	26	(6)	(101)	(1)
System optimization gains (losses), net	<b>\$ 280</b>	<b>\$ (6)</b>	<b>\$ 153</b>	<b>\$ (1)</b>

	Three Months Ended		Nine Months Ended	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Number of restaurants sold to franchisees	1	—	1	—
Proceeds from sales of restaurants	\$ 834	\$ —	\$ 834	\$ —
Net assets sold (a)	(725)	—	(725)	—
Other	6	—	6	—
	115	—	115	—
Post-closing adjustments on sales of restaurants (b)	440	537	694	537
Gain on sales of restaurants, net	555	537	809	537
Loss on sales of other assets, net (c)	(135)	(417)	(236)	(418)
System optimization gains, net	<b>\$ 420</b>	<b>\$ 120</b>	<b>\$ 573</b>	<b>\$ 119</b>

(a) Net assets sold consisted primarily of land.

(b) 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)(c) During the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024**, the Company received net cash proceeds of **\$575** **\$1,787** and **\$601** **\$2,388**, respectively, primarily from the sale of surplus and other properties. During the **six** **nine** months ended **July 2, 2023** **October 1, 2023**, the Company received net cash proceeds of \$280 primarily from the sale of surplus and other properties.

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

**Assets Held for Sale**

As of **June 30, 2024** **September 29, 2024** and December 31, 2023, the Company had assets held for sale of **\$2,695** **\$2,517** and \$2,689, 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	Three Months Ended	Six Months Ended		Three Months Ended	Nine Months Ended
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023
Organizational redesign						
Other reorganization and realignment plans						
Other reorganization and realignment plans						
Other reorganization and realignment plans						
Reorganization and realignment costs						

**THE WENDY'S COMPANY AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(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 held its general and administrative expense in 2023 relatively flat compared with 2022. Additionally, in January 2024, the Board of Directors announced the appointment of Kirk Tanner as the Company's new President and Chief Executive Officer, effective February 5, 2024. Mr. Tanner succeeded Todd A. Penegor, the Company's previous President and Chief Executive Officer, who departed from the Company in February 2024. The Company expects to incur total costs of approximately \$18,000 related to the Organizational Redesign Plan, including costs related to the succession of the President and Chief Executive Officer role. During the **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, the Company recognized costs totaling **\$8,031** **\$8,327** and **\$7,407** **\$7,986**, respectively, which primarily included severance and related employee costs. The Company expects to incur additional costs aggregating approximately **\$1,200** **\$800**, comprised primarily of (1) severance and related employee costs of approximately **\$400** and (2) share-based compensation of approximately **\$800**. The Company expects costs related to the Organizational Redesign Plan to continue into 2026.

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

Three Months Ended	Three Months Ended	Six Months Ended	Total Incurred Since Inception	Three Months Ended	Nine Months Ended	Total Incurred Since Inception
June 30, 2024						
September 29, 2024						
Severance and related employee costs						

Severance and related employee costs	
Severance and related employee costs	
Recruitment and relocation costs	
Third-party and other costs	
	1,962
	144
Share-based compensation	
(a)	
Total organizational redesign	

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

As of September 29, 2024, the accruals for the Organizational Redesign Plan are included in "Accrued expenses and other current liabilities" and "Other liabilities" and totaled \$4,210 and \$1,215, respectively. The tables below present a rollforward of our accruals for the Organizational Redesign Plan.

	Balance December 31, 2023	Charges	Payments	Balance September 29, 2024
Severance and related employee costs	\$ 1,692	\$ 7,322	\$ (3,589)	\$ 5,425
Recruitment and relocation costs	—	157	(157)	—
Third-party and other costs	—	120	(120)	—
	<u>\$ 1,692</u>	<u>\$ 7,599</u>	<u>\$ (3,866)</u>	<u>\$ 5,425</u>

	Balance January 1, 2023	Charges	Payments	Balance October 1, 2023
Severance and related employee costs	\$ —	\$ 5,674	\$ (3,524)	\$ 2,150
Recruitment and relocation costs	—	304	(304)	—
Third-party and other costs	—	904	(904)	—
	<u>\$ —</u>	<u>\$ 6,882</u>	<u>\$ (4,732)</u>	<u>\$ 2,150</u>

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As of June 30, 2024, the accruals for the Organizational Redesign Plan are included in "Accrued expenses and other current liabilities" and "Other liabilities" and totaled \$4,558 and \$2,211, respectively. The tables below present a rollforward of our accruals for the Organizational Redesign Plan.

	Balance December 31, 2023	Charges	Payments	Balance June 30, 2024
Severance and related employee costs	\$ 1,692	\$ 7,310	\$ (2,233)	\$ 6,769
Recruitment and relocation costs	—	82	(82)	—
Third-party and other costs	—	64	(64)	—
	<u>\$ 1,692</u>	<u>\$ 7,456</u>	<u>\$ (2,379)</u>	<u>\$ 6,769</u>

	Balance January 1, 2023	Charges	Payments	Balance July 2, 2023
Severance and related employee costs	\$ —	\$ 5,560	\$ (2,405)	\$ 3,155
Recruitment and relocation costs	—	164	(164)	—
Third-party and other costs	—	731	(731)	—

	\$	—	\$ 6,455
		<u>—</u>	<u>\$ 6,455</u>

#### Other Reorganization and Realignment Plans

Costs incurred under the Company's other reorganization and realignment plans were not material during the **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**. The Company does not expect to incur any material additional costs under these plans.

#### (5) Investments

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

	June 30, 2024	December 31, 2023
	September 29, 2024	December 31, 2023
Equity method investment		
Other investments in equity securities	\$	
	<u>—</u>	

#### Equity Method Investment

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.). The Company has significant influence over this investee. Such investment is accounted for using the equity method, under which our results of operations include our share of the income of the investee in "Other operating income, net."

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

	Six Months Ended	
	June 30, 2024	July 2, 2023
	Nine Months Ended	
	September 29, 2024	October 1, 2023
Balance at beginning of period		
Equity in earnings for the period		
Equity in earnings for the period		
Equity in earnings for the period		
Amortization of purchase price adjustments (a)	5,549	
	<u>5,549</u>	
Distributions received		
Foreign currency translation adjustment included in "Other comprehensive (loss) income"		
Foreign currency translation adjustment included in "Other comprehensive income (loss)"		
Balance at end of period	8,623	

(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 the **three** and **six** **nine** months ended **July 2, 2023** **October 1, 2023**, the Company recorded impairment charges of **\$6,827** and **\$10,389** **respectively**, for the difference between the estimated fair value and the carrying value of an investment in equity securities.

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**(6) 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.

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**Financial Instruments**

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

	June 30, 2024		September 29, 2024		Carrying Amount		Carrying Amount		Carrying Amount		Fair Value Measurements		Fair Value	
<b>Financial assets</b>														
Cash equivalents														
Cash equivalents														
Cash equivalents	\$321,656	\$	\$321,656	\$	\$365,901	\$	\$365,901	\$	Level 1	Level 1	\$333,761	\$	Other investments in equity securities (a)	1,718
Other investments in equity securities (a)	1,718	1,718	1,718	1,718	1,718	1,718	1,718	1,718	Level 2	Level 2	1,718	1,718	Other investments in equity securities (a)	1,718
<b>Financial liabilities (b)</b>														
<b>Financial liabilities (b)</b>														
<b>Financial liabilities (b)</b>														
Series 2022-1 Class A-2-1 Notes														
Series 2022-1 Class A-2-1 Notes														
Series 2022-1 Class A-2-1 Notes	98,000	91,863	91,863	98,500	98,500	92,289	92,289	92,289	Level 2	Level 2	97,750			

Series 2022-1	Series 2022-1												Series 2022-1	
Class A-2-II	Class A-2-II												Class A-2-II	
Notes	Notes	388,134	356,916	356,916	390,134		390,134	370,577		370,577	2		Notes	387,13
Series 2021-1	Series 2021-1												Series 2021-1	
Class A-2-I	Class A-2-I												Class A-2-I	
Notes	Notes	421,019	367,486	367,486	423,269		423,269	362,572		362,572	2		Notes	419,89
Series 2021-1	Series 2021-1												Series 2021-1	
Class A-2-II	Class A-2-II												Class A-2-II	
Notes	Notes	630,280	529,044	529,044	633,530		633,530	530,581		530,581	2		Notes	628,65
Series 2019-1	Series 2019-1												Series 2019-1	
Class A-2-I	Class A-2-I												Class A-2-I	
Notes	Notes	355,673	338,643	338,643	357,673		357,673	341,606		341,606	2		Notes	354,67
Series 2019-1	Series 2019-1												Series 2019-1	
Class A-2-II	Class A-2-II												Class A-2-II	
Notes	Notes	400,873	374,143	374,143	403,123		403,123	374,058		374,058	2		Notes	399,74
Series 2018-1	Series 2018-1												Series 2018-1	
Class A-2-II	Class A-2-II												Class A-2-II	
Notes	Notes	438,724	413,155	413,155	441,099		441,099	412,754		412,754	2		Notes	437,53
7% debentures, due in 2025	7% debentures, due in 2025	48,574	49,570	49,570	48,237		48,237	49,431		49,431	2		7% debentures, due in 2025	48,74

(a) The fair value of our other investments in equity securities is based on our review of information provided by the investment manager, which is based on observable price changes in orderly transactions 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.

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**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. 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 7 for further information on impairment of our long-lived assets.

	June 30, 2024	Fair Value Measurements		
		Level 1	Level 2	Level 3
	September 29, 2024	Level 1	Level 2	Level 3
Held and used				

Held for sale

	December 31, 2023	Fair Value Measurements		
		Level 1	Level 2	Level 3
Held and used	\$ 1,212	\$ —	\$ —	\$ 1,212
Held for sale	1,044	—	—	1,044
<b>Total</b>	<b>\$ 2,256</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 2,256</b>

## **(7) 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) classifying 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	Three Months Ended		Six Months Ended	Three Months Ended	Nine Months Ended
June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023		
September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023		
Company-operated restaurants					
Surplus properties	—				
	\$				

## (8) Income Taxes

The Company's effective tax rate for the three months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023** was **27.0%** **27.9%** and **24.4%** **25.5%**, respectively. The Company's effective tax rate varied from the U.S. federal statutory rate of 21% for the three months ended **June 30, 2024** **September 29, 2024** primarily due to state income taxes and the tax effects of our foreign operations.

The Company's effective tax rate for the **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023** was **26.9%** **27.3%** and **25.9%** **25.8%**, respectively. The Company's effective tax rate varied from the U.S. federal statutory rate of 21% for the **six** **nine** months ended **June 30, 2024** **September 29, 2024** primarily due to state income taxes and the tax effects of our foreign operations.

There were no significant changes to the unrecognized tax benefits or related interest and penalties for the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024**. During the next twelve months, we believe it is reasonably possible the Company will reduce unrecognized tax benefits by up to \$220 due to lapses of statutes of limitations.

The current portion of refundable income taxes was \$12,750 as of June 30, 2024, September 29, 2024 and December 31, 2023, respectively, and is included in "Accounts and notes receivable, net." There were no long-term refundable income taxes as of June 30, 2024, September 29, 2024 or December 31, 2023.

**(9) Net Income Per Share**

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

Common stock:	
Common stock:	
Common stock:	
Weighted average basic shares outstanding	
Weighted average basic shares outstanding	
Weighted average basic shares outstanding	
Dilutive effect of stock options and restricted shares	
Weighted average diluted shares outstanding	
Net income per share:	
Net income per share:	
Net income per share:	
Basic	
Basic	
Basic	
Diluted	

Basic net income per share for the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023** 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 **7,606** **8,605** and **7,197** **7,667** for the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024**, respectively, and **4,420** **5,204** and **4,476** **4,719** for the three and **six** **nine** months ended **July 2, 2023** **October 1, 2023**, respectively, from our diluted net income per share calculation as they would have had anti-dilutive effects.

## (10) Stockholders' Equity

### *Dividends*

During each of the first, **second**, and **second** **third** quarters of 2024 and 2023, the Company paid dividends per share of \$.25.

### *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

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Authorization"). During the **six** **nine** months ended **June 30, 2024** **September 29, 2024**, the Company repurchased **1,955** **3,447** shares under the January 2023 Authorization with an aggregate purchase price of **\$34,448**, **\$59,637**, of which **\$801** **\$203** was accrued as of **June 30, 2024** **September 29, 2024**, and excluding excise tax of **\$233** **\$441** and commissions of **\$28**, **\$49**. As of **June 30, 2024** **September 29, 2024**, the Company had **\$275,552** **\$250,363** of availability remaining under the January 2023 Authorization. Subsequent to **June 30, 2024** **September 29, 2024** through **July 25, 2024** **October 24, 2024**, the Company repurchased **929** **150** shares under the January 2023 Authorization with an aggregate purchase price of **\$15,552**, **\$2,679**, excluding applicable excise tax and commissions.

During the **six** **nine** months ended **July 2, 2023** **October 1, 2023**, the Company repurchased **4,023** **6,730** shares under the January 2023 Authorization with an aggregate purchase price of **\$88,254**, **\$144,320**, of which **\$1,380** **\$2,001** was accrued as of **July 2, 2023** **October 1, 2023**, and excluding excise tax of **\$683** **\$1,293** and commissions of **\$56**, **\$94**.

### *Accumulated Other Comprehensive Loss*

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

	<b>Six Months Ended</b>	
	<b>June 30, 2024</b>	<b>July 2, 2023</b>
<b>Nine Months Ended</b>		
	<b>September 29, 2024</b>	<b>October 1, 2023</b>
Balance at beginning of period		
Foreign currency translation		

Balance at end of period

### (11) 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. The Company also leases restaurant, office and transportation equipment. As of **June 30, 2024** **September 29, 2024**, the nature of restaurants operated by the Company and its franchisees was as follows:

	June 30, September 29, 2024
Company-operated restaurants:	
Owned land and building	155 154
Owned building and held long-term land leases	145
Leased land and building	111 112
Total Company-operated restaurants	411
Franchisee-operated restaurants:	
Company-owned properties leased to franchisees	492
Company-leased properties subleased to franchisees	1,173 1,161
Other franchisee-operated restaurants	5,185 5,228
Total franchisee-operated restaurants	6,850 6,881
Total Company-operated and franchisee-operated restaurants	7,261 7,292

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#### Company as Lessee

The components of lease cost are as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023

#### Finance lease cost:

Amortization of finance lease assets	
Amortization of finance lease assets	
Amortization of finance lease assets	
Interest on finance lease liabilities	15,071
	15,700

#### Operating lease cost

Variable lease cost (a)	
Short-term lease cost	
Total operating lease cost (b)	
Total lease cost	

(a) Includes expenses for executory costs of **\$10,033** **\$10,108** and **\$10,172** **\$9,777** for the three months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, respectively, and **\$20,254** **\$30,362** and **\$20,020** **\$29,797** for the **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, respectively, for which the Company is reimbursed by sublessees.

(b) Includes \$32,355 \$32,197 and \$32,329 \$31,824 for the three months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, and \$64,073 \$96,270 and \$62,927 \$94,751 for the six nine months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, recorded to "Franchise rental expense" for leased properties that are subsequently leased to franchisees. Also includes \$7,402 \$7,299 and \$7,546 \$7,570 for the three months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, and \$14,790 \$22,089 and \$15,411 \$22,981 for the six nine months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, recorded to "Cost of sales" for leases for Company-operated restaurants.

#### Company as Lessor

The components of lease income are as follows:

	Three Months Ended	Three Months Ended		Six Months Ended	Three Months Ended	Nine Months Ended
	June 30, 2024	July 2, 2023		June 30, 2024	July 2, 2023	
	September 29, 2024	October 1, 2023		September 29, 2024	October 1, 2023	

Sales-type and direct-financing leases:

Selling profit  
Selling profit  
Selling profit

Interest income (a)

Operating lease income

Operating lease income

Operating lease income

Variable lease income

Franchise rental income (b)

(a) Included in "Interest expense, net."

(b) Includes sublease income of \$45,049 \$43,698 and \$42,961 \$42,545 recognized during the three months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, and \$87,832 \$131,530 and \$85,912 \$128,457 recognized during the six nine months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively. Sublease income includes lessees' variable payments to the Company for executory costs of \$10,155 \$10,112 and \$10,115 \$9,811 for the three months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, and \$20,244 and \$19,893 for the six months ended June 30, 2024 and July 2, 2023, respectively.

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respectively, and \$30,356 and \$29,704 for the nine months ended September 29, 2024 and October 1, 2023, respectively.

#### (12) Supplemental Cash Flow Information

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

	Six Months Ended	
	June 30, 2024	July 2, 2023
	Nine Months Ended	
	September 29, 2024	October 1, 2023

Supplemental non-cash investing and financing activities:

Capital expenditures included in accounts payable  
Capital expenditures included in accounts payable  
Capital expenditures included in accounts payable

Finance leases

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

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	June 30, 2024	December 31, 2023
	September 29, 2024	December 31, 2023
Reconciliation of cash, cash equivalents and restricted cash at end of period:		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Restricted cash		
Restricted cash, included in Advertising funds restricted assets		
Total cash, cash equivalents and restricted cash		

#### (13) 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 \$10,522 \$16,065 and \$10,140 \$15,713 under these lease agreements during the six nine months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, which is recorded to "Franchise rental expense." In addition, TimWen paid Wendy's a management fee under the TimWen joint venture agreement of \$120 \$179 and \$121 \$181 during the six nine months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, respectively, which is included as a reduction to "General and administrative."

##### **Transactions with QSCC**

Wendy's has a purchasing co-op relationship structure with its franchisees that establishes Quality Supply Chain Co-op, Inc. ("QSCC"). QSCC manages, for the Wendy's system in the U.S. and Canada, contracts for the purchase and distribution of food, proprietary paper, operating supplies and equipment under national agreements with pricing based upon total system volume. QSCC's supply chain management facilitates continuity of supply and provides consolidated purchasing efficiencies while monitoring and seeking to minimize possible obsolete inventory throughout the Wendy's supply chain in the U.S. and Canada.

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Wendy's and its franchisees pay sourcing fees to third-party vendors on certain products sourced by QSCC. Such sourcing fees are remitted by these vendors to QSCC and are the primary means of funding QSCC's operations. In addition, QSCC collects certain rebates, price variance and other recoveries, technology fees, convention fees and other funding from third-party vendors as part of the administration and management of the Wendy's supply chain in the U.S. and Canada. Should QSCC's sourcing fees exceed its expected needs, QSCC's board of directors may return some or all of the excess to its members in the form of a patronage dividend. Wendy's recorded its share of patronage dividends of \$3,379 \$3,493 during the six nine months ended June 30, 2024 September 29, 2024, of which \$2,909 is included in "Other operating income, net" and \$470 \$584 is included as a reduction of "Cost of sales." There were no Wendy's recorded its share of patronage dividends recorded of \$363 during the six nine months ended July 2, 2023.

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October 1, 2023, all of which is included as a reduction of "Cost of sales."

##### **Transactions with Yellow Cab**

Certain family members and/or affiliates of Mr. Nelson Peltz, our former Chairman, Mr. Peter May, our Senior Vice Chairman, and Mr. Matthew Peltz, our Vice Chairman, hold minority ownership interests in Yellow Cab Holdings, LLC ("Yellow Cab"), a Wendy's franchisee, that as of June 30, 2024 September 29, 2024 owns and operates 86 87 Wendy's restaurants, and/or certain of the operating companies managed by Yellow Cab. During the six nine months ended June 30, 2024 September 29, 2024 and July 2, 2023 October 1, 2023, the Company recognized \$7,543 \$11,397 and \$7,411, \$11,143, respectively, in royalty, advertising fund, lease and other income from Yellow Cab and related entities. In all transactions involving Yellow Cab, the Company's standard franchisee recruiting and approval processes were followed, no modifications were made to the Company's standard franchise agreements or related documents, and all deal terms and transaction documents were negotiated and executed on an arm's-length basis, consistent with the Company's comparable franchise transactions and relationships. As of June 30, 2024 September 29, 2024 and December 31, 2023, \$1,134 \$1,099 and \$1,153, 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 **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**, the Company purchased approximately **\$1,100** **\$1,600** and **\$1,200**, **\$1,800**, respectively, of advertising time from a subsidiary of AMC. The Company's advertising spend with AMC was made in the ordinary course of business and approved on an arm's-length basis, consistent with the Company's comparable advertising decisions. As of December 31, 2023, approximately \$584 was due to AMC for such advertising time, which is included in "Advertising funds restricted liabilities." There were no amounts due to AMC as of **June 30, 2024** **September 29, 2024**.

#### (14) 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 Incentive Programs**

To promote new restaurant development, Wendy's has provided franchisees with certain incentive programs for qualifying new restaurants. In July **and September** 2024, Wendy's announced a new development incentive structure in the U.S. **and Canada and select international markets, respectively**, that provides for reductions in royalty and national advertising fees for qualifying new restaurants for two, three or four years of operation based on the number of restaurants committed to under the development agreement.

##### **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 **\$89,111** **\$86,450** as of **June 30, 2024** **September 29, 2024**. These leases extend through 2045. We have had no judgments against us as guarantor of these leases as of **June 30, 2024** **September 29, 2024**. 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 franchise owner. The liability recorded for our probable exposure associated with these lease guarantees was not material as of **June 30, 2024** **September 29, 2024**.

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

##### **Letters of Credit**

As of **June 30, 2024** **September 29, 2024**, the Company had outstanding letters of credit with various parties totaling **\$28,840**, **\$28,673**. 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.

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

The Company has material purchase requirements under a marketing agreement with two national broadcasters and a beverage agreement with a vendor. In August 2024, the Company amended its contract with the beverage vendor, which now expires upon reaching a threshold usage requirement or, if certain undertakings are not fulfilled, at the later of reaching a threshold usage requirement or December 31, 2034. Our total purchase requirements under the marketing agreement and the amended beverage agreement are estimated to be approximately \$107,500 over the remaining life of the contracts.

#### (15) 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.

#### (16) Segment Information

Revenues by segment are as follows:

	Three Months Ended		Six Months Ended	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Wendy's U.S.	\$ 472,591	\$ 468,753	\$ 915,438	\$ 909,741
Wendy's International	36,361	32,715	69,176	61,995

Global Real Estate & Development	61,775	60,097	120,866	118,636
Total revenues	\$ 570,727	\$ 561,565	\$ 1,105,480	\$ 1,090,372

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

	Three Months Ended		Six Months Ended	
	June 30, 2024		July 2, 2023	
	June 30, 2024	July 2, 2023	June 30, 2024	July 2, 2023
Wendy's U.S. (a)	\$ 136,709	\$ 142,947	\$ 262,533	\$ 268,177
Wendy's International (b)	10,675	8,531	21,365	15,977
Global Real Estate & Development	28,182	26,534	52,243	51,602
Total segment profit	175,566	178,012	\$ 336,141	\$ 335,756
Unallocated franchise support and other costs	(191)	23	(217)	23
Advertising funds deficit	254	1,315	461	2,421
Unallocated general and administrative (c)	(32,456)	(33,653)	(65,846)	(65,814)
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)	(37,492)	(33,498)	(73,010)	(66,970)
Amortization of cloud computing arrangements	(3,519)	(2,266)	(7,061)	(3,848)
System optimization gains (losses), net	280	(6)	153	(1)
Reorganization and realignment costs	(2,452)	(681)	(8,125)	(7,489)
Impairment of long-lived assets	(689)	(78)	(2,695)	(454)
Unallocated other operating income, net	206	106	862	128
Interest expense, net	(30,995)	(31,136)	(61,530)	(62,841)
Loss on early extinguishment of debt	—	—	—	(1,266)
Investment income (loss), net	11	(6,827)	11	(10,389)
Other income, net	6,300	7,573	13,136	14,909
Income before income taxes	\$ 74,823	\$ 78,884	\$ 132,280	\$ 134,165

	Three Months Ended		Nine Months Ended	
	September 29, 2024		October 1, 2023	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Wendy's U.S.	\$ 468,725	\$ 457,240	\$ 1,384,163	\$ 1,366,981
Wendy's International	37,598	35,167	106,774	97,162
Global Real Estate & Development	60,416	58,148	181,282	176,784
Total revenues	\$ 566,739	\$ 550,555	\$ 1,672,219	\$ 1,640,927

**THE WENDY'S COMPANY AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
(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		Nine Months Ended	
	September 29, 2024		October 1, 2023	
	September 29, 2024	October 1, 2023	September 29, 2024	October 1, 2023
Wendy's U.S. (a)	\$ 129,790	\$ 134,887	\$ 392,323	\$ 403,064
Wendy's International (b)	11,046	10,831	32,411	26,808
Global Real Estate & Development	27,237	24,418	79,480	76,020
Total segment profit	168,073	170,136	\$ 504,214	\$ 505,892
Unallocated franchise support and other costs	(900)	(29)	(1,117)	(6)
Advertising funds deficit	190	1,088	651	3,509
Unallocated general and administrative (c)	(32,443)	(30,962)	(98,289)	(96,776)

Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)	(36,996)	(34,288)	(110,006)	(101,258)
Amortization of cloud computing arrangements	(3,576)	(3,844)	(10,637)	(7,692)
System optimization gains, net	420	120	573	119
Reorganization and realignment costs	(354)	(611)	(8,479)	(8,100)
Impairment of long-lived assets	(178)	(59)	(2,873)	(513)
Unallocated other operating income, net	439	52	1,301	180
Interest expense, net	(31,270)	(30,957)	(92,800)	(93,798)
Loss on early extinguishment of debt	—	(319)	—	(1,585)
Investment income (loss), net	—	—	11	(10,389)
Other income, net	6,246	7,637	19,382	22,546
Income before income taxes	<u>\$ 69,651</u>	<u>\$ 77,964</u>	<u>\$ 201,931</u>	<u>\$ 212,129</u>

(a) Wendy's U.S. includes advertising funds expense of ~~\$5,084~~ \$5,977 and ~~\$7,409~~ \$13,386 for the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 29, 2024 related to the Company's funding of incremental advertising.

(b) Wendy's International includes advertising funds expense of ~~\$603~~ \$622 and ~~\$765~~ \$1,387 for the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 29, 2024, respectively, and ~~\$658~~ \$596 and ~~\$1,206~~ \$1,802 for the three and ~~six~~ nine months ended ~~July 2, 2023~~ October 1, 2023, respectively, related to the Company's funding of incremental advertising in Canada. In addition, Wendy's International includes other international-related advertising deficit (deficit) surplus of ~~\$320~~ \$170 and ~~\$470~~ \$640 for the three and ~~six~~ nine months ended ~~June 30, 2024~~ September 29, 2024, respectively, and ~~\$479~~ \$535 and ~~\$1,324~~ \$789 for the three and ~~six~~ nine months ended ~~July 2, 2023~~ October 1, 2023, respectively.

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

## (17) New Accounting Standards

### *New Accounting Standard Adopted*

#### *Common-Control Lease Arrangements*

In March 2023, the Financial Accounting Standards Board ("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 Company adopted this amendment during the first quarter of 2024. The adoption of this amendment did not 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 December 31, 2023 (the "Form 10-K"). There have been no material changes as of ~~June 30, 2024~~ September 29, 2024 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 and dollar share, and the third largest globally with ~~7,261~~ 7,292 restaurants in the U.S. and 31 foreign countries and U.S. territories as of ~~June 30, 2024~~ September 29, 2024.

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 16 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- ~~six-and month~~ and ~~nine-month~~ periods presented herein contain 13 weeks and ~~26~~ 39 weeks, respectively. All references to years, quarters and months relate to fiscal periods rather than calendar periods.

## Executive Overview

### Our Business

As of ~~June 30, 2024~~ September 29, 2024, the Wendy's restaurant system was comprised of ~~7,261~~ 7,292 restaurants, with ~~6,013~~ 6,011 Wendy's restaurants in operation in the U.S. Of the U.S. restaurants, ~~399~~ 398 were operated by the Company and ~~5,614~~ 5,613 were operated by a total of ~~208~~ 210 franchisees. In addition, at ~~June 30, 2024~~ September 29, 2024, there were ~~1,248~~ 1,281 Wendy's restaurants in operation in 31 foreign countries and U.S. territories. Of the international restaurants, ~~1,236~~ 1,268 were operated by a total of ~~108~~ 109 franchisees and ~~12~~ 13 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 ~~June 30, 2024~~ September 29, 2024.

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 same-restaurant sales momentum across all dayparts, (2) accelerating our consumer-facing digital platforms and technologies and (3) expanding the Company's footprint across the globe.

### 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. This methodology is consistent with the metric used by our management for internal reporting and analysis. The table summarizing same-restaurant sales below in "Results of Operations" provides the same-restaurant sales percent changes.
- Company-Operated Restaurant Margin - We define Company-operated 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 Company-operated 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.

Company-operated 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, Company-operated 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.

#### **Second Third Quarter Financial Highlights**

- Revenue increased **1.6%** **2.9%** to **\$570.7 million** **\$566.7 million** in the **second** **third** quarter of 2024 compared with **\$561.6 million** **\$550.6 million** in the **second** **third** quarter of 2023;
- Global same-restaurant sales increased **0.8%** **0.2%**, U.S. same-restaurant sales increased **0.6%** **0.2%** and international same-restaurant sales increased **2.5%** **0.7%** compared with the **second** **third** quarter of 2023. On a two-year basis, global same-restaurant sales increased **3.0%**;
- Global Company-operated restaurant margin was **15.1%** in the third quarter of 2024, an increase of 10 basis points compared with the third quarter of 2023; and
- Net income decreased **13.5%** to **\$50.2 million** in the third quarter of 2024 compared with **\$58.0 million** in the third quarter of 2023.

#### **Year-to-Date Financial Highlights**

- Revenue increased **1.9%** to **\$1.67 billion** in the first nine months of 2024 compared with **\$1.64 billion** in the first nine months of 2023;
- Global same-restaurant sales increased **0.7%**, U.S. same-restaurant sales increased **0.5%** and international same-restaurant sales increased **2.1%** compared with the first nine months of 2023. On a two-year basis, global same-restaurant sales increased **5.9%**;
- Global Company-operated restaurant margin was **15.8%** in the second quarter of 2024, a decrease of 70 basis points compared with the second quarter of 2023; and
- Net income decreased **8.4%** to **\$54.6 million** in the second quarter of 2024 compared with **\$59.6 million** in the second quarter of 2023.

#### **Year-to-Date Financial Highlights**

- Revenue increased **1.4%** to **\$1.11 billion** **15.2%** in the first **six** months of 2024 compared with **\$1.09 billion** in the first **six** months of 2023;
- Global same-restaurant sales increased **0.9%**, U.S. same-restaurant sales increased **0.6%** and international same-restaurant sales increased **2.8%** compared with the first **six** months of 2023. On a two-year basis, global same-restaurant sales increased **7.4%**;
- Global Company-operated restaurant margin was **15.3%** in the first **six** **nine** months of 2024, an increase of 10 basis points compared with the first **six** **nine** months of 2023; and
- Net income decreased **2.9%** **6.8%** to **\$96.6 million** **\$146.9 million** in the first **six** **nine** months of 2024 compared with **\$99.5 million** **\$157.5 million** in the first **six** **nine** months of 2023.

#### **Global Same-Restaurant Sales**

Wendy's long-term growth opportunities include driving same-restaurant sales across all dayparts through quality differentiation, exciting menu innovation and compelling value offerings. Global same-restaurant sales increased **0.8%** **0.2%** in the **second** **third** quarter of 2024 and increased **5.9%** **3.0%** on a two-year basis. Global same-restaurant sales increased **0.9%** **0.7%** in the first **six** **nine** months of 2024 and increased **7.4%** **5.9%** on a two-year basis. To drive same-restaurant sales across the breakfast daypart, the Company plans to fund approximately \$22.0 million of incremental breakfast advertising in 2024.

#### **Digital**

Wendy's long-term growth opportunities include accelerating consumer-facing digital platforms and technologies to drive global systemwide sales. Over the past several years, 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 continuing to make digital investments and is partnering with key technology providers to help execute our digital, restaurant technology and enterprise technology initiatives and support our technology innovation and growth. During the second quarter of 2023, the Company revised its definition of digital sales to reflect our full digital portfolio by including in-restaurant mobile scans, in addition to our previously included delivery, mobile order and kiosk digital channels. The Company's digital business has continued to grow and under the revised definition, digital sales as a percent of global systemwide sales increased from approximately 12.7% 12.8% during the first **six** nine months of 2023 to approximately 16.9% 17.1% during the first **six** nine months of 2024.

#### **New Restaurant Development**

Wendy's long-term growth opportunities include expanding the Company's footprint across the globe. To promote new restaurant development, the Company has provided franchisees with certain incentive programs for qualifying new restaurants, in addition to our build to suit development fund. In July and September 2024, Wendy's announced a new development incentive structure in the U.S. and Canada and select international markets, respectively, that provides for reductions in royalty and national advertising fees for qualifying new restaurants for two, three or four years of operation based on the number of restaurants committed to under the development agreement. 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. During the **six** nine months ended **June 30, 2024** **September 29, 2024**, Wendy's added 21 52 net new restaurants across the system.

#### **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 held its general and administrative expense in 2023 relatively flat compared with 2022. Additionally, in January 2024, the Board of Directors announced the appointment of Kirk Tanner as the Company's new President and Chief Executive Officer, effective February 5, 2024. Mr. Tanner succeeded Todd A. Penegor, the Company's previous President and Chief Executive Officer, who departed from the Company in February 2024. The Company expects to incur total costs of approximately \$18 million related to the Organizational Redesign Plan, including costs related to the succession of the President and Chief Executive Officer role. Of the total costs, approximately \$15 million will be cash expenditures expected through 2026. Costs related to the Organizational Redesign Plan are recorded to "Reorganization and realignment costs." During the **six** nine months ended **June 30, 2024** **September 29, 2024**, the Company recognized costs totaling **\$8.0 million** **\$8.3 million**, which primarily included severance and related employee costs. The Company expects to incur additional costs aggregating approximately **\$1.2 million** **\$0.8 million**, comprised primarily of (1) severance and related employee costs of approximately \$0.4 million and (2) share-based compensation of approximately \$0.8 million. The Company expects costs related to the Organizational Redesign Plan to continue into 2026.

#### **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 **second** **third** quarter and the first **six** nine months of 2024 and 2023.

	Second			Six Months		
	Quarter		Six Months	Third		Nine Months
	2024	2023	Change	2024	2023	Change
<b>Revenues:</b>						
Sales						
Sales						
Sales						
Franchise royalty revenue and fees						
Franchise rental income						
Advertising funds revenue						
Costs and expenses:	Costs and expenses:			Costs and expenses:		
Cost of sales						
Franchise support and other costs						
Franchise rental expense						
Advertising funds expense						
General and administrative						
Depreciation and amortization (exclusive of amortization of cloud computing arrangements shown separately below)						
Amortization of cloud computing arrangements						
System optimization gains, net						
Reorganization and realignment costs						

Impairment of long-lived assets																
Other operating income, net																
Operating profit																
Interest expense, net																
Loss on early extinguishment of debt																
Investment loss, net																
Other income, net																
Income before income taxes																
Provision for income taxes																
Net income																
Second Quarter																
Third Quarter																
Six Months																
Nine Months																
2024	2024	% of Total Revenues	2023	% of Total Revenues	2024	% of Total Revenues	2023	% of Total Revenues	2024	% of Total Revenues	2023	% of Total Revenues	2024			
Revenues:																
Sales																
Sales																
Sales	\$237.4	41.6	41.6 %	\$240.7	42.9	42.9 %	\$462.7	41.9	41.9	\$468.6	43.0	43.0 %				
Franchise royalty revenue and fees:																
Franchise royalty revenue																
Franchise royalty revenue																
Franchise royalty revenue	136.3	23.9	23.9 %		132.1	23.5	23.5 %		262.0	23.7	23.7	%	254.3	23.3	23.3 %	
Franchise fees	Franchise fees	21.3	3.7	3.7 %		21.0	3.7	3.7 %		42.2	3.8	3.8 %		40.5	3.7	3.7 %
Total franchise royalty revenue and fees																
Total franchise royalty revenue and fees	157.6	27.6	27.6 %		153.1	27.2	27.2 %		304.2	27.5	27.5 %		294.8	27.0	27.0 %	
Franchise rental income																
Franchise rental income	60.6	10.6	10.6 %		58.0	10.3	10.3 %		118.6	10.7	10.7 %		115.8	10.6	10.6 %	
Advertising funds revenue																
Advertising funds revenue	115.1	20.2	20.2 %		109.8	19.6	19.6 %		220.0	19.9	19.9 %		211.2	19.4	19.4 %	
Total revenues	Total revenues	\$570.7	100.0	100.0 %		\$561.6	100.0	100.0 %		\$1,105.5	100.0	100.0 %		\$1,090.4	100.0	100.0 %
Second Quarter																
Second Quarter																
Second Quarter																
Six Months																
Third Quarter																
Third Quarter																
Nine Months																
2024	2024	% of Sales	2023	% of Sales	2024	% of Sales	2023	% of Sales	2024	% of Sales	2023	% of Sales	2024			
Cost of sales:																
Food and paper																
Food and paper																
Food and paper	\$ 73.6	31.0	31.0 %	\$ 75.8	31.5	31.5 %	\$ 142.7	30.8	30.8 %	\$ 149.6	31.9	31.9 %				
Restaurant labor	Restaurant labor	76.0	32.0	32.0 %	75.3	31.3	31.3 %	149.6	32.3	32.3 %	148.9	31.8	31.8 %			
Occupancy, advertising and other operating costs	Occupancy, advertising and other operating costs	50.3	21.2	21.2 %	49.9	20.7	20.7 %	99.7	21.5	21.5 %	99.0	21.1	21.1 %			

Total cost of sales	Total cost of sales	\$199.9	84.2	84.2 %	\$201.0	83.5	83.5 %	\$ 392.0	84.7	84.7 %	\$ 397.5	84.8	84.8 %
<b>Company-operated restaurant margin:</b>													
U.S.													
U.S.	2024	2024	% of Sales	2023	% of Sales	2024	% of Sales	2023	% of Sales	2024	% of Sales	2024	% of Sales
U.S.	\$38.1	16.5	16.5 %	\$40.6	17.3	17.3 %	\$71.6	15.9	15.9 %	\$73.3	16.0	16.0 %	\$35.5
Global	37.5	15.8	15.8 %	39.7	16.5	16.5 %	70.7	15.3	15.3 %	71.1	15.2	15.2 %	35.2

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.

		Second Quarter	Six Months
		Third Quarter	Nine Months
	2024	2024	2023

*Key business measures:*

U.S. same-restaurant sales:													
U.S. same-restaurant sales:													
U.S. same-restaurant sales:													
Company-operated													
Company-operated													
Company-operated		(1.1)%	3.1 %	(1.0)%	5.2 %	(1.5) %	0.7 %	(1.1) %	3.6 %				
Franchised	Franchised	0.7 %	5.0 %	0.8 %	6.1 %	Franchised	0.3 %	2.3 %	0.6 %	4.8 %			
Systemwide	Systemwide	0.6 %	4.9 %	0.6 %	6.0 %	Systemwide	0.2 %	2.2 %	0.5 %	4.7 %			
International same-restaurant sales (a)													
International same-restaurant sales (a)		2.5 %	7.2 %	2.8 %	10.3 %	0.7 %	7.8 %	2.1 %	9.4 %				
Global same-restaurant sales:													
Global same-restaurant sales:													
Company-operated													
Company-operated													
Company-operated		(1.3)%	3.3 %	(1.1)%	5.3 %	(1.6) %	1.0 %	(1.3) %	3.8 %				
Franchised (a)	Franchised (a)	1.0 %	5.3 %	1.0 %	6.6 %	Franchised (a)	0.4 %	3.0 %	0.8 %	5.4 %			
Systemwide (a)	Systemwide (a)	0.8 %	5.1 %	0.9 %	6.5 %	Systemwide (a)	0.2 %	2.8 %	0.7 %	5.2 %			
Systemwide sales (b):													
Systemwide sales (b):													
Systemwide sales (b):													
U.S. Company-operated													
U.S. Company-operated													
U.S. Company-operated													
U.S. franchised													
U.S. systemwide													
International Company-operated													
International franchised (a)													
International systemwide (a)													
Global systemwide (a)													

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

(b) During the **second** **third** quarter of 2024 and 2023, global systemwide sales increased **2.6%** **1.8%** and **6.9%** **4.8%**, respectively, U.S. systemwide sales increased **1.7%** **0.9%** and **6.1%** **3.6%**, respectively, and international systemwide sales increased **8.3%** **7.7%** and **12.7%** **13.6%**, respectively, on a constant currency basis. During the first **six** **nine** months of 2024 and 2023, global systemwide sales increased **2.6%** **2.3%** and **8.4%** **7.2%** respectively, U.S. systemwide sales increased **1.7%** **1.4%** and **7.3%** **6.0%**, respectively, and international systemwide sales increased **8.5%** **8.3%** and **16.6%** **15.6%**, respectively, on a constant currency basis.

		Second Quarter				Third Quarter						
	U.S. Company- operated	U.S. Company- operated	U.S. Franchised	International Company- operated	International Franchised	Systemwide	U.S. Company- operated	U.S. Franchised	International Company- operated	International Franchised	Systemwide	
<i>Restaurant count:</i>												
Restaurant count at March 31, 2024												
Restaurant count at March 31, 2024												
Restaurant count at March 31, 2024												
Opened												
Closed												
Restaurant count at June 30, 2024												
Restaurant count at June 30, 2024												
Restaurant count at June 30, 2024												
Opened												
Closed												
Net (sold to) purchased by franchisees												
Restaurant count at September 29, 2024												
<i>Six Months</i>												
Six Months												
Six Months												
<i>Nine Months</i>												
Nine Months												
Nine Months												
		U.S. Company- operated	U.S. Company- operated	U.S. Franchised	International Company- operated	International Franchised	Systemwide	U.S. Company- operated	U.S. Franchised	International Company- operated	International Franchised	Systemwide
Restaurant count at December 31, 2023												
Restaurant count at December 31, 2023												
Restaurant count at December 31, 2023												
Opened												
Closed												
Restaurant count at June 30, 2024												
Restaurant count at June 30, 2024												
Restaurant count at June 30, 2024												

Net (sold to)  
purchased by  
franchisees  
Restaurant count at  
September 29, 2024

Sales	Second Quarter			Six Months			Sales			Third Quarter			Nine Months		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023

Sales

The decrease in sales during the second third quarter and the first six nine months of 2024 was primarily due to (1) a 1.3% 1.6% and 1.1% 1.3% decrease in global Company-operated same-restaurant sales of \$3.4 million \$4.1 million and \$5.2 million \$9.4 million, respectively, and (2) net closures of Company-operated restaurants of \$0.6 million \$0.3 million and \$2.3 million \$2.2 million, respectively. Company-operated same-restaurant sales decreased due to a decrease in customer count, partially offset by higher average check.

Franchise Royalty Revenue and Fees	Franchise Royalty Revenue and Fees			Second Quarter			Franchise Royalty Revenue and Fees			Third Quarter			Nine Months		
				Six Months						2023			2024		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023
Franchise royalty revenue															
Franchise fees															
	\$														

Franchise royalty revenue during the second third quarter of 2024 increased \$4.2 million \$2.5 million, of which (1) \$1.7 million \$2.1 million was due to net new restaurant development and (2) \$1.5 million \$0.7 million was due to a 1.0% 0.4% increase in global franchise same-restaurant sales. Franchise royalty revenue during the first six nine months of 2024 increased \$7.7 million \$10.3 million, of which (1) \$3.4 million \$6.1 million was due to net new restaurant development and (2) \$3.1 million \$3.9 million was due to a 1.0% 0.8% increase in global franchise same-restaurant sales. Franchise same-restaurant sales during the second third quarter and first six nine months of 2024 increased due to higher average check, partially offset by a decrease in customer count.

The increase in franchise fees during the third quarter and the first six nine months of 2024 was primarily due to (1) higher fees for providing information technology services to franchisees of \$0.8 million \$0.5 million and \$1.3 million, respectively, and (2) an increase in other miscellaneous franchise fees of \$0.9 million \$1.5 million and \$2.4 million, respectively.

Franchise Income	Rental			Franchise Rental Income Second Quarter			Six Months			Franchise Rental Income Third Quarter			Nine Months		
				2024			2023			2023			2024		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023

Franchise rental income

The increase in franchise rental income during the second third quarter and the first six nine months of 2024 was primarily due to (1) the impact of amending certain existing leases of \$1.3 million and \$2.8 million, respectively, (2) the impact of entering into new leases, leases of \$0.6 million and \$1.6 million, respectively, and (3) an increase in executory costs of \$0.3 million and \$0.7 million, respectively. See Note 11 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information.

Advertising Revenue	Funds Advertising Revenue			Funds Second Quarter			Advertising Revenue			Funds Third Quarter			Nine Months		
				2024			2023			2023			2024		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023

Advertising funds revenue

The increase in advertising funds revenue during the second third quarter and of 2024 was primarily due to promotional activity of \$12.0 million. During the first six nine months of 2024, was primarily advertising funds revenue also increased due to (1) net new restaurant development of \$1.7 \$4.5 million and \$3.1 million, respectively, (2) an increase in franchise same-restaurant sales in the U.S. and Canada of \$1.0 million and \$1.9 million, respectively, and (3) higher other miscellaneous advertising revenues of \$1.5 million and \$2.0 million, respectively, \$2.3 million.

Cost of Sales, as a Percent of Sales	Second Quarter						Six Months									
				2024			2024			2024			2023			
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change
Food and paper		31.0 %	31.5 %	(0.5)%		30.8 %		31.9 %		(1.1)%						
Restaurant labor		32.0 %	31.3 %	0.7 %		32.3 %		31.8 %		0.5 %						
Occupancy, advertising and other operating costs		21.2 %	20.7 %	0.5 %		21.5 %		21.1 %		0.4 %						
		84.2 %	83.5 %	0.7 %		84.7 %		84.8 %		(0.1)%						

The increase in cost of sales, as a percent of sales, during the second quarter of 2024 was primarily due to (1) an increase in restaurant labor costs and (2) a decrease in customer count. These impacts were partially offset by higher average check.

Cost of Sales, as a Percent of Sales	Third Quarter			Nine Months		
	2024	2023	Change	2024	2023	Change
Food and paper	31.1 %	31.7 %	(0.6)%	30.9 %	31.9 %	(1.0)%
Restaurant labor	32.1 %	31.9 %	0.2 %	32.2 %	31.8 %	0.4 %
Occupancy, advertising and other operating costs	21.7 %	21.4 %	0.3 %	21.6 %	21.2 %	0.4 %
	84.9 %	85.0 %	(0.1)%	84.8 %	84.9 %	(0.1)%

The decrease in cost of sales, as a percent of sales, during the third quarter and the first six nine months of 2024 was primarily due to (1) higher average check and (2) higher investments to support the entry into the U.K. market and additional inflationary pressures in the U.K. in the prior year. These impacts were partially offset by (1) an increase in restaurant labor costs and (2) a decrease in customer count.

Franchise Support and Other Costs	Franchise Support and Other Costs	Second Quarter			Six Months	Franchise Support and Other Costs	Third Quarter			Nine Months			
		2024	2024	2023	Change		2024	2023	Change	2024	2023	Change	2024
Franchise support and other costs													

The increase in franchise support and other costs during the second third quarter and the first six nine months of 2024 was primarily due to an increase in costs incurred to provide information technology and other services to franchisees.

Franchise Expense	Rental Franchise Expense	Second Quarter			Six Months	Franchise Expense	Third Quarter			Nine Months			
		2024	2024	2023	Change		2024	2023	Change	2024	2023	Change	2024
Franchise rental expense													

The increase in franchise rental expense during the first six nine months of 2024 was primarily due to an increase in executory costs. See Note 11 to the impact of assigning certain leases to franchisees. Condensed Consolidated Financial Statements contained in Item 1 herein for further information.

Advertising Expense	Funds Advertising Expense	Second Quarter			Six Months	Advertising Expense	Third Quarter			Nine Months			
		2024	2024	2023	Change		2024	2023	Change	2024	2023	Change	2024
Advertising funds expense													

On an interim basis, advertising funds expense is recognized in proportion to advertising funds revenue. The Company expects advertising funds expense to be higher than advertising funds revenue by approximately \$22.0 million for 2024, which represents the Company's plan to fund incremental breakfast advertising. The increase in advertising funds expense during the second third quarter and the first six nine months of 2024 was primarily due to (1) the same factors as described above for "Advertising Funds Revenue" and (2) the recognition of the expected Company breakfast advertising spend in excess of advertising funds revenue of \$5.7 million \$6.6 million and \$8.2 million \$14.8 million, respectively, and (2) an increase in franchise same-restaurant sales in the U.S. and Canada, respectively.

General and Administrative	General and Administrative	Second Quarter			Six Months	General and Administrative	Third Quarter			Nine Months			
		2024	2024	2023	Change		2024	2023	Change	2024	2023	Change	2024
Employee compensation and benefits													
Share-based compensation													
Incentive compensation													
Professional fees													
Other, net		\$											

The decrease increase in general and administrative expenses during the second third quarter of 2024 was primarily due to (1) higher employee compensation and benefits and (2) an increase in professional fees. These increases were partially offset by a decrease in incentive compensation accruals, reflecting lower operating performance as compared to plan in 2024 versus 2023, and (2) a decrease in professional fees, primarily as a result of costs associated with the Company's human capital management ("HCM") system implementation completed in the third quarter of 2023. These decreases were partially offset by higher employee compensation and benefits.

The increase in general and administrative expenses during the first **six** **nine** months of 2024 was primarily due to (1) higher employee compensation and benefits and (2) higher share-based compensation. These increases were partially offset by (1) a decrease in incentive compensation accruals, reflecting lower operating performance as compared to plan in 2024 versus 2023, and (2) a decrease in professional fees, primarily as a result of costs associated with the Company's HCM system implementation completed in the third quarter of 2023.

<b>Depreciation and Amortization (exclusive of amortization of cloud computing arrangements shown separately below)</b>	<b>Depreciation and Amortization (exclusive of amortization of cloud computing arrangements shown separately below)</b>			<b>Second Quarter</b>	<b>Six Months</b>	<b>Depreciation and Amortization (exclusive of amortization of cloud computing arrangements shown separately below)</b>			<b>Third Quarter</b>	<b>Nine Months</b>
	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>Restaurants</b>										
Technology support, corporate and other										
	<b>\$</b>									

The increase in depreciation and amortization during the **second** **third** quarter and the first **six** **nine** months of 2024 was primarily due to (1) asset additions for new and remodeled restaurants and (2) depreciation and amortization for technology investments.

<b>Amortization of Cloud Computing Arrangements</b>	<b>Amortization of Cloud Computing Arrangements</b>			<b>Second Quarter</b>	<b>Six Months</b>	<b>Amortization of Cloud Computing Arrangements</b>			<b>Third Quarter</b>	<b>Nine Months</b>
	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>Amortization of cloud computing arrangements</b>										

The increase in amortization of cloud computing arrangements during the **second** **quarter** and the first **six** **nine** months of 2024 was primarily due to amortization of assets associated with the Company's **HCM** **human capital management ("HCM")** system implementation completed in the third quarter of 2023.

<b>System Optimization Gains, Net</b>	<b>System Optimization Gains, Net</b>			<b>Second Quarter</b>	<b>Six Months</b>	<b>System Optimization Gains, Net</b>			<b>Third Quarter</b>	<b>Nine Months</b>
	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>System optimization gains, net</b>										

System optimization gains, net for the **second** **third** quarter and the first **six** **nine** months of 2024 were primarily comprised of post-closing adjustments on sales of restaurants. See Note 3 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information.

<b>Reorganization and Realignment Costs</b>	<b>Reorganization and Realignment Costs</b>			<b>Second Quarter</b>	<b>Six Months</b>	<b>Reorganization and Realignment Costs</b>			<b>Third Quarter</b>	<b>Nine Months</b>
	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>Organizational redesign</b>										
Other reorganization and realignment plans										
Other reorganization and realignment plans										
Other reorganization and realignment plans										
	<b>\$</b>									

The increase in reorganization and realignment costs during the **second** **quarter** and During the first **six** **nine** months of 2024 was primarily due to higher severance and related employee 2023, the Company recognized costs under the Organizational Redesign Plan. Plan of \$8.3 million and \$8.0 million, respectively, which primarily included severance and related employee costs. See Note 4 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information on the Organizational Redesign Plan.

Costs incurred under the Company's other reorganization and realignment plans were not material during the three and **six** **nine** months ended **June 30, 2024** **September 29, 2024** and **July 2, 2023** **October 1, 2023**. The Company does not expect to incur any material additional costs under these plans.

<b>Impairment of Long-Lived Assets</b>	<b>Impairment of Long-Lived Assets</b>			<b>Second Quarter</b>	<b>Six Months</b>	<b>Impairment of Long-Lived Assets</b>			<b>Third Quarter</b>	<b>Nine Months</b>
	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>	<b>2024</b>	<b>2023</b>	<b>Change</b>
<b>Impairment of Long-Lived Assets</b>										

Impairment of long-lived assets

The increase in impairment of long-lived assets during the second quarter and the first six months of 2024 was primarily due to higher impairment charges as a result of the deterioration in operating performance of certain Company-operated restaurants.

Other Operating Income, Net	Other Operating Income, Net			Second Quarter			Six Months			Other Operating Income, Net			Third Quarter			Nine Months		
	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change
Lease buyout																		
Equity in earnings in joint venture, net																		
Other, net																		
	\$																	

The increase in other operating income during the third quarter and the first six months of 2024 was primarily due to an increase in the equity in earnings from our TimWen joint venture, lease buyout activity.

Interest Expense, Net	Interest Expense, Net			Second Quarter			Six Months			Interest Expense, Net			Third Quarter			Nine Months		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change		
Interest expense, net																		

The decrease in interest expense, net during the second quarter and the first six months of 2024 was primarily due to lower outstanding long-term debt.

Loss on Early Extinguishment of Debt	Loss on Early Extinguishment of Debt			Second Quarter			Six Months			Loss on Early Extinguishment of Debt			Third Quarter			Nine Months		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change		
Loss on early extinguishment of debt																		

During the first quarter nine months of 2023, the Company incurred a loss on early extinguishment of debt of \$1.3 million \$1.6 million related to the repurchase of \$31.6 \$39.3 million in principal of the Company's 7% debentures.

Investment Loss, Net	Investment Loss, Net			Second Quarter			Six Months			Investment Loss, Net			Third Quarter			Nine Months		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change		
Investment loss, net																		

During the second quarter and the first six months of 2023, the Company recorded a loss of \$6.8 million and \$10.4 million respectively, due to impairment charges for the difference between the estimated fair value and the carrying value of an investment in equity securities.

Other Income, Net	Other Income, Net			Second Quarter			Six Months			Other Income, Net			Third Quarter			Nine Months		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change		
Other income, net																		

The decrease in other income, net during the second quarter and the first six months of 2024 was primarily due to a decrease in interest income, reflecting lower balances of cash equivalents.

Provision for Income Taxes	Provision for Income Taxes			Second Quarter			Six Months			Provision for Income Taxes			Third Quarter			Nine Months		
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change		
Income before income taxes																		

Provision  
for  
income  
taxes

Effective tax rate on income	Effective tax rate on income	27.0 %	24.4 %	2.6 %	26.9 %	25.9 %	1.0 %	Effective tax rate on income	27.9 %	25.5 %	2.4 %	27.3 %	25.8 %	1.5
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The effective tax rates for the second third quarter and the first six nine months of 2024 and 2023 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 second third quarter and the first six months of 2024 was primarily due to (1) an increase in the tax effects of our foreign operations, (2) a decrease in the benefit from share-based compensation and (3) lower net an increase in state income from our national advertising funds, which are not subject taxes, including discrete changes to tax. During state deferred income taxes. The increase in the effective tax rate for the first six nine months of 2024 these was primarily due to (1) an increase in the tax effects of our foreign operations and (2) a decrease in the benefit from share-based compensation. These changes were partially offset by a one-time adjustment to our foreign deferred income taxes related to prior periods.

Numerous countries have enacted the Organization of Economic Corporation and Development's framework on a global minimum tax (referred to as "Pillar 2"), with the earliest effective date for taxable years beginning after December 31, 2023. While the Company does not expect this enactment will have a material impact on the condensed consolidated financial statements, we will continue to evaluate and monitor as additional guidance and clarification becomes available.

**Segment Information**

See Note 16 to the Condensed Consolidated Financial Statements contained in Item 1 herein for further information regarding the Company's segments.

*Wendy's U.S.*

	Second Quarter				Six Months				Third Quarter				Nine Months				Third Quarter				
	2024		2024		2023		Change		2024		2023		Change		2024		2023		Change		
	Sales	Franchise royalty revenue	Franchise fees	Advertising fund revenue	Total revenues	Segment profit				2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change
Sales																					
Franchise royalty revenue																					
Franchise fees																					
Advertising fund revenue																					
Total revenues																					
Segment profit																					

The increase in Wendy's U.S. revenues during the second third quarter and the first six nine months of 2024 was primarily due to (1) higher advertising fund revenue and (2) net new franchise restaurant development and (2) an increase in development. During the first nine months of 2024, revenues also increased due to higher franchise same-restaurant sales. Franchise same-restaurant sales increased during the second quarter and the first six nine months of 2024 primarily due to higher average check, partially offset by a decrease in customer count. These increases were partially offset by a decrease in Company-operated sales driven by the same factors as described above for "Sales."

The decrease in Wendy's U.S. segment profit during the second third quarter and the first six nine months of 2024 was primarily due to (1) an increase in the Company's funding of incremental advertising and (2) a decrease in Company-operated sales and (3) sales. During the first nine months of 2024, segment profit also decreased due to higher franchise support and other costs. These changes were partially offset by an increase in franchise royalty revenue and fees.

*Wendy's International*

	Second Quarter				Six Months				Third Quarter				Nine Months				Third Quarter				
	2024		2024		2023		Change		2024		2023		Change		2024		2023		Change		
	Sales	Franchise royalty revenue	Franchise fees	Advertising fund revenue	Total revenues	Segment profit				2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change
Sales																					
Franchise royalty revenue																					
Franchise fees																					
Advertising fund revenue																					
Total revenues																					
Segment profit																					

The increase in Wendy's International revenues during the second third quarter and the first six nine months of 2024 was primarily due to (1) net new restaurant development and (2) an increase in franchise same-restaurant sales and (2) net new restaurant development. Franchise same-restaurant sales increased during the second quarter and the first six nine months of 2024 due to higher average check, partially offset by a decrease in customer count.

The increase in Wendy's International segment profit during the **second** **third** quarter and the first **six** **nine** months of 2024 was primarily due to higher revenues. This increase was partially offset by higher **franchise support and other costs**, **advertising fund expenses**.

#### Global Real Estate & Development

	Second Quarter			Six Months									
	Third Quarter		Nine Months										
	2024	2024	2023	Change	2024	2023	Change	2024	2023	Change	2024	2023	Change
Franchise fees													
Franchise rental income													
Total revenues													
Segment profit													

The increase in Global Real Estate & Development revenues during the **second** **third** quarter and the first **six** **nine** months of 2024 was primarily due to higher franchise rental income as a result of (1) amending certain existing leases, **and** (2) **entering into new leases** and (2) **increases in percent rent** and (3) **an increase** **executory costs**. **These increases** were partially offset by lower development-related fees.

The increase in Global Real Estate & Development segment profit during the **second** **third** quarter and the first **six** **nine** months of 2024 was primarily due to (1) **higher** **revenues**. During the first six months of 2024, **this** **revenues** and (2) **an increase** **was** **in lease buyout activity**. **These increases** were partially offset by higher franchise rental expense driven by the same factors as described above for "Franchise Rental Expense."

#### 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 and dividends to stockholders.

Our anticipated cash requirements for the remainder of 2024, exclusive of operating cash flow requirements, consist principally of:

- capital expenditures of approximately **\$56.0 million** **\$38.0 million** to **\$66.0 million** **\$48.0 million**, resulting in total anticipated cash capital expenditures for the year of approximately \$90.0 million to \$100.0 million;
- cash dividends aggregating approximately **\$101.6 million** **\$51.0 million** as discussed below in "Dividends;" and
- stock repurchases under the Company's January 2023 Authorization as discussed below in "Stock Repurchases."

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 **six** **nine** months of 2024 and 2023:

	Six Months			Nine Months			
	2024	2024	2023	Change	2024	2023	Change
Net cash provided by (used in):							
Operating activities							
Operating activities							
Operating activities							
Investing activities							
Financing activities							
Effect of exchange rate changes on cash							
Net decrease in cash, cash equivalents and restricted cash							

##### 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 **\$145.5 million** **\$286.7 million** and **\$141.5 million** **\$269.5 million** in the first **six** **nine** months of 2024 and 2023, respectively. The change was primarily due to (1) a decrease in cash paid for cloud computing arrangements and (2) the timing of payments for marketing expenses of the national advertising funds. **These changes** **were** partially offset by lower net income, adjusted for non-cash expenses.

## Investing Activities

Cash used in investing activities was \$44.0 million \$68.8 million and \$28.9 million \$55.5 million in the first **six** nine months of 2024 and 2023, respectively. The change was primarily due to (1) an increase in expenditures associated with the Company's franchise development fund of \$11.1 million \$19.1 million, partially offset by (1) a decrease in capital expenditures of \$3.3 million and (2) an increase in capital expenditures proceeds from dispositions of \$4.3 million \$2.9 million.

## Financing Activities

Cash used in financing activities was \$162.4 million \$250.6 million and \$246.3 million \$373.2 million in the first **six** nine months of 2024 and 2023, respectively. The change was primarily due to (1) a decrease in repurchases of the Company's common stock of \$52.7 million \$82.4 million and (2) a decrease in repayments of long-term debt of \$31.8 million \$39.3 million, reflecting the impact of repurchases of the Company's 7% debentures in during the first quarter nine months of 2023.

## Long-Term Debt, Including Current Portion

We may from time to time seek to repurchase 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. No debt repurchases were made during the **six** nine months ended **June 30, 2024** September 29, 2024. Future 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.

There were no material changes to the Company's debt obligations since December 31, 2023. The Company was in compliance with its debt covenants as of **June 30, 2024** September 29, 2024.

## Dividends

On March 15, 2024, June 17, 2024, and June 17, 2024 September 17, 2024, the Company paid quarterly cash dividends per share of \$.25, aggregating \$102.6 million \$153.4 million. On August 1, 2024 October 31, 2024, the Company announced a dividend of \$.25 per share to be paid on September 17, 2024 December 16, 2024 to stockholders of record as of September 3, 2024 December 2, 2024. If As a result, the Company pays regular quarterly cash dividends for the remainder of 2024 at the same rate as declared in the third quarter of 2024, the Company's expects that its total cash requirement for dividends for the remainder fourth quarter of 2024 would will be approximately \$101.6 million \$51.0 million based on the number of shares of its common stock outstanding at July 25, 2024 October 24, 2024. 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"). During the **six** nine months ended **June 30, 2024** September 29, 2024, the Company repurchased 2.0 3.4 million shares under the January 2023 Authorization with an aggregate purchase price of \$34.4 million \$59.6 million, of which \$0.8 million \$0.2 million was accrued as of **June 30, 2024** September 29, 2024, and excluding excise tax and commissions. As of **June 30, 2024** September 29, 2024, the Company had \$275.6 million \$250.4 million of availability remaining under the January 2023 Authorization. Subsequent to **June 30, 2024** September 29, 2024 through July 25, 2024 October 24, 2024, the Company repurchased 0.9 0.2 million shares under the January 2023 Authorization with an aggregate purchase price of \$15.6 million \$2.7 million, excluding applicable excise tax and commissions.

## General Inflation, Commodities and Changing Prices

Inflationary pressures on labor directly impacted our consolidated results of operations during the **six** nine months ended **June 30, 2024** September 29, 2024, and we expect this to continue throughout the remainder of 2024. 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 **June 30, 2024** September 29, 2024 there were no material changes from the information contained in the Company's Form 10-K for the fiscal year ended December 31, 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 **June 30, 2024** **September 29, 2024**. Based on such evaluations, the Chief Executive Officer and Chief Financial Officer concluded that as of **June 30, 2024** **September 29, 2024**, 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 **second** **third** quarter of 2024 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 COVID-19 and its impact 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 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; 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 February 26, 2024 (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 **second****third** quarter of 2024:

**Issuer Repurchases of Equity Securities**

<b>Period</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans (2)</b>
April 1, 2024 through May 5, 2024	324,985	\$19.09	264,970	\$297,777,895
May 6, 2024 through June 2, 2024	362,991	\$18.14	362,991	\$291,198,432
June 3, 2024 through June 30, 2024	934,963	\$16.75	934,963	\$275,552,297
<b>Total</b>	<b>1,622,939</b>	<b>\$17.53</b>	<b>1,562,924</b>	<b>\$275,552,297</b>

<b>Period</b>	<b>Total Number of Shares Purchased (1)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans (2)</b>
July 1, 2024 through August 4, 2024	929,674	\$16.76	929,002	\$260,000,026
August 5, 2024 through September 1, 2024	427,124	\$16.98	295,114	\$255,002,053
September 2, 2024 through September 29, 2024	269,917	\$17.31	268,290	\$250,362,507
<b>Total</b>	<b>1,626,715</b>	<b>\$16.91</b>	<b>1,492,406</b>	<b>\$250,362,507</b>

(1) Includes 60,015 134,309 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 June 30, 2024 September 29, 2024 through July 25, 2024 October 24, 2024, the Company repurchased 0.9 0.2 million shares under the January 2023 Authorization with an aggregate purchase price of \$15.6 million \$2.7 million, excluding applicable excise tax and commissions.

**Item 6. Exhibits.**

## EXHIBIT NO.

## DESCRIPTION

10.1	<a href="#">Employment Letter between The Wendy's Company and John Min dated as of September 4, 2024.* **</a>
31.1	<a href="#">Certification of the Chief Executive Officer of The Wendy's Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</a>
31.2	<a href="#">Certification of the Chief Financial Officer of The Wendy's Company, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*</a>
32.1	<a href="#">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.*</a>
101	The following financial information from The Wendy's Company's Quarterly Report on Form 10-Q for the quarter ended <a href="#">June 30, 2024</a> <a href="#">September 29, 2024</a> 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 <a href="#">June 30, 2024</a> <a href="#">September 29, 2024</a> , formatted in Inline XBRL and contained in Exhibit 101.

\* 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: [August 1, 2024](#) [October 31, 2024](#)

By: /s/ Gunther Plosch

Gunther Plosch  
Chief Financial Officer  
(On behalf of the registrant)

Date: [August 1, 2024](#) [October 31, 2024](#)

By: /s/ Suzanne M. Thuerk

Suzanne M. Thuerk  
Chief Accounting Officer  
(Principal Accounting Officer)

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## EXHIBIT 10.1



September 4, 2024

**Hand Delivered:**

Dear John,

The Wendy's Company is delighted to confirm the offer of employment for the position of Chief Legal Officer and Secretary reporting directly to the Chief Executive Officer. We believe you will contribute to the Company's overall success and trust that Wendy's will provide you with the career environment and opportunities you seek. We look forward to you joining the team - your start date is to be determined but projected to be September 16, 2024.

**COMPENSATION AND BENEFITS.** The following is a summary of your compensation and benefits, but it does not contain all the details. The complete understanding between the Company and you regarding your compensation and benefits is governed by legal plan documents and Company policies. If

there is a discrepancy between the information in this letter and the legal plan documents/Company policies, the legal plan documents/Company policies will prevail. All forms of compensation referenced in this letter are subject to all applicable deductions and withholdings.

1. **Base Salary.** Your starting base annualized salary will be \$600,000 paid on a bi-weekly basis.
2. **Annual Incentive.** You will be eligible to receive an incentive under the terms and conditions of the incentive plan provided to similarly situated officers of the Company, which currently provides for a target bonus of 85% of your annual base salary, provided performance measures set by the Company are achieved. Any bonus to which you are entitled in your initial year of employment will be prorated based on the number of full calendar months you are employed from your start date.
3. **Benefits.** You shall be entitled to participate in any retirement, fringe benefit, or welfare benefit plan of the Company on the same terms as provided to similarly situated officers of the Company, including any plan providing medical, prescription, dental, vision, disability, life, accidental death, and travel accident insurance benefits that the Company may adopt for the benefit of similarly situated officers, in accordance with the terms of such plan. You will be eligible to participate in benefit programs after 30 days of service.
4. **Executive Physical.** Wendy's wants to ensure that its leaders are provided with comprehensive health exams to help them maintain their health and peak performance. Wendy's provides all officers of the company with the opportunity to receive an Executive Physical and will cover the

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cost annually for an executive physical exam completed through the Company's preferred partner. Additional details will be provided after hire.

5. **Vacation.** You will be eligible to take up to four weeks of vacation per year.
6. **Subsequent Equity Awards.** Commencing in 2025, you will be eligible to receive awards under the terms and conditions of the Company's annual long-term incentive award program in effect for other similarly situated executives of the Company, subject to Subcommittee approval. For 2025, the target value of your annual equity award will be \$1,100,000.
7. **One-Time Equity Award.** You will be eligible to receive a one-time award of restricted stock units with an award value of \$250,000 upon commencement of your active employment. The restricted stock unit award will vest in full on the third anniversary of the grant date.
8. **Relocation Assistance.** You will be based out of the Restaurant Support Center in Dublin, OH. To support your move to the area, you are eligible for relocation assistance, and may elect to have your relocation expenses: (i) paid in a lump sum in the amount of \$100,000, less any and all applicable taxes and payable within the first 30 days of your employment, or (ii) covered by the Company through its third party service provider, Cartus Corporation, subject to the provisions outlined in the Relocation 2 – Homeowners policy, a copy of which has been provided to you.
9. **Severance.** The Company's Executive Severance Pay Policy provides for certain pay and benefits in the event the Company terminates your employment without cause or within twelve (12) months following a change in control. Such pay and benefits would be provided in exchange for your execution of a Severance Agreement and Release in the form approved by the Company, including a general release of any and all claims concerning your employment and termination in favor of the Company. You will not be entitled to severance in the event the Company terminates your employment for cause or in the event you voluntarily resign or terminate your employment with the Company.

In accepting this offer, you agree to the attached Non-Compete and Confidentiality Addendum. Please note that this offer is contingent upon successful completion of a background check.

We look forward to you becoming a part of the Wendy's team and are confident that you can have a long-term, positive impact on our business. Nonetheless, please understand that Wendy's is an at-will employer. That means that either you or Wendy's are free to end the employment relationship at any time, with or without notice or cause. This offer letter, including all attachments, is governed by Ohio law, without regard to conflict of law principles, and will be binding up and enforceable by the Company's successors and assigns, if applicable.

Please review the information contained in this letter and attachments, as it represents the complete understanding between you and the Company concerning the subject matter of this letter and supersedes any prior or contemporaneous offers, term sheets, agreements, understandings or communications between you and the Company (oral or written). You acknowledge that in accepting this offer you have not relied on any representation which is not set forth herein. Once you have had an opportunity to consider this letter, and provided you wish to accept the position on the terms outlined, please return an executed copy of this letter to me.

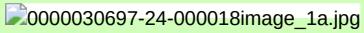
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I'm excited about the prospect of working with you on the Wendy's leadership team. Should you have any questions, please do not hesitate to contact me.

Yours truly,

/s/ Coley O'Brien

Coley O'Brien  
Chief People Officer  
THE WENDY'S COMPANY



**John Min**  
**CHIEF LEGAL OFFICER & SECRETARY**

PROVISION	TERM	COMMENTS
<b>Base Salary</b>	\$600,000/year	Reviewed annually.
<b>Annual Incentive</b>	Target annual bonus percentage equal to 85% of base salary	Company performance assessed for each fiscal year relative to pre-established performance measures.
<b>Annual Equity Awards</b>	2025 Target Equity Award Value of \$1,100,000	Commencing in 2025, during your employment you are eligible to be granted awards under the Wendy's annual long-term award program in effect for other executives of Wendy's.
<b>One-Time Equity Award</b>	Value of \$250,000	You are eligible to receive a one-time award of restricted stock units, subject to Subcommittee approval, with an award value of \$250,000 upon commencement of your active employment. The restricted stock unit award will vest in full on the third anniversary of the grant.
<b>Benefits</b>		Benefits as are generally made available to other senior executives of Wendy's, including participation in Wendy's health/medical and insurance programs
<b>Vacation</b>	Four weeks per year	Prorated for first calendar year of employment

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**NON-COMPETE AND CONFIDENTIALITY ADDENDUM**

**TO OFFER LETTER OF SEPTEMBER 4, 2024**

This Addendum is a part of the terms of your employment with the Company. By accepting your offer letter, you are also accepting the terms of this Addendum.

**CONFIDENTIAL INFORMATION.** You agree that you will not at any time during your employment and anytime thereafter, divulge, furnish, or make known or accessible to, or use for the benefit of anyone other than Wendy's, its subsidiaries and affiliates and their respective officers, directors and employee, any information of a confidential nature relating in any way to the business of Wendy's or its subsidiaries or affiliates, or any of their respective franchisees, suppliers or distributors. You further agree that you are not subject to any agreement that would restrict you from performing services to Wendy's and that you will not disclose to Wendy's or use on its behalf, any confidential information or material that is the property of a former employer or third party.

**NONCOMPETE/NONSOLICITATION/EMPLOYEE NO-HIRE.** You acknowledge that you will be involved, at the highest level, in the development, implementation, and management of Wendy's business strategies and plans, including those which involve Wendy's finances, marketing and other operations, and acquisitions and, as a result, you will have access to Wendy's most valuable trade secrets and proprietary information. By virtue of your unique and sensitive position, your employment by a competitor of Wendy's represents a material unfair competitive danger to Wendy's and the use of your knowledge and information about Wendy's business, strategies and plans can and would constitute a competitive advantage over Wendy's. You further acknowledge that the provisions of this section are reasonable and necessary to protect Wendy's legitimate business interests.

You agree that during your employment with Wendy's and either (x) in the event you resign or your employment with Wendy's is terminated "without cause", for a period of eighteen (18) months following such termination, or (y) in the event your employment with Wendy's is terminated for cause, for a period of twelve (12) months following such termination:

(i) in any state or territory of the United States (and the District of Columbia) or any country where Wendy's maintains restaurants, you will not engage or be engaged in any capacity, "directly or indirectly" (as defined below), except as a passive investor owning less than a two percent (2%) interest in a publicly held company, in any business or entity that is competitive with the business of Wendy's or its affiliates. This restriction includes any business engaged in drive through or food service restaurant business where hamburgers, chicken sandwiches or entree salads are predominant products (15% or more, individually or in the aggregate, of food products not including beverages). Notwithstanding anything to the contrary herein, this restriction shall not prohibit you from accepting employment, operating or otherwise becoming associated with a franchisee of Wendy's, any of its affiliates or any subsidiary of the foregoing, but only in connection with activities associated with the operation of such a franchise or activities that otherwise are not encompassed by the restrictions of this paragraph, subject to any confidentiality obligations contained herein;

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(ii) you will not, directly or indirectly, without Wendy's prior written consent, hire or cause to be hired, solicit or encourage to cease to work with Wendy's or any of its subsidiaries or affiliates, any person who is at the time of such activity, or who was within the six (6) month period preceding such activity, an employee of Wendy's or any of its subsidiaries or affiliates at the level of director or any more senior level or a consultant under contract with Wendy's or any of its subsidiaries or affiliates and whose primary client is such entity or entities; and

(iii) you will not, directly or indirectly, solicit, encourage or cause any franchisee or supplier of Wendy's or any of its subsidiaries or affiliates to cease doing business with Wendy's or subsidiary or affiliate, or to reduce the amount of business such franchisee or supplier does with Wendy's or such subsidiary or affiliate.

For purposes of this section, "directly or indirectly" means in your individual capacity for your own benefit or as a shareholder, lender, partner, member or other principal, officer, director, employee, agent or consultant of or to any individual, corporation, partnership, limited liability company, trust, association or any other entity whatsoever; provided, however, that you may own stock in Wendy's and may operate, directly or indirectly, Wendy's restaurants as a franchisee without violating sections (i) or (iii).

If any competent authority having jurisdiction over this section determines that any of the provisions is unenforceable because of the duration or geographical scope of such provision, such competent authority shall have the power to reduce the duration or scope, as the case may be, of such provision and, in its reduced form, such provision shall then be enforceable. The obligations in this Addendum are intended to be read consistent with any applicable professional conduct rules and should be interpreted in that manner. The invalidity or unenforceability of any provision of this Addendum (and the agreement into which it is incorporated) shall not affect or limit the validity and enforceability of the other provisions hereof. The obligations in this Addendum are intended to be read consistent with any applicable professional conduct rules and should be interpreted in that manner. In the event of your breach of your obligations under the post-employment restrictive covenants, then the post-employment restricted period shall be tolled and extended during the length of such breach, to the extent permitted by law.

**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, Kirk Tanner, 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: **August 1, 2024** October 31, 2024

/s/ Kirk Tanner  
Kirk Tanner  
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: August 1, 2024 October 31, 2024

/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 June 30, 2024 September 29, 2024 (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: August 1, 2024 October 31, 2024

/s/ Kirk Tanner

Kirk Tanner  
President and Chief Executive Officer

Date: August 1, 2024 October 31, 2024

/s/ Gunther Plosch

Gunther Plosch  
Chief Financial Officer



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