

Edgar Filing: Wendy's Co - Form 10-Q

Wendy's Co  
Form 10-Q  
November 07, 2013

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 September 29, 2013

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 registrants as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

38-0471180

(I.R.S. Employer Identification No.)

One Dave Thomas Blvd., Dublin, Ohio  
(Address of principal executive offices)

43017  
(Zip Code)

(614) 764-3100

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

Edgar Filing: Wendy's Co - Form 10-Q

There were 391,675,340 shares of The Wendy's Company common stock outstanding as of November 1, 2013.

---

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

	Page
<u>Part I: FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets as of September 29, 2013 (Unaudited) and December 30, 2012</u>	<u>3</u>
<u>Unaudited Condensed Consolidated Statements of Operations for the three and nine months ended September 29, 2013 and September 30, 2012</u>	<u>4</u>
<u>Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 29, 2013 and September 30, 2012</u>	<u>5</u>
<u>Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 29, 2013 and September 30, 2012</u>	<u>6</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	<u>41</u>
<u>Item 4. Controls and Procedures</u>	<u>41</u>
 <u>Part II: OTHER INFORMATION</u>	 <u>42</u>
<u>Item 1. Legal Proceedings</u>	<u>43</u>
<u>Item 1A. Risk Factors</u>	<u>44</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>44</u>
<u>Item 6. Exhibits</u>	<u>45</u>
<u>Signatures</u>	<u>46</u>

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

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

	September 29, 2013 (Unaudited)	December 30, 2012
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$513,431	\$453,361
Accounts and notes receivable	62,620	61,164
Inventories	9,127	13,805
Prepaid expenses and other current assets	118,680	24,231
Deferred income tax benefit	86,173	91,489
Advertising funds restricted assets	68,768	65,777
Total current assets	858,799	709,827
Properties	1,156,320	1,250,338
Goodwill	868,057	876,201
Other intangible assets	1,300,035	1,301,537
Investments	106,636	113,283
Deferred costs and other assets	34,108	52,013
Total assets	\$4,323,955	\$4,303,199
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of long-term debt	\$38,260	\$12,911
Accounts payable	89,743	70,826
Accrued expenses and other current liabilities	156,075	137,348
Advertising funds restricted liabilities	68,768	65,777
Total current liabilities	352,846	286,862
Long-term debt	1,433,662	1,444,651
Deferred income taxes	454,524	438,217
Other liabilities	161,614	147,614
Commitments and contingencies		
Equity:		
The Wendy's Company stockholders' equity:		
Common stock, \$0.10 par value; 1,500,000 shares authorized; 470,424 shares issued	47,042	47,042
Additional paid-in capital	2,788,479	2,782,765
Accumulated deficit	(505,657)	(467,007)
Common stock held in treasury, at cost; 78,853 and 78,051 shares	(404,484)	(382,926)
Accumulated other comprehensive (loss) income	(1,658)	5,981
Total stockholders' equity	1,923,722	1,985,855
Noncontrolling interests	(2,413)	—
Total equity	1,921,309	1,985,855
Total liabilities and equity	\$4,323,955	\$4,303,199

See accompanying notes to condensed consolidated financial statements.

3

---

Table of ContentsTHE WENDY'S COMPANY AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In Thousands Except Per Share Amounts)

	Three Months Ended		Nine Months Ended	
	September 29, 2013 (Unaudited)	September 30, 2012	September 29, 2013	September 30, 2012
Revenues:				
Sales	\$558,029	\$558,335	\$1,659,900	\$1,644,380
Franchise revenues	82,750	77,973	235,105	230,983
	640,779	636,308	1,895,005	1,875,363
Costs and expenses:				
Cost of sales	469,177	478,425	1,403,303	1,416,972
General and administrative	76,518	72,175	216,623	217,824
Depreciation and amortization	44,325	41,878	134,841	110,136
Impairment of long-lived assets	5,327	—	5,327	7,781
Facilities action charges, net	22,275	11,430	31,690	27,561
Other operating (income) expense, net	(3,653)	) 1,217	(3,043)	) 4,599
	613,969	605,125	1,788,741	1,784,873
Operating profit	26,810	31,183	106,264	90,490
Interest expense	(15,620)	) (21,566)	) (55,548)	) (77,803)
Loss on early extinguishment of debt	—	) (49,881)	) (21,019)	) (75,076)
Investment income and other income (expense), net	2,273	900	50	30,471
Income (loss) from continuing operations before income taxes and noncontrolling interests	13,463	) (39,364)	) 29,747	) (31,918)
(Provision for) benefit from income taxes	(15,625)	) 12,672	(17,774)	) 14,467
(Loss) income from continuing operations	(2,162)	) (26,692)	) 11,973	) (17,451)
Discontinued operations:				
Income from discontinued operations, net of income taxes	—	784	—	784
Loss on disposal of discontinued operations, net of income taxes	—	) (254)	) —	) (254)
Net income from discontinued operations	—	530	—	530
Net (loss) income	(2,162)	) (26,162)	) 11,973	) (16,921)
Net loss (income) attributable to noncontrolling interests	223	—	445	(2,384)
Net (loss) income attributable to The Wendy's Company	\$(1,939)	) \$(26,162)	) \$12,418	) \$(19,305)
Basic and diluted (loss) income per share attributable to The Wendy's Company:				
Continuing operations	\$—	) \$(.07)	) \$.03	) \$(.05)
Discontinued operations	—	—	—	—
Net (loss) income	\$—	) \$(.07)	) \$.03	) \$(.05)
Dividends per share	\$.05	\$.02	\$.13	\$.06

See accompanying notes to condensed consolidated financial statements.

4

---

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
	(Unaudited)			
Net (loss) income	\$(2,162	) \$(26,162	) \$11,973	\$(16,921
Other comprehensive income (loss), net:				
Foreign currency translation adjustment	4,851	7,920	(7,029	) 9,309
Change in unrecognized pension loss, net of income tax benefits of \$37 and \$127, respectively	—	—	(62	) (217
Other comprehensive income (loss), net	4,851	7,920	(7,091	) 9,092
Comprehensive income (loss)	2,689	(18,242	) 4,882	(7,829
Comprehensive loss (income) attributable to noncontrolling interests	301	—	(103	) (2,384
Comprehensive income (loss) attributable to The Wendy's Company	\$2,990	\$(18,242	) \$4,779	\$(10,213

See accompanying notes to condensed consolidated financial statements.



Table of Contents

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

	Nine Months Ended	
	September 29, 2013	September 30, 2012
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$11,973	\$(16,921 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	138,924	112,057
Loss on early extinguishment of debt	21,019	75,076
Distributions received from TimWen joint venture	10,148	10,760
Share-based compensation	11,564	8,330
Impairment of long-lived assets	5,327	7,781
System Optimization Remeasurement	18,359	—
Net receipt of deferred vendor incentives	14,731	6,239
Accretion of long-term debt	5,281	6,060
Amortization of deferred financing costs	1,893	3,477
Non-cash rent expense	6,506	2,934
Equity in earnings in joint ventures, net	(6,980 )	(7,836 )
Deferred income tax	19,292	(19,809 )
Loss (gain) on sale of investment, net	799	(27,407 )
(Gain) loss on dispositions, net (see below)	(7,712 )	254
Other, net	(795 )	5,882
Changes in operating assets and liabilities:		
Accounts and notes receivable	(1,643 )	3,447
Inventories	2,237	965
Prepaid expenses and other current assets	(5,962 )	(4,219 )
Accounts payable	(2,715 )	850
Accrued expenses and other current liabilities	10,445	(43,289 )
Net cash provided by operating activities	252,691	124,631
Cash flows from investing activities:		
Capital expenditures	(130,802 )	(126,325 )
Acquisitions	(1,812 )	(40,594 )
Dispositions	44,055	6,273
Franchise loans, net	2,757	2,048
Proceeds from sales of investments	2,680	24,374
Change in restricted cash	(22,593 )	—
Other, net	—	(374 )
Net cash used in investing activities	(105,715 )	(134,598 )
Cash flows from financing activities:		
Proceeds from long-term debt	350,000	1,113,750
Repayments of long-term debt	(358,364 )	(1,044,011 )
Deferred financing costs	(5,827 )	(15,511 )
Premium payment on redemption of Senior Notes	—	(43,151 )
Dividends	(51,065 )	(23,406 )
Repurchase of common stock	(41,469 )	—

Edgar Filing: Wendy's Co - Form 10-Q

Distribution to noncontrolling interests	—	(3,667	)
Proceeds from stock option exercises	20,950	2,526	
Other, net	438	52	
Net cash used in financing activities	(85,337	)	(13,418
Net cash provided by (used in) operations before effect of exchange rate changes on cash	61,639	(23,385	)
Effect of exchange rate changes on cash	(1,569	)	1,746
Net increase (decrease) in cash and cash equivalents	60,070	(21,639	)
Cash and cash equivalents at beginning of period	453,361	475,231	
Cash and cash equivalents at end of period	\$513,431	\$453,592	

6

---

Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS—CONTINUED

(In Thousands)

	Nine Months Ended	
	September 29, 2013 (Unaudited)	September 30, 2012
Detail of cash flows related to dispositions:		
(Gain) loss on dispositions, net:		
Gain on sales of restaurants, net	\$(2,941 )	\$—
Gain on disposal of assets, net	(4,771 )	—
Loss on disposal of Arby's	—	254
	\$(7,712 )	\$254
Supplemental cash flow information:		
Cash paid for:		
Interest	\$46,931	\$90,893
Income taxes, net of refunds	\$1,484	\$9,593
Supplemental non-cash investing and financing activities:		
Capital expenditures included in accounts payable	\$45,566	\$21,532
Capitalized lease obligations	\$5,891	\$16,317

See accompanying notes to condensed consolidated financial statements.

Table of Contents

## 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 necessary to present fairly our financial position as of September 29, 2013 and the results of our operations for the three and nine months ended September 29, 2013 and September 30, 2012 and our cash flows for the nine months ended September 29, 2013 and September 30, 2012. The results of operations for the three and nine months ended September 29, 2013 are not necessarily indicative of the results to be expected for the full 2013 fiscal year. These 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 30, 2012 (the "Form 10-K").

The principal subsidiary of the Company is Wendy's International, Inc. ("Wendy's") and its subsidiaries. The Company manages and internally reports its business geographically. The operation and franchising of Wendy's® restaurants in North America (defined as the U.S. and Canada) comprises virtually all of our current operations and represents a single reportable segment. The revenues and operating results of Wendy's restaurants outside of North America are not material.

We report on a fiscal year consisting of 52 or 53 weeks ending on the Sunday closest to December 31. All three and nine month periods presented herein contain 13 and 39 weeks, respectively. All references to years and quarters relate to fiscal periods rather than calendar periods.

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

In connection with the reimagining of restaurants as part of our Image Activation program, we have recorded \$5,755 and \$24,509 of accelerated depreciation and amortization during the three and nine months ended September 29, 2013, respectively, on certain long-lived assets to reflect their use over shortened estimated useful lives. We describe the circumstances under which we record accelerated depreciation and amortization for properties in our Form 10-K.

On July 4, 2011, Wendy's Restaurants, LLC ("Wendy's Restaurants"), a direct 100% owned subsidiary holding company of the Company, completed the sale of 100% of the common stock of its then wholly-owned subsidiary, Arby's Restaurant Group, Inc. ("Arby's") (while indirectly retaining an 18.5% interest in Arby's), as described in the Form 10-K. Net income from discontinued operations for the three and nine months ended September 30, 2012 includes certain post-closing Arby's related transactions.

## (2) Facilities Action Charges, Net

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
System optimization initiative	\$21,557	\$—	\$26,356	\$—
Facilities relocation and other transition costs	632	11,285	3,956	26,242
Breakfast discontinuation	86	—	1,115	—
Arby's transaction related costs	—	145	263	1,319

Edgar Filing: Wendy's Co - Form 10-Q

\$22,275

\$11,430

\$31,690

\$27,561

8

---

Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

## System Optimization Initiative

In July 2013, the Company announced a system optimization initiative, as part of its brand transformation, which includes a plan to sell approximately 425 company-owned restaurants to franchisees by mid-year 2014. The Company's system optimization initiative also includes the consolidation of regional and divisional territories. As a result of the system optimization initiative, the Company has recorded losses on remeasuring long-lived assets to fair value upon determination that the assets will be leased and/or subleased to franchisees in connection with the sale or anticipated sale of restaurants ("System Optimization Remeasurement"). The Company does not anticipate significant changes to the System Optimization Remeasurement through the completion of the initiative, although such changes could occur if actual future rental payments differ substantially from estimated payments. In addition, the Company anticipates recognizing the following costs related to the system optimization initiative during 2013 and 2014: (1) accelerated depreciation and amortization, (2) severance and related employee costs, (3) share-based compensation, (4) professional fees and (5) other costs. These costs, as well as gains or losses recognized on sales of restaurants under the system optimization initiative will be recorded to "Facilities action charges, net" in our condensed consolidated statements of operations. The Company's estimate for costs to be incurred under the system optimization initiative during the remainder of 2013 and 2014 totals approximately \$25,900 and includes: (1) accelerated amortization of previously acquired franchise rights in territories being sold of \$14,300, (2) severance and employee related costs of \$7,000, (3) professional fees of \$3,000 and (4) share-based compensation of \$1,600. The Company cannot reasonably estimate the gains or losses resulting from future sales of restaurants.

The following is a summary of the activity recorded under our system optimization initiative:

	Three Months Ended September 29, 2013	Nine Months Ended September 29, 2013
Gain on sales of restaurants, net	\$(1,665 )	\$(2,941 )
System Optimization Remeasurement (a)	12,421	18,359
Accelerated amortization (b)	3,130	3,130
Severance and related employee costs	6,131	6,131
Share-based compensation (c)	755	755
Professional fees	704	829
Other	81	93
Total system optimization initiative	\$21,557	\$26,356

Includes remeasurement of land, buildings, leasehold improvements and favorable lease assets at all (a) company-owned restaurants included in our system optimization initiative. See Note 6 for more information on non-recurring fair value measurements.

(b) Includes accelerated amortization of previously acquired franchise rights related to company-owned restaurants in territories that are being sold in connection with our system optimization initiative.

Represents incremental share-based compensation resulting from the modification of stock options and (c) performance-based awards in connection with the termination of employees under our system optimization initiative.



Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

## Gain on Sales of Restaurants

	Three Months Ended September 29, 2013	Nine Months Ended September 29, 2013
Number of restaurants sold to franchisees	53	61
Proceeds from sales of restaurants	\$22,871	\$25,671
Net assets sold (a)	(13,646 )	(14,489 )
Goodwill related to sales of restaurants	(5,621 )	(6,302 )
Net unfavorable lease liabilities (b)	(1,884 )	(1,884 )
Other	(22 )	(22 )
	1,698	2,974
Post-closing adjustments on prior sales of restaurants	(33 )	(33 )
Gain on sales of restaurants, net	\$1,665	\$2,941

(a) Net assets sold consisted primarily of cash, inventory and equipment.

The Company recorded favorable lease assets of \$8,789 and unfavorable lease liabilities of \$10,673 as a result of (b) the lease and/or sublease of land, buildings, and/or leasehold improvements to franchisees, in connection with sales of restaurants.

## Restaurant Assets Held for Sale

	September 29, 2013
Number of restaurants classified as held for sale	367
Restaurant net assets held for sale	\$56,569

As of September 29, 2013, the Company determined that all of the remaining restaurants which are part of the system optimization initiative meet the criteria to be classified as held for sale. Restaurant net assets held for sale consist primarily of cash, inventory and property and are included in "Prepaid expenses and other current assets" as of September 29, 2013.

## Subsequent Events

Subsequent to the end of the third quarter of 2013, the Company completed the sale of certain assets used in the operation of 37 Wendy's restaurants for cash proceeds of approximately \$25,685, subject to customary purchase price adjustments. These sales are expected to result in an estimated pre-tax gain of approximately \$4,047.



Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

## Facilities Relocation and Other Transition Costs

The relocation of the Company's Atlanta restaurant support center to Ohio was substantially completed during 2012. All of the remaining costs related to the relocation, which are anticipated to aggregate approximately \$800, will be recorded during the fourth quarter of 2013.

	Three Months Ended		Nine Months Ended		Total Incurred Since Inception	Total Expected to be Incurred
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012		
Severance, retention and other payroll costs	\$ 394	\$ 2,236	\$ 1,760	\$ 9,552	\$ 17,057	\$ 17,176
Relocation costs	303	1,776	1,564	3,857	6,786	7,447
Atlanta facility closure costs	(92	) 4,224	303	4,401	4,844	4,844
Consulting and professional fees	—	1,676	128	4,494	5,056	5,056
Other	27	752	201	2,017	2,341	2,359
	632	10,664	3,956	24,321	36,084	36,882
Accelerated depreciation expense	—	621	—	1,921	2,118	2,118
Share-based compensation	—	—	—	—	271	271
Total	\$ 632	\$ 11,285	\$ 3,956	\$ 26,242	\$ 38,473	\$ 39,271

The table below presents a rollforward of our accruals for facility relocation costs, which are included in "Accrued expenses and other current liabilities" and "Other liabilities."

	Balance December 30, 2012	Charges	Payments	Balance September 29, 2013
Severance, retention and other payroll costs	\$ 4,121	\$ 1,760	\$(4,114	) \$ 1,767
Relocation costs	500	1,564	(2,064	) —
Atlanta facility closure costs	4,170	303	(1,287	) 3,186
Consulting and professional fees	80	128	(208	) —
Other	9	201	(210	) —
	\$ 8,880	\$ 3,956	\$(7,883	) \$ 4,953

## Breakfast Discontinuation

In January 2013, Wendy's announced that it was discontinuing the breakfast daypart at certain restaurants. During the three and nine months ended September 29, 2013, we reflected \$86 and \$1,115, respectively, of costs for such discontinuance, primarily representing the remaining carrying value of breakfast related equipment no longer being used.

## Arby's Transaction Related Costs

## Edgar Filing: Wendy's Co - Form 10-Q

As disclosed in our Form 10-K, the remaining Arby's transaction related costs were associated with the relocation of a corporate executive that were being expensed over the three year period following the executive's relocation in accordance with the terms of the agreement. In accordance with the terms of a separation agreement with such executive, the remaining unamortized costs were recorded to severance expense and included in "General and administrative" during the second quarter of 2013. The Company does not expect to incur additional costs related to the sale of Arby's.

Table of Contents

THE WENDY'S COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

(3) Acquisitions and Dispositions

Consolidation of a Joint Venture in Japan

A wholly-owned subsidiary of Wendy's owned a 49% share in a joint venture for the operation of Wendy's restaurants in Japan (the "Japan JV") with Ernest M. Higa and Higa Industries, Ltd., a corporation organized under the laws of Japan (collectively, the "Higa Partners"). In January 2013, Wendy's and the Higa Partners agreed to fund approximately \$3,000 and \$657, respectively, of future anticipated cash requirements of the Japan JV, of which \$1,000 and \$219, respectively, were contributed in April 2013. In conjunction with the additional capital contributions in April 2013, the partners executed an amendment to the original joint venture agreement which includes revised rights and obligations of the partners and changes to the ownership and profit distribution percentages. In August 2013, additional contributions of \$1,000 and \$219 were made by Wendy's and the Higa Partners, respectively. The ownership and profit distribution percentages, as defined, are 66.8% and 62.2% and 33.2% and 37.8%, respectively for Wendy's and the Higa Partners as of September 29, 2013 and will change as future contributions are made to fund the Japan JV. As a result of the changes in the ownership rights and obligations of the partners in April 2013, Wendy's consolidated the Japan JV beginning in the second quarter of 2013 and we have reflected our capital contributions of \$2,000, net of cash acquired of \$188, in "Acquisitions" in our condensed consolidated statements of cash flows. Prior to our acquisition of this additional interest, the Japan JV was accounted for as an unconsolidated affiliate under the equity method of accounting.

Under the equity method of accounting, we previously reported our 49% share of the net loss of the Japan JV in "Other operating (income) expense, net." Beginning in the second quarter of 2013, we have reported the Japan JV's results of operations in the appropriate line items in our condensed consolidated statements of operations. Net loss attributable to the Higa Partners' ownership percentage is recorded in "Net loss (income) attributable to noncontrolling interests." The consolidation of the Japan JV's existing three restaurants did not have a material impact on our condensed consolidated financial statements.

Acquisitions

During the nine months ended September 29, 2013, Wendy's acquired one franchised restaurant; such transaction was not significant.

On June 11, 2012, Wendy's acquired 30 franchised restaurants in the Austin, Texas area from Pisces Foods, L.P. and Near Holdings, L.P. The allocation of the total purchase price of \$18,915, including closing adjustments, to the fair value of assets acquired and liabilities assumed was finalized during the first quarter of 2013 and unchanged from our Form 10-K disclosure.

On July 13, 2012, Wendy's acquired 24 franchised restaurants in the Albuquerque, New Mexico area from Double Cheese Corporation and Double Cheese Realty Corporation (collectively "Double Cheese"), pursuant to the terms of an Asset Purchase Agreement dated as of July 6, 2012 (the "Double Cheese Acquisition"). The allocation of the total purchase price of \$19,181, including closing adjustments, to the fair value of assets acquired and liabilities assumed, was finalized during the fourth quarter of 2012.

In addition, during the nine months ended September 30, 2012, Wendy's acquired two franchised restaurants along with certain other equipment and franchise rights. The total net cash consideration for this acquisition was \$2,594. The total consideration was allocated to net tangible and identifiable intangible assets acquired, primarily properties, and

liabilities assumed based on their estimated fair values, with the excess of \$485 recognized as goodwill.

#### Dispositions

During the nine months ended September 29, 2013, Wendy's received cash proceeds of \$18,384 from dispositions, consisting of (1) \$9,731 primarily from the sale of surplus properties and (2) \$8,653 resulting from franchisees exercising options to purchase previously leased properties. These sales resulted in a net gain of \$4,771 which is included in "Other operating (income) expense, net." See Note 2 for discussion of restaurant dispositions in connection with our system optimization initiative.

During the nine months ended September 30, 2012, Wendy's received cash proceeds of \$6,273 and \$400 in promissory notes from dispositions, consisting of (1) \$2,293 from the sale of three company-owned restaurants to franchisees, (2) \$1,874 from the sale of a restaurant to an unrelated third party, (3) \$1,591 resulting from franchisees exercising options to purchase previously subleased properties and (4) \$515, as well as \$400 in promissory notes, from the sale of surplus properties and other equipment. These sales resulted in a net gain of \$974.

Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

## (4) Investments

## Investment in Joint Venture with Tim Hortons Inc.

Wendy's is a partner in a Canadian restaurant real estate joint venture ("TimWen") with Tim Hortons Inc. Wendy's 50% share of the joint venture is accounted for using the equity method of accounting. Our equity in earnings from TimWen is included in "Other operating (income) expense, net."

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

	Nine Months Ended	
	September 29, 2013	September 30, 2012
Balance at beginning of period	\$89,370	\$91,742
Equity in earnings for the period	10,357	10,254
Amortization of purchase price adjustments (a)	(2,288)	(2,340)
	8,069	7,914
Distributions received	(10,148)	(10,760)
Foreign currency translation adjustment included in "Other comprehensive income (loss), net"	(3,052)	3,570
Balance at end of period (b)	\$84,239	\$92,466

(a) Based upon an average original aggregate life of 21 years.

(b) Included in "Investments."

Presented below is a summary of certain unaudited interim income statement information of TimWen:

	Nine Months Ended	
	September 29, 2013	September 30, 2012
Revenues	\$29,113	\$29,655
Income before income taxes and net income	20,714	20,508

## Sale of Investment in Jurlique International Pty Ltd.

On February 2, 2012, Jurl Holdings, LLC ("Jurl"), a 99.7% owned subsidiary, completed the sale of our investment in Jurlique International Pty Ltd. ("Jurlique") for which we received proceeds of \$27,287, net of the amount held in escrow and recorded a gain on sale of this investment of \$27,407, which included a loss of \$2,913 on the settlement of a related derivative transaction. The gain was included in "Investment income and other income (expense), net" in our condensed consolidated statement of operations for the nine months ended September 30, 2012. During the three months ended September 29, 2013, \$1,166 of the escrow from the sale was collected. In addition, we determined that \$799 of the remaining escrow would not be received and as a result recorded the reduction of our receivable to "Investment income and other income (expense), net." The remaining escrow of \$1,012, as of September 29, 2013, is included in "Deferred costs and other assets" and has been adjusted for foreign currency translation.

We have reflected net income attributable to noncontrolling interests of \$2,384, net of an income tax benefit of \$1,283, for the nine months ended September 30, 2012 in connection with the equity and profit interests discussed below. As a result of this sale and the distributions to the minority shareholders, there are no remaining noncontrolling interests in this consolidated subsidiary.

Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

Prior to 2009 when our predecessor entity was a diversified company active in investments, we had provided our Chairman, who was also our then Chief Executive Officer, and our Vice Chairman, who was our then President and Chief Operating Officer (the "Former Executives"), and certain other former employees, equity and profit interests in Jurl. In connection with the gain on sale of Jurlique, we distributed, based on the related agreement, approximately \$3,667 to Jurl's minority shareholders, including approximately \$2,296 to the Former Executives.

## (5) Long-Term Debt

Except as described below, the Company did not have any significant changes to its long-term debt as disclosed in the notes to our consolidated financial statements included in the Form 10-K.

Long-term debt consisted of the following:

	September 29, 2013	December 30, 2012
Term A Loan, due in 2018	\$350,000	\$—
Term B Loan, due in 2019	769,375	1,114,826
6.20% Senior Notes, due in 2014	225,586	225,940
7% debentures, due in 2025	84,373	83,496
Capital lease obligations, due through 2040	37,538	32,594
Other (a)	5,050	706
	1,471,922	1,457,562
Less amounts payable within one year	(38,260)	(12,911)
Total long-term debt	\$1,433,662	\$1,444,651

(a) Other includes \$4,696 of debt resulting from the consolidation of the Japan JV in the second quarter of 2013. The carrying amount of the long-term debt approximates fair value.

## Refinancings of the Credit Agreement and Other Indebtedness

On May 16, 2013, Wendy's amended and restated (the "Restated Credit Agreement") its Credit Agreement, dated as of May 15, 2012 (the "Credit Agreement"). The Restated Credit Agreement is comprised of (1) a \$350,000 senior secured term loan facility ("Term A Loan") which will mature on May 15, 2018 and bears interest at the Eurodollar Rate (as defined in the Restated Credit Agreement) plus 2.25%, (2) a \$769,375 senior secured term loan facility ("Term B Loan") which will mature on May 15, 2019 and bears interest at the Eurodollar Rate plus 2.50% with a floor of 0.75% and (3) a \$200,000 senior secured revolving credit facility which will mature on May 15, 2018. The proceeds from the Term A Loan were used to refinance a portion of our existing Term B Loan (formerly described in our Form 10-K as the "Term Loan"). The terms and amounts of the senior secured revolving credit facility are unchanged with the exception of the maturity date which was extended from May 15, 2017.

During the three months ended June 30, 2013, Wendy's incurred \$5,579 in fees related to refinancing activities, which are being amortized to "Interest expense" utilizing the effective interest rate method through the maturities of the related debt instruments.





Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

As a result of the refinancing of its existing Credit Agreement, described above, Wendy's incurred a loss on the early extinguishment of debt as follows:

	Three Months Ended September 29, 2013	Nine Months Ended September 29, 2013
Unaccreted discount on Term B Loan	\$—	\$9,561
Deferred costs associated with the Credit Agreement	—	11,458
Loss on early extinguishment of debt	\$—	\$21,019

The Company incurred a loss on the early extinguishment of debt in 2012 related to the repayment of debt from the proceeds of the 2012 term loan under the May 15, 2012 Credit Agreement, as follows:

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Premium payment to redeem/purchase Wendy's Restaurants 10.00% Senior Notes due in 2016 (the "Senior Notes")	\$33,058	\$43,151
Unaccreted discount on the Senior Notes	7,186	9,272
Deferred costs associated with the Senior Notes	9,637	12,433
Unaccreted discount on the 2010 term loan	—	1,695
Deferred costs associated with the 2010 term loan	—	8,525
Loss on early extinguishment of debt	\$49,881	\$75,076

The Credit Agreement includes a revolving credit facility which includes a sub-facility for the issuance of up to \$70,000 of letters of credit. The Restated Credit Agreement also allows Wendy's to have liens in the form of cash collateralized letters of credit up to an additional \$40,000. During the three months ended September 29, 2013, Wendy's transitioned the security for all of its outstanding letters of credit from the revolving credit facility to cash collateral. As of September 29, 2013, Wendy's had outstanding cash collateralized letters of credit of \$22,593. The related cash collateral is classified as restricted cash and included in "Prepaid expenses and other current assets" in the condensed consolidated balance sheet as of September 29, 2013.

On September 24, 2013, Wendy's entered into an amendment (the "Amendment") to its Restated Credit Agreement to borrow additional Term A Loans ("Incremental Term Loans") in an aggregate principal amount up to \$225,000. As a result of the execution of the Amendment, the outstanding Wendy's 6.20% Senior Notes due in 2014 (the "6.20% Senior Notes") have been classified as long-term debt in our condensed consolidated balance sheet as of September 29, 2013. The Amendment does not contain any material changes to existing covenants or other terms of the Restated Credit Agreement, except as described above. During the three months ended September 29, 2013, Wendy's incurred \$2,293 in fees related to the refinancing, which have been capitalized and included in "Deferred costs and other assets" in the condensed consolidated balance sheet. The interest rates on Term A Loan and Term B Loan were 2.43% and 3.25%, respectively, as of September 29, 2013.

## Subsequent Events

On October 24, 2013, Wendy's borrowed \$225,000 of Incremental Term Loans under the Amendment, further described above. Proceeds from the Incremental Term Loans, plus cash on hand, were used to redeem all amounts

outstanding on the aggregate principal amount of the 6.20% Senior Notes at a price equal to 103.8%, as defined in the 6.20% Senior Notes and accrued and unpaid interest to the redemption date. In connection with the redemption of the 6.20% Senior Notes, during the fourth quarter we terminated the related interest rate swaps with notional amounts totaling \$225,000 which had been designated as fair value hedges. Consequently, during the fourth quarter of 2013, Wendy's will recognize a loss on the early extinguishment of debt of approximately \$7,544 which will primarily include (1) a premium payment, as defined in the 6.20% Senior Notes, totaling \$8,439, (2) the remaining \$3,168 of the fair value adjustment previously recorded in connection with the Wendy's merger, partially offset by (3) a \$4,063 benefit from the cumulative effect of our fair value hedges.

Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

## (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.

## Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at September 29, 2013 and December 30, 2012:

	September 29, 2013		December 30, 2012		Fair Value Measurements
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
<b>Financial assets</b>					
Cash equivalents	\$317,058	\$317,058	\$264,925	\$264,925	Level 1
Non-current cost method investments (a)	22,397	47,121	23,913	50,761	Level 3
Interest rate swaps (b)	4,123	4,123	8,169	8,169	Level 2
<b>Financial liabilities</b>					
Term A Loan, due in 2018 (c)	350,000	349,563	—	—	Level 2
Term B Loan, due in 2019 (c)	769,375	766,490	1,114,826	1,130,434	Level 2
6.20% Senior Notes, due in 2014 (c)	225,586	233,438	225,940	240,750	Level 2
7% debentures, due in 2025 (c)	84,373	97,750	83,496	99,900	Level 2
Capital lease obligations (d)	37,538	36,080	32,594	33,299	Level 3
Guarantees of franchisee loan obligations (e)	892	892	940	940	Level 3

(a) The fair value of our indirect investment in Arby's is based on a review of its most recent unaudited financial information. The fair values of our remaining investments were based on our review of information provided by the investment managers or investees which was based on (1) valuations performed by the investment managers or investees, (2) quoted market or broker/dealer prices for similar investments and (3) quoted market or broker/dealer

Edgar Filing: Wendy's Co - Form 10-Q

prices adjusted by the investment managers for legal or contractual restrictions, risk of nonperformance or lack of marketability, depending upon the underlying investments.

- (b) The fair values were based on information provided by the bank counterparties that is model-driven and where inputs were observable or where significant value drivers were observable.
- (c) The fair values were based on quoted market prices in markets that are not considered active markets. See Note 5 for information on the redemption of the 6.20% Senior Notes subsequent to the third quarter of 2013.

Table of Contents

THE WENDY'S COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

The fair values were determined by discounting the future scheduled principal payments using an interest rate (d) assuming the same original issuance spread over a current U.S. Treasury bond yield for securities with similar durations.

Wendy's has provided loan guarantees to various lenders on behalf of franchisees entering into pooled debt facility arrangements for new restaurant development and equipment financing. In 2012, Wendy's provided a guarantee to a (e) lender for a franchisee in connection with the refinancing of the franchisee's debt. We have accrued a liability for the fair value of these guarantees, the calculation of which was based upon a weighted average risk percentage established at inception adjusted for a history of defaults.

The carrying amounts of cash, accounts payable and accrued expenses approximated fair value due to the short-term nature of those items. The carrying amounts of accounts and notes receivable (both current and non-current) approximated fair value due to the effect of the related allowance for doubtful accounts.

Derivative Instruments

Our derivative instruments for the periods presented included interest rate swaps on our 6.20% Senior Notes with notional amounts totaling \$225,000 that were all designated as fair value hedges. The fair value of our interest rate swaps of \$4,123 and \$8,169 at September 29, 2013 and December 30, 2012, respectively, are included in "Deferred costs and other assets" and as an adjustment to the carrying amount of our 6.20% Senior Notes. Interest income on the interest rate swaps was \$1,429 and \$4,319 for the three and nine months ended September 29, 2013, respectively, and \$1,283 and \$4,013 for the three and nine months ended September 30, 2012, respectively. No ineffectiveness has been recorded to net income related to our fair value hedges for the nine months ended September 29, 2013 and September 30, 2012.

In connection with the redemption of the 6.20% Senior Notes on October 24, 2013, during the fourth quarter we terminated the related interest rate swaps with notional amounts totaling \$225,000. See Note 5 for more information on our redemption of the 6.20% Senior Notes and the termination of the interest rate swaps.

Non-Recurring Fair Value Measurements

The following tables present the fair values for those assets and liabilities measured at fair value on a non-recurring basis during the nine months ended September 29, 2013 and the year ended December 30, 2012 and the resulting impact on the consolidated statements of operations.

Total losses for the nine months ended September 29, 2013 reflect the impact of remeasuring long-lived assets (including land, buildings, leasehold improvements and favorable lease assets) at certain company-owned restaurants to fair value as a result of the Company's decision to lease and/or sublease the land and/or buildings and sell certain other restaurant assets to franchisees. Such losses totaling \$18,359 have been presented as System Optimization Remeasurement and included in "Facilities action charges, net" in our condensed consolidated statement of operations for the nine months ended September 29, 2013. The fair value of long-lived assets presented in the table below represents the remaining carrying value of the long-lived assets discussed above and was based upon discounted cash flows of future anticipated lease and sublease income. See Note 2 for more information on our system optimization initiative and the related activity included in "Facilities action charges, net" including System Optimization Remeasurement.

Total losses for the nine months ended September 29, 2013 also includes the impact of remeasuring our company-owned aircraft to fair value as a result of the Company's decision to sell these aircraft and classify them as held for sale. Additionally, total losses includes \$500 resulting from remeasuring land and buildings to fair value in connection with closing company-owned restaurants and classifying such properties as held for sale. Such losses have been presented as "Impairment of long-lived assets" in our condensed consolidated statements of operations. The fair values of long-lived assets and the aircraft presented in the table below represent the remaining carrying value and were estimated based on current market values. See Note 7 for more information on the impairment of our long-lived assets.

Total losses for the year ended December 30, 2012 reflect the impact of remeasuring long-lived assets at company-owned restaurants and a company-owned aircraft to fair value and were recorded to "Impairment of long-lived assets" in the consolidated statements of operations. The fair value of long-lived assets presented in the table below substantially represents the remaining carrying value of land for Wendy's properties that were impaired in 2012 and were estimated based on current market values as determined by sales prices of comparable properties and current market trends. As of December 30, 2012, the carrying value of the aircraft, which reflected current market conditions, approximated its fair value.

Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

	September 29, 2013	Fair Value Measurements			Nine Months Ended September 29, 2013 Total Losses
		Level 1	Level 2	Level 3	
Long-lived assets	\$ 7,803	\$ —	\$ —	\$ 7,803	\$ 18,859
Aircraft	9,000	—	—	9,000	4,827
Total	\$ 16,803	\$ —	\$ —	\$ 16,803	\$ 23,686

  

	December 30, 2012	Fair Value Measurements			2012 Total Losses
		Level 1	Level 2	Level 3	
Long-lived assets	\$ 7,311	\$ —	\$ —	\$ 7,311	\$ 19,469
Aircraft	5,926	—	—	5,926	1,628
Total	\$ 13,237	\$ —	\$ —	\$ 13,237	\$ 21,097

## (7) Impairment of Long-Lived Assets

During the three months ended September 29, 2013, the Company decided to sell its company-owned aircraft and recorded an impairment charge of \$4,827 to reflect the aircraft at fair value based on current market values. The aircraft are classified as held for sale and included in "Prepaid expenses and other current assets" in our condensed consolidated balance sheet as of September 29, 2013. Additionally, our impairment losses include \$500 resulting from remeasuring land and buildings to fair value in connection with closing company-owned restaurants and classifying such properties as held for sale.

During the three months ended July 1, 2012, we closed 15 company-owned restaurants in connection with our review of certain underperforming locations, which resulted in an impairment charge of \$3,270. In addition, we incurred costs related to these restaurant closings of \$1,477, primarily for continuing lease obligations, which are included in "Other operating (income) expense, net." Our company-owned restaurant impairment losses of \$2,883 during the three months ended April 1, 2012 predominantly reflected impairment charges on restaurant-level assets resulting from the deterioration in operating performance of certain restaurants and additional charges for capital improvements in restaurants impaired in prior years which did not subsequently recover. In addition, during the three months ended April 1, 2012, we recorded an impairment charge of \$1,628 to reflect a company-owned aircraft at fair value as a result of classifying the aircraft as held for sale. During the three months ended July 1, 2012, the Company decided to lease the aircraft and as a result reclassified the aircraft to held and used.

These impairment losses, as detailed in the following table, represented 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		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Properties and intangible assets	\$ 500	\$ —	\$ 500	\$ 6,153
Aircraft	4,827	—	4,827	1,628
	\$ 5,327	\$ —	\$ 5,327	\$ 7,781

## (8) Income Taxes

## Edgar Filing: Wendy's Co - Form 10-Q

The Company's effective tax rate and effective tax rate benefit for the three months ended September 29, 2013 and September 30, 2012 was 116.1% and 32.2%, respectively. The Company's effective tax rate varies from the U.S. federal statutory rate of 35% due to the effect of (1) the system optimization initiative described in Note 2 above, (2) employment tax credits, (3) foreign rate differential, (4) state income taxes net of federal benefit and (5) corrections related to prior year tax matters which were identified and recorded during the three months ended September 30, 2012.

The Company's effective tax rate and effective tax rate benefit for the nine months ended September 29, 2013 and September 30, 2012 was 59.8% and 45.3%, respectively. The Company's effective tax rate varies from the U.S. federal statutory rate of 35% due to the effect of (1) the system optimization initiative described in Note 2 above, (2) employment tax credits, (3) foreign rate



Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

differential, (4) the reversal of deferred tax liabilities on temporary differences related to investments in foreign subsidiaries which the Company now considers permanently invested outside of the U.S. and (5) corrections related to prior year tax matters which were identified and recorded during the nine months ended September 30, 2012.

In connection with the Company's system optimization initiative described in Note 2 above, the Company recorded a tax provision of \$14,183 during the third quarter of 2013 for (1) the effect of goodwill included in the gain on sales of restaurants which is not deductible for tax purposes and (2) an increase in net deferred state taxes due to changes in the Company's expected future state taxes.

During the first quarter of 2013, the Company finalized its long-term investment plan with respect to the Company's non-U.S. earnings. There are no plans to repatriate cash from, and Wendy's intends to indefinitely reinvest undistributed earnings of, its non-U.S. subsidiaries. As such, the Company reversed \$1,934 of deferred tax liabilities during the first quarter of 2013 relating to investments in foreign subsidiaries which the Company now considers permanently invested outside of the U.S. During the third quarter of 2013, \$102 of the first quarter reversal was restored as a result of the completion of the Company's U.S. tax return.

There were no significant changes to unrecognized tax benefits or related interest and penalties for the Company during the nine months ended September 29, 2013 and September 30, 2012.

The Company participates in the Internal Revenue Service Compliance Assurance Process. During the first quarter of 2013, we concluded, without adjustment, the examination of our January 1, 2012 tax return.

## (9) (Loss) Income Per Share

Basic (loss) income per share for the three and nine months ended September 29, 2013 and September 30, 2012 was computed by dividing (loss) income amounts attributable to The Wendy's Company by the weighted average number of common shares outstanding. (Loss) income amounts attributable to The Wendy's Company used to calculate basic and diluted (loss) income per share were as follows:

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Amounts attributable to The Wendy's Company:				
(Loss) income from continuing operations	\$(1,939)	\$(26,692)	\$12,418	\$(19,835)
Net income from discontinued operations	—	530	—	530
Net (loss) income	\$(1,939)	\$(26,162)	\$12,418	\$(19,305)

The weighted average number of shares used to calculate basic and diluted (loss) income per share were as follows:

	Three Months Ended		Nine Months Ended	
	September 29, 2013	September 30, 2012	September 29, 2013	September 30, 2012
Common stock:				
Weighted average basic shares outstanding	392,579	390,406	392,750	390,028
Dilutive effect of stock options and restricted shares	—	—	5,351	—
Weighted average diluted shares outstanding	392,579	390,406	398,101	390,028

Diluted income per share for the nine months ended September 29, 2013 was computed by dividing income attributable to The Wendy's Company by the weighted average number of basic shares outstanding plus the potential common share effect of dilutive stock options and restricted shares. For the nine months ended September 29, 2013, we excluded 12,103 of potential common shares from our diluted income per share calculation as they would have had anti-dilutive effects. Diluted loss per share for the three months ended September 29, 2013 and the three and nine

months ended September 30, 2012 was the same as basic loss per share since the Company reported a loss from continuing operations and therefore, the effect of all potentially dilutive securities would have been anti-dilutive.

Table of Contents

## THE WENDY'S COMPANY AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

## (10) Equity

The following tables present the changes in equity attributable to The Wendy's Company and noncontrolling interest for the nine months ended September 29, 2013 and September 30, 2012:

	Attributable to The Wendy's Company						Noncontrolling Interest	Total
	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Common Stock Held in Treasury	Accumulated Other Comprehensive Income (Loss)			
Balance at December 30, 2012	\$47,042	\$2,782,765	\$ (467,007 )	\$(382,926)	\$ 5,981	\$ —	\$ 1,985,855	
Consolidation of the Japan JV	—	—	—	—	—	(2,735 )	(2,735 )	
Net income (loss)	—	—	12,418	—	—	(445 )	11,973	
Foreign currency translation adjustment	—	—	—	—	(7,577 )	548	(7,029 )	
Unrecognized pension loss	—	—	—	—	(62 )	—	(62 )	
Cash dividends	—	—	(51,065 )	—	—	—	(51,065 )	
Share-based compensation expense	—	11,564	—	—	—	—	11,564	
Common stock issued related to share-based compensation	—	(2,895 )	—	19,772	—	—	16,877	
Tax charge from share-based compensation	—	(2,967 )	—	—	—	—	(2,967 )	
Repurchases of common stock	—	—	—	(41,469 )	—	—	(41,469 )	
Contribution from non-controlling interests	—	—	—	—	—	219	219	
Other	—	12	(3 )	139	—	—	148	
Balance at September 29, 2013	\$47,042	\$2,788,479	\$ (505,657 )	\$(404,484)	\$ (1,658 )	\$ (2,413 )	\$ 1,921,309	

	Attributable to The Wendy's Company						Noncontrolling Interest	Total
	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Common Stock Held in Treasury	Accumulated Other Comprehensive Income (Loss)			
Balance at January 1, 2012	\$47,042	\$2,779,871	\$ (434,999 )	\$(395,947)	\$ 102	\$ —	\$ 1,996,069	

Edgar Filing: Wendy's Co - Form 10-Q

Net (loss) income	—	—	(19,305 )	—	—	2,384	(16,921 )
Distribution to noncontrolling interests	—	—	—	—	—	(2,384 )	(2,384 )
Foreign currency translation adjustment	—	—	—	—	9,309	—	9,309
Unrecognized pension loss	—	—	—	—	(217 )	—	(217 )
Cash dividends	—	—	(23,406 )	—	—	—	(23,406 )
Share-based compensation expense	—	8,330	—	—	—	—	8,330
Common stock issued related to share-based compensation	—	(4,337 )	—	5,874	—	—	1,537
Tax charge from share-based compensation	—	(676 )	—	—	—	—	(676 )
Other	—	(26 )	(32 )	161	—	—	103
Balance at September 30, 2012	\$47,042	\$2,783,162	\$(477,742 )	\$(389,912)	\$ 9,194	\$ —	\$1,971,744

Repurchases of Common Stock

In November 2012, our Board of Directors authorized the repurchase of up to \$100,000 of our common stock through December 29, 2013, when and if market conditions warrant and to the extent legally permissible. During the third quarter of 2013, the Company repurchased 5,482 shares with an aggregate purchase price of \$41,373, excluding commissions of \$96. No repurchases were made subsequent to the third quarter through November 1, 2013.

Table of Contents

THE WENDY'S COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

(11) Guarantees and Other Commitments and Contingencies

Except as described below, the Company did not have any significant changes to its guarantees, other commitments and contingencies as disclosed in the notes to our consolidated financial statements included in the Form 10-K.

Franchise Image Activation Incentive Program

As disclosed in our Form 10-K, Wendy's initiated a cash incentive program to encourage franchisees to participate in Wendy's Image Activation program, which includes innovative exterior and interior restaurant designs for new and reimaged restaurants. The cash incentive program is for the reimaging of restaurants commenced in 2013 and totals up to \$10,000. The Company has recognized expense for such incentives of \$3,775 and \$5,075 in general and administrative during the three and nine months ended September 29, 2013, respectively.

Franchisee Image Activation Financing Program

In order to encourage franchisees to participate in our Image Activation program, Wendy's has executed an agreement to partner with a third party lender to establish a financing program. Under the program, the lender will provide loans to franchisees to be used for the reimaging of restaurants according to the guidelines and specifications under the Image Activation initiative. To support the program, Wendy's has provided to the lender a \$6,000 irrevocable stand-by letter of credit, which was issued on July 1, 2013.

Japan JV Guarantee

Wendy's and the Higa Partners have provided guarantees to certain lenders to the Japan JV. Both Wendy's and Higa Partners have agreed to reimburse and indemnify the other party, should it become necessary, for their respective share of each other's guarantees. Wendy's and the Higa Partners' share of each guarantee is based upon ownership percentages in effect at the time of the agreement. As of September 29, 2013, our portion of these contingent obligations totaled approximately \$2,800 based upon then current rates of exchange. The fair value of our guarantees is immaterial.

In January 2013, Wendy's and the Higa Partners agreed to finance approximately \$3,000 and \$657, respectively, of future anticipated cash requirements of the Japan JV, of which \$1,000 and \$219, respectively, were contributed in April 2013. In August 2013, additional contributions of \$1,000 and \$219 were made by Wendy's and the Higa Partners, respectively.

Our obligations, including the remaining funding of anticipated future cash requirements of the Japan JV of approximately \$1,000, could total up to approximately \$5,700 if the Higa Partners are unable to perform their reimbursement and indemnify obligations to us.

(12) Transactions with Related Parties

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

Transactions with Purchasing Cooperative

Wendy's received \$142 and \$145 of lease income from its purchasing cooperative, Quality Supply Chain Co-op, Inc. ("QSCC") during the nine months ended September 29, 2013 and September 30, 2012, respectively, which has been

recorded as a reduction of "General and administrative."

#### Transactions with a Management Company

The Wendy's Company, through a wholly-owned subsidiary, is party to an aircraft management and lease agreement, which is expected to expire in March 2014, with CitationAir, a subsidiary of Cessna Aircraft Company, pursuant to which the Company leases a corporate aircraft to CitationAir to use as part of its Jet Card program fleet. The Company entered into the lease agreement as a means of offsetting the cost of owning and operating the corporate aircraft by receiving revenue from third parties' use of such aircraft. Under the terms of the lease agreement, the Company pays annual management and flight crew fees to CitationAir and reimburses CitationAir for maintenance costs and fuel usage related to the corporate aircraft. In return, CitationAir pays a

21

---

Table of Contents

THE WENDY'S COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(In Thousands Except Per Share Amounts)

negotiated fee to the Company based on the number of hours that the corporate aircraft is used by Jet Card members. This fee is reduced based on the number of hours that (1) the Company uses other aircraft in the Jet Card program fleet and (2) Jet Card members who are affiliated with the Company use the corporate aircraft or other aircraft in the Jet Card program fleet. The Company's participation in the aircraft management and lease agreement reduces the aggregate costs that the Company would otherwise incur in connection with owning and operating the corporate aircraft. Under the terms of the lease agreement, the Company's directors have the opportunity to become Jet Card members and to use aircraft in the Jet Card program fleet at the same negotiated fee paid by the Company as provided for under the lease agreement. During the nine months ended September 29, 2013 and September 30, 2012, the Former Executives and a director, who was our former Vice Chairman, and members of their immediate families, used their Jet Card agreements for business and personal travel on aircraft in the Jet Card program fleet. A management company formed by the Former Executives and a director, who was our former Vice Chairman, paid CitationAir directly, and the Company received credit from CitationAir for charges related to such travel of approximately \$1,195 and \$730 during the nine months ended September 29, 2013 and September 30, 2012, respectively.

(13) Legal, Environmental and Other Matters

We are involved in litigation and claims incidental to our current and prior businesses. We provide accruals for such litigation and claims when payment is probable and reasonably estimable. As of September 29, 2013, the Company had accruals for all of its legal and environmental matters aggregating \$3,783. We cannot estimate the aggregate possible range of loss due to most 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. Based on currently available information, including legal defenses available to us, and given the aforementioned accruals and our insurance coverage, we do not believe that the outcome of these legal and environmental matters will have a material effect on our consolidated financial position or results of operations.

The Company had previously described in the Form 10-K a dispute between Wendy's and Tim Hortons Inc. related to a tax sharing agreement entered into in 2006. As described in the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013, the dispute was resolved by mutual agreement of the parties on April 25, 2013 and was recorded in the first quarter of 2013. The terms of the agreement were not material to the Company.

(14) Multiemployer Pension Plan

As further described in the Form 10-K, the unionized employees at The New Bakery Co. of Ohio, Inc. (the "Bakery"), a 100% owned subsidiary of Wendy's, are covered by the Bakery and Confectionery Union and Industry International Pension Fund (the "Union Pension Fund"), a multiemployer pension plan with a plan year end of December 31 that provides defined benefits to certain employees covered by a collective bargaining agreement (the "CBA") which expired on March 31, 2013. The completion of the current negotiations for a new CBA will determine our future pension costs.

There have been no changes to the critical status of the Union Pension Fund as further described in the Form 10-K.

(15) Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board issued an amendment that requires companies to present unrecognized tax benefits as a reduction to deferred tax assets when a net operating loss carryforward, a similar tax

loss or a tax credit carryforward exists, with limited exceptions. The amendment is effective commencing with our 2014 fiscal year. The Company does not expect the adoption to have a material impact on the 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 herein 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 30, 2012 (the "Form 10-K"). There have been no material changes as of September 29, 2013 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" preceding "Item 1." You should consider our forward-looking statements in light of 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 Wendy's Company is the parent company of its 100% owned subsidiary holding company, Wendy's Restaurants, LLC ("Wendy's Restaurants"). The principal 100% owned subsidiary of Wendy's Restaurants is Wendy's International, Inc. ("Wendy's") and its subsidiaries. Wendy's franchises and operates company-owned Wendy's quick service restaurants throughout North America (defined as the United States of America (the "U.S.") and Canada) as well as Japan through our joint venture (the "Japan JV"). Wendy's also has franchised restaurants in 26 foreign countries and U.S. territories.

Wendy's restaurants offer an extensive menu specializing in hamburger sandwiches and featuring filet of chicken breast sandwiches, chicken nuggets, chili, french fries, baked potatoes, freshly prepared salads, soft drinks, Frosty® desserts and kids' meals. In addition, the restaurants sell a variety of promotional products on a limited basis.

The Company manages and internally reports its business geographically. The operation and franchising of Wendy's restaurants in North America comprises virtually all of our current operations and represents a single reportable segment. The revenues and operating results of Wendy's restaurants outside of North America, including the three restaurants operated by the Japan JV, are not material. The results of operations discussed below may not necessarily be indicative of future results.

### Executive Overview

#### System Optimization Initiative

In July 2013, the Company announced a system optimization initiative, as part of its brand transformation, which includes a plan to sell approximately 425 company-owned restaurants to franchisees by mid-year 2014. The Company's system optimization initiative also includes the consolidation of regional and divisional territories. As a result of the system optimization initiative, the Company has recorded losses on remeasuring long-lived assets to fair value upon determination that the assets will be leased and/or subleased to franchisees in connection with the sale or anticipated sale of restaurants ("System Optimization Remeasurement"). The Company does not anticipate significant changes to the System Optimization Remeasurement through the completion of the initiative, although such changes could occur if actual future rental payments differ substantially from estimated payments. In addition, the Company anticipates recognizing the following costs related to the system optimization initiative during 2013 and 2014: (1) accelerated depreciation and amortization, (2) severance and related employee costs, (3) share-based compensation, (4) professional fees and (5) other costs. These costs, as well as gains or losses recognized on sales of restaurants under the system optimization initiative will be recorded to "Facilities action charges, net" in our condensed

consolidated statements of operations. The Company's estimate for costs to be incurred under the system optimization initiative during the remainder of 2013 and 2014 totals approximately \$25.9 million and includes: (1) accelerated amortization of previously acquired franchise rights in territories being sold of \$14.3 million, (2) severance and employee related costs of \$7.0 million, (3) professional fees of \$3.0 million and (4) share-based compensation of \$1.6 million. The Company cannot reasonably estimate the gains or losses resulting from future sales of restaurants.

#### Our Business

As of September 29, 2013, the Wendy's restaurant system was comprised of 6,539 restaurants, of which 1,369 were owned and operated by the Company. Our company-owned restaurants are located principally in the U.S. and to a lesser extent in Canada and Japan through the Japan JV.

Wendy's operating results have been impacted by a number of external factors, including high unemployment, negative general economic trends and intense price competition, as well as continued increases in commodity costs through the third quarter of 2013.

Wendy's long-term growth opportunities, which in part will result from our system optimization initiative and as part of our brand transformation, include improving our North America business by elevating the total customer experience through continuing core menu improvement, step-change product innovation and focused execution of operational excellence and brand positioning, which will be supported by (1) investing in our Image Activation program, which includes innovative exterior and interior restaurant designs for our new and reimaged restaurants, (2) employing financial strategies to improve our net income and earnings per share and (3) building the brand worldwide.

Wendy's revenues for the first nine months of 2013 include: (1) \$1,611.9 million of sales at company-owned restaurants, (2) \$48.0 million from our company-owned bakery, (3) \$213.7 million of royalty revenue from franchisees and (4) \$21.4 million of other franchise-related revenue and other revenues. Substantially all of our royalty agreements provide for royalties of 4.0% of franchisees' sales.

#### Key Business Measures

We track our results of operations and manage our business using the following key business measures:

##### Same-Store Sales

We report same-store sales commencing after new restaurants have been open for at least 15 continuous months and after remodeled restaurants have been reopened for three continuous months. This methodology is consistent with the metric used by our management for internal reporting and analysis. Same-store sales exclude the impact of currency translation.

##### Restaurant Margin

We define restaurant margin as sales from company-owned restaurants less cost of sales divided by sales from company-owned restaurants. Cost of sales includes food and paper, restaurant labor and occupancy, advertising and other operating costs. Sales and cost of sales exclude amounts related to our company-owned bakery. Restaurant margin is influenced by factors such as restaurant openings and closures, price increases, the effectiveness of our advertising and marketing initiatives, featured products, product mix, the level of our fixed and semi-variable costs and fluctuations in food and labor costs.

#### Refinancings of the Credit Agreement and Other Indebtedness

As further described in "Liquidity and Capital Resources - Refinancings of the Credit Agreement and Other Indebtedness," below, on May 16, 2013, Wendy's amended and restated (the "Restated Credit Agreement") its Credit Agreement, dated May 15, 2012 (the "Credit Agreement"). The Restated Credit Agreement, among other things, (1) lowered the interest rate margin and floor applicable to the existing term loan, (2) provided for a partial refinancing of the existing term loan with a new tranche of a term loan in an aggregate principal of \$350.0 million and (3) extended the maturity date of the revolving credit facility by one year. Wendy's recognized a loss on the early extinguishment of debt of \$21.0 million in the second quarter of 2013 in connection with this refinancing.

The Restated Credit Agreement also allows Wendy's to have liens in the form of cash collateralized letters of credit up to \$40.0 million, in addition to the \$70.0 million of letters of credit allowed under the revolving credit facility. During the three months ended September 29, 2013, Wendy's transitioned the security for all of its outstanding letters of credit from the revolving credit facility to cash collateral.

## Edgar Filing: Wendy's Co - Form 10-Q

On September 24, 2013, Wendy's entered into an amendment (the "Amendment") to its Restated Credit Agreement to borrow additional Term A Loans ("Incremental Term Loans") in an aggregate principal amount up to \$225.0 million. On October 24, 2013, Wendy's borrowed \$225.0 million of Incremental Term Loans under the Amendment. Proceeds from the Incremental Term Loans, plus cash on hand, were used to redeem Wendy's 6.20% Senior Notes due in 2014 (the "6.20% Senior Notes"). See "Liquidity and Capital Resources - Refinancings of the Credit Agreement and Other Indebtedness," below for further discussion of the Amendment and related subsequent events.

## Guarantees and Other Commitments

### Franchise Image Activation Incentive Program

As disclosed in our Form 10-K, Wendy's initiated a cash incentive program to encourage franchisees to participate in Wendy's Image Activation program, which includes innovative exterior and interior restaurant designs for new and reimaged restaurants. The cash incentive program is for the reimaging of restaurants commenced in 2013 and totals up to \$10.0 million. The Company has recognized expense for such incentives of \$3.8 million and \$5.1 million in general and administrative during the three and nine months ended September 29, 2013, respectively.

### Franchisee Image Activation Financing Program

In order to encourage franchisees to participate in our Image Activation program, Wendy's has executed an agreement to partner with a third party lender to establish a financing program. Under the program, the lender will provide loans to franchisees to be used for the reimaging of restaurants according to the guidelines and specifications under the Image Activation initiative. To support the program, Wendy's has provided to the lender a \$6.0 million irrevocable stand-by letter of credit, which was issued on July 1, 2013.

### Japan JV Guarantee

Wendy's and Ernest M. Higa and Higa Industries, Ltd., a corporation organized under the laws of Japan (collectively, the "Higa Partners") have provided guarantees to certain lenders to the Japan JV. Both Wendy's and Higa Partners have agreed to reimburse and indemnify the other party, should it become necessary, for their respective share of each other's guarantees. Wendy's and the Higa Partners' share of each guarantee is based upon ownership percentages in effect at the time of the agreement. As of September 29, 2013, our portion of these contingent obligations totaled approximately \$2.8 million based upon then current rates of exchange. The fair value of our guarantees is immaterial.

In January 2013, Wendy's and the Higa Partners agreed to finance approximately \$3.0 million and \$0.7 million, respectively, of future anticipated cash requirements of the Japan JV, of which \$1.0 million and \$0.2 million, respectively, were contributed in April 2013. In August 2013, additional contributions of \$1.0 million and \$0.2 million were made by Wendy's and the Higa Partners, respectively.

Our obligations, including the remaining funding of anticipated future cash requirements of the Japan JV of approximately \$1.0 million, could total up to approximately \$5.7 million if the Higa Partners are unable to perform their reimbursement and indemnify obligations to us.

## Related Party Transactions

### Transactions with a Management Company

The Wendy's Company, through a wholly-owned subsidiary, is party to an aircraft management and lease agreement, which is expected to expire in March 2014, with CitationAir, a subsidiary of Cessna Aircraft Company, pursuant to which the Company leases a corporate aircraft to CitationAir to use as part of its Jet Card program fleet. The Company entered into the lease agreement as a means of offsetting the cost of owning and operating the corporate aircraft by receiving revenue from third parties' use of such aircraft. Under the terms of the lease agreement, the Company pays annual management and flight crew fees to CitationAir and reimburses CitationAir for maintenance costs and fuel usage related to the corporate aircraft. In return, CitationAir pays a negotiated fee to the Company based on the number of hours that the corporate aircraft is used by Jet Card members. This fee is reduced based on the number of hours that (1) the Company uses other aircraft in the Jet Card program fleet and (2) Jet Card members who are affiliated with the Company use the corporate aircraft or other aircraft in the Jet Card program fleet. The Company's participation in the aircraft management and lease agreement reduces the aggregate costs that the Company would otherwise incur in connection with owning and operating the corporate aircraft. Under the terms of the lease

agreement, the Company's directors have the opportunity to become Jet Card members and to use aircraft in the Jet Card program fleet at the same negotiated fee paid by the Company as provided for under the lease agreement. During the first nine months of 2013 and 2012, our Chairman, who was our former Chief Executive Officer, and our Vice Chairman, who was our former President and Chief Operating Officer (the "Former Executives") and a director, who was our former Vice Chairman, and members of their immediate families, used their Jet Card agreements for business and personal travel on aircraft in the Jet Card program fleet. A management company formed by the Former Executives and a director, who was our former Vice Chairman, paid CitationAir directly, and the Company received credit from CitationAir for charges related to such travel of approximately \$1.2 million and \$0.7 million during the first nine months of 2013 and 2012, respectively.

## Presentation of Financial Information

The Company reports on a fiscal year consisting of 52 or 53 weeks ending on the Sunday closest to December 31. All quarters presented contain 13 weeks. All references to years and quarters relate to fiscal periods rather than calendar periods. Certain percent changes between fiscal periods are considered not measurable or not meaningful (“n/m”).

## Results of Operations

The following tables included throughout Results of Operations set forth in millions the Company’s consolidated results of operations for the three months ended September 29, 2013 and September 30, 2012:

	Three Months Ended		\$ Change	% Change
	September 29, 2013	September 30, 2012		
Revenues:				
Sales	\$558.0	\$558.3	\$(0.3)	(0.1)%
Franchise revenues	82.8	78.0	4.8	6.2
	640.8	636.3	4.5	0.7
Costs and expenses:				
Cost of sales	469.2	478.4	(9.2)	(1.9)
General and administrative	76.5	72.2	4.3	6.0
Depreciation and amortization	44.3	41.9	2.4	5.7
Impairment of long-lived assets	5.3	—	5.3	n/m
Facilities action charges, net	22.3	11.4	10.9	95.6
Other operating (income) expense, net	(3.6)	1.2	(4.8)	n/m
	614.0	605.1	8.9	1.5
Operating profit	26.8	31.2	(4.4)	(14.1)
Interest expense	(15.6)	(21.6)	6.0	(27.8)
Loss on early extinguishment of debt	—	(49.9)	49.9	n/m
Investment income and other income, net	2.3	0.9	1.4	n/m
Income (loss) from continuing operations before income taxes and noncontrolling interests	13.5	(39.4)	52.9	n/m
(Provision for) benefit from income taxes	(15.6)	12.7	(28.3)	n/m
Loss from continuing operations	(2.1)	(26.7)	24.6	(92.1)
Net income from discontinued operations	—	0.5	(0.5)	n/m
Net loss	(2.1)	(26.2)	24.1	(92.0)
Net loss attributable to noncontrolling interests	0.2	—	0.2	n/m
Net loss attributable to The Wendy’s Company	\$(1.9)	\$(26.2)	\$24.3	(92.7)%

Edgar Filing: Wendy's Co - Form 10-Q

	Third Quarter 2013		Third Quarter 2012	
Sales:				
Wendy's	\$541.3		\$542.4	
Bakery	16.7		15.9	
Total sales	\$558.0		\$558.3	
		% of		% of
		Sales		Sales
Cost of sales:				
Wendy's				
Food and paper	\$178.0	32.9%	\$179.8	33.1%
Restaurant labor	157.8	29.1%	162.7	30.0%
Occupancy, advertising and other operating costs	121.6	22.5%	124.3	23.0%
Total cost of sales	457.4	84.5%	466.8	86.1%
Bakery	11.8	n/m	11.6	n/m
Total cost of sales	\$469.2	84.1%	\$478.4	85.7%
	Third Quarter		Third Quarter	
	2013		2012	
Margin \$:				
Wendy's	\$83.9		\$75.6	
Bakery	4.9		4.3	
Total margin	\$88.8		\$79.9	
Wendy's restaurant margin %	15.5	%	13.9	%
	Third Quarter		Third Quarter	
	2013		2012	
Wendy's restaurant statistics:				
North America same-store sales:				
Company-owned restaurants	3.2	%	2.7	%
Franchised restaurants	3.1	%	2.9	%
Systemwide	3.1	%	2.8	%
Total same-store sales:				
Company-owned restaurants	3.2	%	2.7	%
Franchised restaurants (a)	3.2	%	2.8	%
Systemwide (a)	3.2	%	2.8	%

(a) Includes international franchised restaurants same-store sales.



Edgar Filing: Wendy's Co - Form 10-Q

	Company-owned	Franchised	Systemwide
Restaurant count:			
Restaurant count at June 30, 2013	1,421	5,121	6,542
Opened	6	13	19
Closed	(5	) (17	) (22
Net (sold to) purchased by franchisees	(53	) 53	—
Restaurant count at September 29, 2013	1,369	5,170	6,539
Sales			Change
Wendy's			\$(1.1
Bakery			0.8
			\$(0.3

The minimal decrease in sales during the third quarter of 2013 was primarily due to the impact of Wendy's company-owned restaurants closed or sold, including under our system optimization initiative, during the third quarter of 2012 and thereafter, which resulted in a reduction in sales of \$27.0 million. This reduction in sales was partially offset by incremental sales of \$11.0 million from locations opened or acquired during that same time period. Sales during the third quarter of 2013 also increased due to an increase in our average per customer check amount, in part offset by a slight decrease in customer count. Our average per customer check amount increased primarily due to changes in the composition of our sales and strategic price increases on our menu items implemented in September 2012. Sales were negatively impacted by \$2.7 million due to changes in Canadian foreign currency rates.

Franchise Revenues	Change
Franchise revenues	\$4.8

The increase in franchise revenues during the third quarter of 2013 was primarily due to a 3.2% increase in franchise restaurant same-store sales, which we believe was primarily impacted by the same factors described above for company-owned restaurants. Franchise revenues were also positively impacted by a net increase in the number of franchise restaurants in operation during the third quarter of 2013 compared to 2012 and increases in initial franchise fees and rental income, resulting primarily from sales of company-owned restaurants to franchisees under our system optimization initiative.

Wendy's Cost of Sales	Change
Food and paper	(0.2) %
Restaurant labor	(0.9) %
Occupancy, advertising and other operating costs	(0.5) %
	(1.6) %

The decrease in cost of sales, as a percent of sales, during the third quarter of 2013 was due to benefits from (1) strategic price increases on our menu items implemented in September 2012, (2) changes in the composition of our sales and (3) the favorable impact of new beverage contracts. As a percent of sales, these decreases in costs were partially offset by increased commodity costs.

General and Administrative	Change	
Incentive compensation	\$7.6	
Franchise incentives	2.8	
Employee compensation and related expenses	(4.7	)
Other, net	(1.4	)
	\$4.3	

The increase in general and administrative expenses during the third quarter of 2013 was primarily due to increases in (1) incentive compensation accruals due to stronger operating performance as compared to plan in 2013 versus 2012 and (2) franchise incentive expense resulting from our Image Activation incentive program. These increases were partially offset by a decrease in employee compensation and related expenses primarily due to changes in staffing.

Depreciation and Amortization	Change
Restaurants	\$1.9
Other	0.5
	\$2.4

Depreciation and amortization during the third quarter of 2013 includes accelerated depreciation of \$0.9 million and \$4.9 million on existing assets that will be replaced in 2013 and 2014, respectively, as part of our Image Activation program, compared to \$4.5 million during the third quarter of 2012 on assets that were replaced during the fourth quarter of 2012. The increase in restaurant depreciation and amortization during the third quarter of 2013 also includes a \$2.0 million increase on new and reimaged Image Activation restaurants. These increases were partially offset by a decrease in depreciation and amortization due to a reduction in restaurant assets resulting from sales of restaurants and impairment charges taken on restaurant assets subsequent to the third quarter of 2012. Other depreciation and amortization increased during the third quarter of 2013 in part due to depreciation on a new building and renovations at our corporate headquarters.

Impairment of Long-Lived Assets	Third Quarter
	2013
Restaurants, primarily properties	\$0.5
Aircraft	4.8
	\$5.3

During the third quarter of 2013, the Company decided to sell its company-owned aircraft and recorded an impairment charge of \$4.8 million to reflect the aircraft at fair value based on current market values.

Facilities Action Charges, Net	Third Quarter	
	2013	2012
System optimization initiative	\$21.6	\$—
Facilities relocation and other transition costs	0.6	11.3
Breakfast discontinuation	0.1	—
Arby's transaction related costs	—	0.1
	\$22.3	\$11.4

During the third quarter of 2013, the Company recorded net expense totaling \$21.6 million related to its system optimization initiative which is primarily comprised of (1) System Optimization Remeasurement of \$12.4 million, (2) severance and related employee costs of \$6.1 million and (3) accelerated amortization of \$3.1 million. These costs were partially offset by a \$1.7 million net gain on sales of restaurants.

During the third quarter of 2013 and 2012, the Company incurred costs aggregating \$0.6 million and \$11.3 million, respectively, related to the relocation of the Atlanta restaurant support center to Ohio, which was substantially completed during 2012.

	Change	
Interest Expense		
Term loans	\$(4.4	)
Senior Notes	(2.0	)
Other, net	0.4	
	\$(6.0	)

The decrease in interest expense during the third quarter of 2013 was primarily due to (1) the effect of lower effective interest rates on the current term loans compared to the prior term loan and (2) the purchase and redemption of the Wendy's Restaurants 10.00% Senior Notes (the "Senior Notes") in May and July 2012, respectively. The decrease in our effective interest rates on our current term loans compared to the prior term loan is a result of the execution of the Credit Agreement in May 2012 and the Restated Credit Agreement in May 2013. See "Liquidity and Capital Resources - Refinancing of Credit Agreement and Other Indebtedness" below for further discussion.

#### Loss on Early Extinguishment of Debt

Wendy's incurred a loss on the early extinguishment of debt of \$49.9 million in the third quarter of 2012 related to the repayment of debt with the proceeds of the 2012 term loan under the Credit Agreement. The components of the loss on the early extinguishment of debt incurred during the third quarter of 2012 are as follows:

	Third Quarter 2012
Premium payment to redeem the Senior Notes	\$33.1
Unaccreted discount on the Senior Notes	7.2
Deferred costs associated with the Senior Notes	9.6
Loss on early extinguishment of debt	\$49.9

	Change	
(Provision for) Benefit from Income Taxes		
Federal and state (expense) benefit on variance in income (loss) from continuing operations before income taxes and noncontrolling interests	\$(13.8	)
System optimization initiative	(14.2	)
Prior year tax matters, including changes to unrecognized tax benefits and corrections	(2.5	)
State income taxes net of federal benefit	2.5	
Other	(0.3	)
	\$(28.3	)

Our income taxes in 2013 and 2012 were impacted by variations in income (loss) from continuing operations before income taxes and noncontrolling interests, adjusted for recurring items, our system optimization initiative, 2012 prior year tax matters which did not recur and state income taxes net of federal benefit.

In connection with the Company's system optimization initiative described above, the Company recorded a tax provision of \$14.2 million during the third quarter of 2013 for (1) the effect of goodwill included in the gain on sales of restaurants which is not deductible for tax purposes and (2) an increase in net deferred state taxes due to changes in the Company's expected future state taxes.

### Net Income from Discontinued Operations

Net income from discontinued operations, for the three months ended September 30, 2012, includes income from discontinued operations of \$0.8 million, net of a benefit from income taxes of \$0.4 million and a loss on disposal of \$0.3 million, net of a benefit from income taxes of \$0.2 million.

### Net Loss Attributable to Noncontrolling Interests

We have reflected a net loss attributable to noncontrolling interests of \$0.2 million in the third quarter of 2013 as a result of the consolidation of the Japan JV in the second quarter of 2013. A wholly-owned subsidiary of Wendy's owned a 49% share in a joint venture for the operation of Wendy's restaurants in Japan with the Higa Partners. In conjunction with additional capital contributions in April 2013, the partners executed an amendment to the original joint venture agreement which includes revised rights and obligations of the partners and changes to the ownership and profit distribution percentages. In August 2013, additional contributions of \$1.0 million and \$0.2 million were made by Wendy's and the Higa Partners, respectively. The ownership and profit distribution percentages, as defined, are 66.8% and 62.2% and 33.2% and 37.8%, respectively for Wendy's and the Higa Partners as of September 29, 2013 and will change as future contributions are made to fund the Japan JV. As a result of the changes in the ownership rights and obligations of the partners in April 2013, Wendy's consolidated the Japan JV beginning in the second quarter of 2013. Prior to our acquisition of this additional interest, the Japan JV was accounted for as an unconsolidated affiliate under the equity method of accounting.

Under the equity method of accounting, we previously reported our 49% share of the net loss of the Japan JV in "Other operating (income) expense, net." Beginning in the second quarter of 2013, we have reported the Japan JV's results of operations in the appropriate line items in our condensed consolidated statements of operations. Net loss attributable to the Higa Partners' ownership percentage is recorded in "Net loss attributable to noncontrolling interests."

## Results of Operations

The following tables included throughout this Results of Operations set forth in millions the Company's consolidated results of operations for the nine months ended September 29, 2013 and September 30, 2012:

	Nine Months Ended		\$ Change	% Change	
	September 29, 2013	September 30, 2012			
Revenues:					
Sales	\$1,659.9	\$1,644.4	\$15.5	0.9	%
Franchise revenues	235.1	231.0	4.1	1.8	
	1,895.0	1,875.4	19.6	1.0	
Costs and expenses:					
Cost of sales	1,403.3	1,417.0	(13.7)	(1.0)	)
General and administrative	216.6	217.8	(1.2)	(0.6)	)
Depreciation and amortization	134.8	110.1	24.7	22.4	
Impairment of long-lived assets	5.3	7.8	(2.5)	(32.1)	)
Facilities action charges, net	31.7	27.6	4.1	14.9	
Other operating (income) expense, net	(3.0)	4.6	(7.6)	n/m	)
	1,788.7	1,784.9	3.8	0.2	
Operating profit	106.3	90.5	15.8	17.5	
Interest expense	(55.5)	(77.8)	22.3	(28.7)	)
Loss on early extinguishment of debt	(21.0)	(75.1)	54.1	(72.0)	)%
Investment income and other income (expense), net—		30.5	(30.5)	n/m	)
Income (loss) from continuing operations before income taxes and noncontrolling interests	29.8	(31.9)	61.7	n/m	)
(Provision for) benefit from income taxes	(17.8)	14.4	(32.2)	n/m	)
Income (loss) from continuing operations	12.0	(17.5)	29.5	n/m	)
Net income from discontinued operations	—	0.5	(0.5)	n/m	)
Net income (loss)	12.0	(17.0)	29.0	n/m	)
Net loss (income) attributable to noncontrolling interests	0.4	(2.3)	2.7	n/m	)
Net income (loss) attributable to The Wendy's Company	\$12.4	\$(19.3)	\$31.7	n/m	)

Edgar Filing: Wendy's Co - Form 10-Q

	Nine Months 2013		Nine Months 2012	
Sales:				
Wendy's	\$1,611.9		\$1,592.1	
Bakery	48.0		52.3	
Total sales	\$1,659.9		\$1,644.4	
		% of		% of
		Sales		Sales
Cost of sales:				
Wendy's				
Food and paper	\$529.7	32.9%	\$529.9	33.3%
Restaurant labor	478.2	29.7%	480.2	30.2%
Occupancy, advertising and other operating costs	361.6	22.4%	370.1	23.2%
Total cost of sales	1,369.5	85.0%	1,380.2	86.7%
Bakery	33.8	n/m	36.8	n/m
Total cost of sales	\$1,403.3	84.5%	\$1,417.0	86.2%
	Nine Months 2013		Nine Months 2012	
Margin \$:				
Wendy's	\$242.4		\$211.9	
Bakery	14.2		15.5	
Total margin	\$256.6		\$227.4	
Wendy's restaurant margin %	15.0	%	13.3	%
	Nine Months 2013		Nine Months 2012	
Wendy's restaurant statistics:				
North America same-store sales:				
Company-owned restaurants	1.5	%	2.3	%
Franchised restaurants	1.4	%	2.3	%
Systemwide	1.4	%	2.3	%
Total same-store sales:				
Company-owned restaurants	1.5	%	2.3	%
Franchised restaurants (a)	1.4	%	2.3	%
Systemwide (a)	1.4	%	2.3	%

(a) Includes international franchised restaurants same-store sales.

Edgar Filing: Wendy's Co - Form 10-Q

	Company-owned	Franchised	Systemwide
Restaurant count:			
Restaurant count at December 30, 2012	1,427	5,133	6,560
Opened	13	38	51
Closed	(14	) (58	) (72
Net (sold to) purchased by franchisees	(57	) 57	—
Restaurant count at September 29, 2013	1,369	5,170	6,539
Sales			Change
Wendy's			\$ 19.8
Bakery			(4.3
			) \$ 15.5

The increase in sales during the first nine months of 2013 was primarily due to the impact of Wendy's company-owned restaurants opened or acquired during the third quarter of 2012 and thereafter, which resulted in incremental sales of \$66.5 million. This increase in sales was partially offset by a reduction in sales of \$61.3 million from locations closed or sold, including under our system optimization initiative, during that same time period. Sales during the first nine months of 2013 also increased due to an increase in our average per customer check amount, in part offset by a decrease in customer count. Our average per customer check amount increased primarily due to a benefit from strategic price increases on our menu items implemented in September 2012, and changes in the composition of our sales. Sales during the first nine months of 2013 were negatively impacted by temporary closures of restaurants being remodeled under our Image Activation program. Sales were also negatively impacted by \$3.8 million due to changes in Canadian foreign currency rates.

Franchise Revenues	Change
Franchise revenues	\$4.1

The increase in franchise revenues during the first nine months of 2013 was primarily due to a 1.4% increase in franchise restaurant same-store sales, which we believe was primarily impacted by the same factors described above for company-owned restaurants. Franchise revenues were also positively impacted by initial franchise fees and rental income recognized in connection with sales of company-owned restaurants to franchisees under our system optimization initiative.

Wendy's Cost of Sales	Change
Food and paper	(0.4
Restaurant labor	)%
Occupancy, advertising and other operating costs	(0.5
	)%
	(0.8
	)%
	(1.7
	)%

The decrease in cost of sales, as a percent of sales, during the first nine months of 2013, was primarily due to benefits from (1) strategic price increases on our menu items implemented in September 2012, (2) changes in the composition of our sales (3) a decrease in breakfast advertising expenses and (4) the favorable impact of new beverage contracts. As a percent of sales, these decreases in costs were partially offset by increased commodity costs.



	Change	
General and Administrative		
Employee compensation and related expenses	\$(9.1	)
Franchise taxes	(1.8	)
Capitalized internal labor costs	(1.5	)
Incentive compensation	10.1	
Severance expense	3.1	
Other, net	(2.0	)
	\$(1.2	)

The decrease in general and administrative expenses during the first nine months of 2013 was primarily due to (1) a decrease in employee compensation and related expenses primarily due to changes in staffing, partially offset by an increase in share-based compensation, (2) a decrease in franchise taxes and (3) an increase in capitalized internal labor costs as a result of our Image Activation program. These decreases were partially offset by increases in (1) incentive compensation accruals due to stronger operating performance as compared to plan in 2013 versus 2012 and (2) severance expense as a result of the terms of a separation agreement with an executive.

	Change
Depreciation and Amortization	
Restaurants	\$23.3
Other	1.4
	\$24.7

Depreciation and amortization during the first nine months of 2013 includes accelerated depreciation of \$19.6 million and \$4.9 million on existing assets that will be replaced in 2013 and 2014, respectively, as part of our Image Activation program, compared to \$6.9 million during the first nine months of 2012 on assets that were being replaced during 2012. The increase in restaurant depreciation and amortization during the first nine months of 2013 also includes a \$5.5 million increase on new and reimaged Image Activation restaurants. Other depreciation and amortization increased during the first nine months of 2013 in part due to depreciation on a new building and renovations at our corporate headquarters.

	Change	
Impairment of Long-Lived Assets		
Restaurants, primarily properties	\$(5.7	)
Aircraft	3.2	
	\$(2.5	)

The decrease in restaurant impairment during the first nine months of 2013 was primarily due to improved operating performance and the level of impairment charges taken in prior periods on properties at underperforming locations. Impairment charges primarily include charges on restaurant level assets resulting from a continued decline in operating performance of certain restaurants and additional charges for capital improvements in restaurants impaired in prior years which did not subsequently recover.

During the first quarter of 2012, impairment losses of \$1.6 million were recorded to reflect a company-owned aircraft at fair value as a result of classifying the aircraft as held for sale. Subsequently, during the second quarter of 2012, the Company decided to lease the aircraft and as a result reclassified the aircraft to held and used. During the third quarter of 2013, the Company decided to sell both of its company-owned aircraft and recorded an impairment charge of \$4.8 million to reflect the aircraft at fair value based on current market values.

Facilities Action Charges, Net	Nine Months	
	2013	2012
System optimization initiative	\$26.4	\$—
Facilities relocation and other transition costs	3.9	26.3
Breakfast discontinuation	1.1	—
Arby's transaction related costs	0.3	1.3
	\$31.7	\$27.6

During the first nine months of 2013, the Company recorded net expense totaling \$26.4 million related to its system optimization initiative which is primarily comprised of (1) System Optimization Remeasurement of \$18.4 million, (2) severance and related employee costs of \$6.1 million and (3) accelerated amortization of \$3.1 million. These costs were partially offset by a \$2.9 million net gain on sales of restaurants.

During the first nine months of 2013 and 2012, the Company incurred facilities relocation and other transition costs aggregating \$3.9 million and \$26.3 million, respectively, related to the relocation of the Atlanta restaurant support center to Ohio, which was substantially completed during 2012.

As disclosed in our Form 10-K, the remaining Arby's transaction related costs were associated with the relocation of a corporate executive that were being expensed over the three year period following the executive's relocation in accordance with the terms of the agreement. In accordance with the terms of a separation agreement with such executive, the remaining unamortized costs were recorded to severance expense and included in "General and administrative" during the second quarter of 2013.

Interest Expense	Change	
Senior Notes	\$(28.6	)
Term loans	6.3	
	\$(22.3	)

The decrease in interest expense during the first nine months of 2013 was primarily due to the purchase and redemption of the Senior Notes in May and July 2012, respectively. This decrease in interest expense was partially offset by the net effect of higher weighted average principal amounts outstanding and lower effective interest rates on the current term loans compared to the prior term loan. The decrease in our effective interest rates on our current term loans compared to the prior term loan is a result of the execution of the Credit Agreement in May 2012 and the Restated Credit Agreement in May 2013. See "Liquidity and Capital Resources - Refinancing of Credit Agreement and Other Indebtedness" below for further discussion.

#### Loss on Early Extinguishment of Debt

Wendy's incurred a loss on the early extinguishment of debt as a result of refinancing its existing Credit Agreement on May 16, 2013, as described below in "Liquidity and Capital Resources - Refinancing of Credit Agreement and Other Indebtedness," as follows:

	Nine Months
	2013
Unaccreted discount on Term B Loan	\$9.6
Deferred costs associated with the Credit Agreement	11.4
Loss on early extinguishment of debt	\$21.0

Edgar Filing: Wendy's Co - Form 10-Q

During the first nine months of 2012, Wendy's incurred a loss on the early extinguishment of debt of \$75.1 million related to the repayment of debt with the proceeds of the 2012 term loan under the Credit Agreement. The components of the loss on the early extinguishment for the first nine months of 2012 are as follows:

	Nine Months 2012	
Premium payment to redeem/purchase the Senior Notes	\$43.2	
Unaccreted discount on the Senior Notes	9.3	
Deferred costs associated with the Senior Notes	12.4	
Unaccreted discount on the 2010 term loan	1.7	
Deferred costs associated with the 2010 term loan	8.5	
Loss on early extinguishment of debt	\$75.1	
 (Provision for) Benefit from Income Taxes	 Change	
Federal and state (expense) benefit on variance in income (loss) from continuing operations before income taxes and noncontrolling interests	\$(16.5	)
System optimization initiative	(14.2	)
Prior year tax matters, including changes to unrecognized tax benefits and corrections	(2.6	)
Reversal of deferred taxes on investment in foreign subsidiaries now considered permanently invested outside of the U.S.	1.8	
Other	(0.7	)
	\$(32.2	)

Our income taxes in 2013 and 2012 were impacted by variations in income (loss) from continuing operations before income taxes and noncontrolling interests, adjusted for recurring items, our system optimization initiative, 2012 prior year tax matters which did not recur, state income taxes net of federal benefit and a reversal of deferred taxes on investments in foreign subsidiaries now considered permanently invested outside of the United States.

During the first quarter of 2013, the Company finalized its long-term investment plan with respect to the Company's non-U.S. earnings. There are no plans to repatriate cash from, and Wendy's intends to indefinitely reinvest undistributed earnings of, its non-U.S. subsidiaries. As such, the Company reversed \$1.8 million of deferred tax liabilities relating to investments in foreign subsidiaries which the Company now considers permanently invested outside of the U.S.

In connection with the Company's system optimization initiative described above, the Company recorded a tax provision of \$14.2 million during the third quarter of 2013 for (1) the effect of goodwill included in the gain on sales of restaurants which is not deductible for tax purposes and (2) an increase in net deferred state taxes due to changes in the Company's expected future state taxes.

Net Income from Discontinued Operations

Net income from discontinued operations for the nine months ended September 30, 2012 includes income from discontinued operations of \$0.8 million, net of a benefit from income taxes of \$0.4 million and a loss on disposal of \$0.3 million, net of a benefit from income taxes of \$0.2 million.

Net Loss (Income) Attributable to Noncontrolling Interests

We have reflected a net loss attributable to noncontrolling interests of \$0.4 million during the first nine months of 2013 as a result of the consolidation of the Japan JV in the second quarter of 2013. A wholly-owned subsidiary of Wendy's owned a 49% share in a joint venture for the operation of Wendy's restaurants in Japan with the Higa Partners. In conjunction with additional capital contributions in April 2013, the partners executed an amendment to the original joint venture agreement which includes revised rights and obligations of the partners and changes to the ownership

and profit distribution percentages. In August 2013,

37

---

additional contributions of \$1.0 million and \$0.2 million were made by Wendy's and the Higa Partners, respectively. The ownership and profit distribution percentages, as defined, are 66.8% and 62.2% and 33.2% and 37.8%, respectively for Wendy's and the Higa Partners as of September 29, 2013 and will change as future contributions are made to fund the Japan JV. As a result of the changes in the ownership rights and obligations of the partners in April 2013, Wendy's consolidated the Japan JV beginning in the second quarter of 2013. Prior to our acquisition of this additional interest, the Japan JV was accounted for as an unconsolidated affiliate under the equity method of accounting.

Under the equity method of accounting, we previously reported our 49% share of the net loss of the Japan JV in "Other operating (income) expense, net." Beginning in the second quarter of 2013, we have reported the Japan JV's results of operations in the appropriate line items in our condensed consolidated statements of operations. Net loss attributable to the Higa Partners' ownership percentage is recorded in "Net loss (income) attributable to noncontrolling interests."

We have reflected net income attributable to noncontrolling interests of \$2.3 million, net of an income tax benefit of \$1.3 million during the first nine months of 2012 in connection with the equity and profit interests in Jurl Holdings, LLC ("Jurl"), a 99.7% owned subsidiary, which held our investment in Jurlique International Pty Ltd. ("Jurlique"). Prior to 2009 when our predecessor entity was a diversified company active in investments, we had provided the Former Executives and certain other former employees, equity and profits interests in Jurl. In connection with the gain on sale of Jurlique, we distributed, based on the related agreement, approximately \$3.7 million to Jurl's minority shareholders, including approximately \$2.3 million to the Former Executives in the first quarter of 2012. As a result of this sale and distributions to the minority shareholders, there are no remaining noncontrolling interests in this consolidated subsidiary.

## Liquidity and Capital Resources

### Net Cash Provided by Operating Activities

Cash provided by operating activities increased \$128.1 million in the first nine months of 2013 as compared to the first nine months of 2012, primarily due to changes in our net income (loss) and non-cash items as well as the following:

a \$53.7 million favorable impact in accrued expenses and other current liabilities for the comparable periods. This favorable impact was primarily due to (1) decreases in interest payments partially offset by decreases in interest accruals due to the net effect of the May 15, 2012 Credit Agreement and the related purchase and redemption of the Wendy's Restaurants 10.00% Senior Notes in May and July 2012, respectively, (2) an increase in the incentive compensation accrual for the 2013 fiscal year due to stronger operating performance partially offset by an increase in payments for the 2012 fiscal year, (3) decreases in payments for income taxes, net of refunds and (4) a decrease in payments for severance and an increase in accruals, including for our system optimization initiative. Additionally, during the first nine months of 2013, the Company had the following significant uses and sources of cash other than from operating activities:

Cash capital expenditures totaling \$130.8 million, which included \$75.1 million for Image Activation restaurants, \$1.6 million for other restaurants, \$6.1 million for the construction of a new building and renovations at our corporate headquarters and \$48.0 million for various capital projects;

Proceeds from dispositions of \$44.1 million, including \$25.7 million from restaurant dispositions under our system optimization initiative;

Increase in restricted cash of \$22.6 million related to the cash collateral for outstanding letters of credit as discussed below in "Refinancings of the Credit Agreement and Other Indebtedness;"

Proceeds from long-term debt of \$350.0 million which were offset by repayments of \$358.4 million primarily due to the partial refinancing of our existing term loan in connection with the Restated Credit Agreement;

Dividend payments of \$51.1 million;

Stock repurchases of \$41.5 million; and

Financing cost payments of \$5.8 million resulting from the refinancing of our Credit Agreement and Restated Credit Agreement.

The net cash provided by our business before the effect of exchange rate changes on cash was approximately \$61.6 million.

### Sources and Uses of Cash for the Remainder of 2013

Our anticipated sources of cash and cash requirements for the remainder of 2013, exclusive of operating cash flow requirements, consist principally of:

Capital expenditures of approximately \$104.2 million, which would result in total cash capital expenditures for the year of approximately \$235.0 million;

Quarterly cash dividends aggregating up to approximately \$19.6 million as discussed below in "Dividends;"

Restaurant dispositions under our system optimization initiative;

Stock repurchases of up to \$58.6 million; and

Proceeds from the Incremental Term Loans of \$225.0 million, plus cash on hand, which were used to redeem the 6.20% Senior Notes subsequent to the third quarter of 2013 as discussed below in "Refinancings of the Credit Agreement and Other Indebtedness."

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

Refinancings of the Credit Agreement and Other Indebtedness

On May 16, 2013, Wendy's amended and restated its Credit Agreement, dated as of May 15, 2012. The Restated Credit Agreement is comprised of (1) a \$350.0 million senior secured term loan facility ("Term A Loan") which will mature on May 15,

39

---

2018 and bears interest at the Eurodollar Rate (as defined in the Restated Credit Agreement) plus 2.25%, (2) a \$769.4 million senior secured term loan facility ("Term B Loan") which will mature on May 15, 2019 and bears interest at Eurodollar Rate plus 2.50% with a floor of 0.75% and (3) a \$200.0 million senior secured revolving credit facility which will mature on May 15, 2018. The proceeds from the Term A Loan were used to refinance a portion of our existing Term B Loan (formerly described in our Form 10-K as the "Term Loan"). The terms and amounts of the senior secured revolving credit facility are unchanged with the exception of the maturity date which was extended from May 15, 2017.

During the three months ended June 30, 2013, Wendy's incurred \$5.6 million in fees related to the refinancing, which are being amortized to "Interest expense" utilizing the effective interest rate method through the maturities of the related debt instruments.

As a result of the refinancing of its existing Credit Agreement, Wendy's recorded debt extinguishment costs of \$21.0 million in the second quarter of 2013.

The Credit Agreement includes a revolving credit facility which includes a sub-facility for the issuance of up to \$70.0 million of letters of credit. The Restated Credit Agreement also allows Wendy's to have liens in the form of cash collateralized letters of credit up to an additional \$40.0 million. During the three months ended September 29, 2013, Wendy's transitioned the security for all of its outstanding letters of credit from the revolving credit facility to cash collateral. As of September 29, 2013, Wendy's had outstanding cash collateralized letters of credit of \$22.6 million. The related cash collateral is classified as restricted cash and included in "Prepaid expenses and other current assets" in the condensed consolidated balance sheet as of September 29, 2013.

On September 24, 2013, Wendy's entered into the Amendment to its Restated Credit Agreement to borrow Incremental Term Loans in an aggregate principal amount up to \$225.0 million. As a result of the execution of the Amendment, the outstanding 6.20% Senior Notes have been classified as long-term debt in our condensed consolidated balance sheet as of September 29, 2013. The Amendment does not contain any material changes to existing covenants or other terms of the Restated Credit Agreement, except as described above. During the three months ended September 29, 2013, Wendy's incurred \$2.3 million in fees related to the refinancing, which have been capitalized and included in "Deferred costs and other assets" in the condensed consolidated balance sheet. The interest rates on Term A Loan and Term B Loan were 2.43% and 3.25%, respectively, as of September 29, 2013.

On October 24, 2013, Wendy's borrowed \$225.0 million of Incremental Term Loans under the Amendment, further described above. Proceeds from the Incremental Term Loans, plus cash on hand, were used to redeem all amounts outstanding on the aggregate principal amount of the 6.20% Senior Notes at a price equal to 103.8%, as defined in the 6.20% Senior Notes and accrued and unpaid interest to the redemption date. In connection with the redemption of the 6.20% Senior Notes, in the fourth quarter we terminated the related interest rate swaps with notional amounts totaling \$225.0 million which had been designated as fair value hedges. Consequently, during the fourth quarter of 2013, Wendy's will recognize a loss on the early extinguishment of debt of approximately \$7.5 million which will primarily include (1) a premium payment, as defined in the 6.20% Senior Notes, totaling \$8.4 million, (2) the remaining \$3.2 million of the fair value adjustment previously recorded in connection with the Wendy's merger, partially offset by (3) a \$4.1 million benefit from the cumulative effect of our fair value hedges.

#### Dividends

On March 15, 2013, June 17, 2013 and September 17, 2013, The Wendy's Company paid quarterly cash dividends of \$0.04, \$0.04, and \$0.05 per share on its common stock, respectively, aggregating \$51.1 million. On October 31, 2013, The Wendy's Company declared a dividend of \$0.05 per share to be paid on December 16, 2013 to shareholders of record as of December 2, 2013. As a result of this dividend declaration, The Wendy's Company's total cash requirement for dividends for the fourth quarter of 2013 will be approximately \$19.6 million based on the number of



shares of its common stock outstanding at November 1, 2013. The Wendy's Company currently intends to continue to declare and pay quarterly cash dividends; however, there can be no assurance that any quarterly dividends will be declared or paid in the future or of the amount or timing of such dividends, if any.

#### Treasury Stock Purchases

Our Board of Directors has authorized the repurchase of up to \$100.0 million of our common stock through December 29, 2013, when and if market conditions warrant and to the extent legally permissible. During the first nine months of 2013, we repurchased 5.5 million shares for an aggregate purchase price of \$41.4 million, excluding commissions. No repurchases were made subsequent to the third quarter through November 1, 2013.

## General Inflation, Commodities and Changing Prices

We believe that general inflation did not have a significant effect on our consolidated results of operations, except as mentioned below for certain commodities, during the reporting periods. We manage any inflationary costs and commodity price increases through selective menu price increases. 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, corn and wheat continued to have a significant effect on our results of operations through the third quarter of 2013 and is expected to continue to have an adverse effect on us in the future. The extent of any impact will depend in part on our ability to anticipate and react to changes in commodity costs.

## Seasonality

Our restaurant operations are moderately impacted by seasonality; Wendy's restaurant revenues are normally higher during the summer months than during the winter months. Because our business is moderately seasonal, results for any future quarter will not necessarily be 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 September 29, 2013, there were no material changes from the information contained in the Company's Form 10-K for the fiscal year ended December 30, 2012.

## Item 4. Controls and Procedures

### Evaluation of Disclosure Controls and Procedures

The management of the Company, under the supervision and with the participation of its 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 September 29, 2013. Based on such evaluations, the Chief Executive Officer and Chief Financial Officer concluded that, as of September 29, 2013, 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 to the design or operation of procedures related to internal control over financial reporting during the third quarter of 2013 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 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 not historical facts, including, most importantly, information concerning possible or assumed future results of operations of the Company. Those statements, as well as statements preceded by, followed by, or that include the words “may,” “believes,” “plans,” “expects,” “anticipates,” or the negation thereof, or similar expressions, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the “Reform Act”). All statements that address future operating, financial or business performance; strategies, initiatives or expectations; future synergies, efficiencies or overhead savings; anticipated costs or charges; future capitalization; and anticipated financial impacts of recent or pending transactions are forward-looking statements within the meaning of the Reform Act. The 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. Our actual results, performance and achievements may differ materially from any future results, performance or achievements expressed or implied by our forward-looking statements. For all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Reform Act. Many important factors could affect our future results and could cause those results to differ materially from those expressed in or implied by the forward-looking statements contained herein. Such factors, all of which are difficult or impossible to predict accurately, and many of which are beyond our control, include, but are not limited to, the following:

- competition, including pricing pressures, couponing, aggressive marketing and the potential impact of competitors’ new unit openings on sales of Wendy’s restaurants;
- consumers’ perceptions of the relative quality, variety, affordability and value of the food products we offer;
- food safety events, including instances of food-borne illness (such as salmonella or E. coli) involving Wendy’s or its supply chain;
- consumer concerns over nutritional aspects of beef, poultry, french fries or other products we sell, or concerns regarding the effects of disease outbreaks such as “mad cow disease” and avian influenza or “bird flu”;
- the effects of negative publicity that can occur from increased use of social media;
- success of operating and marketing initiatives, including advertising and promotional efforts and new product and concept development by us and our competitors;
- the impact of general economic conditions and high unemployment rates on consumer spending, particularly in geographic regions that contain a high concentration of Wendy’s restaurants;
- changes in consumer tastes and preferences, and in discretionary consumer spending;
- changes in spending patterns and demographic trends, such as the extent to which consumers eat meals away from home;
- certain factors affecting our franchisees, including the business and financial viability of franchisees, the timely payment of such franchisees’ obligations due to us or to national or local advertising organizations, and the ability of our franchisees to open new restaurants in accordance with their development commitments, including their ability to finance restaurant development and remodels;

• changes in commodity costs (including beef, chicken and corn), labor, supply, fuel, utilities, distribution and other operating costs;

• availability, location and terms of sites for restaurant development by us and our franchisees;

• development costs, including real estate and construction costs;

• delays in opening new restaurants or completing reimages of existing restaurants, including risks associated with the Image Activation program;

the timing and impact of acquisitions and dispositions of restaurants;

our ability to successfully integrate acquired restaurant operations;

anticipated or unanticipated restaurant closures by us and our franchisees;

our ability to identify, attract and retain potential franchisees with sufficient experience and financial resources to develop and operate Wendy's restaurants successfully;

availability of qualified restaurant personnel to us and to our franchisees, and the ability to retain such personnel;

our ability, if necessary, to secure alternative distribution of supplies of food, equipment and other products to Wendy's restaurants at competitive rates and in adequate amounts, and the potential financial impact of any interruptions in such distribution;

availability and cost of insurance;

adverse weather conditions;

availability, terms (including changes in interest rates) and deployment of capital;

changes in, and our ability to comply with, legal, regulatory or similar requirements, including franchising laws, payment card industry rules, overtime rules, minimum wage rates, wage and hour laws, government-mandated health care benefits, tax legislation, federal ethanol policy and accounting standards;

the costs, uncertainties and other effects of legal, environmental and administrative proceedings;

the effects of charges for impairment of goodwill or for the impairment of other long-lived assets;

the effects of war or terrorist activities;

expenses and liabilities for taxes related to periods up to the date of sale of Arby's as a result of the indemnification provisions of the Arby's Purchase and Sale Agreement;

the difficulty in predicting the ultimate costs associated with the sale of restaurants under the Company's system optimization initiative, employee termination costs, the timing of payments made and received, the results of negotiations with landlords, the impact of the sale of restaurants on ongoing operations, any tax impact from the sale of restaurants and the future benefits to the Company's earnings, restaurant operating margins, cash flow and depreciation; and

other risks and uncertainties affecting us and our subsidiaries referred to in our Annual Report on Form 10-K for the fiscal year ended December 30, 2012 (the "Form 10-K") (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 Securities and Exchange Commission.

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 in this section. New risks and uncertainties arise from time to time, 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. In addition, it is our policy generally not to endorse any projections regarding future performance that may be made by third parties.

Item 1. Legal Proceedings.

We are involved in litigation and claims incidental to our current and prior businesses. We provide accruals for such litigation and claims when payment is probable and reasonably estimable. We believe we have adequate accruals for all of our legal and environmental matters. We cannot estimate the aggregate possible range of loss due to most 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. Based on currently available information, including legal defenses available to us, and given the aforementioned accruals and our insurance coverage, we do not believe that the outcome of these legal and environmental matters will have a material effect on our consolidated financial position or results of operations.

The Company had previously described in the Form 10-K a dispute between Wendy's International, Inc., an indirect subsidiary of the Company, and Tim Hortons Inc. related to a tax sharing agreement entered into in 2006. The dispute was resolved by mutual agreement of the parties on April 25, 2013. The terms of the agreement were not material to the Company.

#### 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 third quarter of 2013:

##### Issuer Repurchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan (2)
July 1, 2013 through August 4, 2013	2,080,022	\$7.09	1,875,435	\$86,658,540
August 5, 2013 through September 1, 2013	3,692,326	\$7.79	2,755,049	\$65,255,189
September 2, 2013 through September 29, 2013	907,737	\$7.83	851,800	\$58,626,755
Total	6,680,085	\$7.58	5,482,284	\$58,626,755

Includes 1,197,801 shares reacquired by The Wendy's Company from holders of share-based awards to satisfy (1)certain requirements associated with the vesting or exercise of the respective award. The shares were valued at the average of the high and low trading prices of our common stock on the vesting or exercise date of such awards.

(2) In November 2012, our Board of Directors authorized the repurchase of up to \$100.0 million of our common stock through December 29, 2013, when and if market conditions warrant and to the extent legally permissible. No repurchases were made subsequent to the third quarter through November 1, 2013.





Edgar Filing: Wendy's Co - Form 10-Q

Item 6. Exhibits.

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of April 23, 2008, by and among Triarc Companies, Inc., Green Merger Sub, Inc. and Wendy's International, Inc., incorporated herein by reference to Exhibit 2.1 to Triarc's Current Report on Form 8-K dated April 29, 2008 (SEC file no. 001-02207).
2.2	Side Letter Agreement, dated August 14, 2008, by and among Triarc Companies, Inc., Green Merger Sub, Inc. and Wendy's International, Inc., incorporated herein by reference to Exhibit 2.3 to Triarc's Registration Statement on Form S-4, Amendment No.3, filed on August 15, 2008 (Reg. no. 333-151336).
2.3	Purchase and Sale Agreement, dated as of June 13, 2011, by and among Wendy's/Arby's Restaurants, LLC, ARG Holding Corporation and ARG IH Corporation, incorporated herein by reference to Exhibit 2.1 of the Wendy's/Arby's Group, Inc. and Wendy's/Arby's Restaurants, LLC Current Reports on Form 8-K filed on June 13, 2011 (SEC file nos. 001-02207 and 333-161613, respectively).
2.4	Closing letter dated as of July 1, 2011 by and among Wendy's/Arby's Restaurants, LLC, ARG Holding Corporation, ARG IH Corporation, and Roark Capital Partners II, LP, incorporated herein by reference to Exhibit 2.2 of the Wendy's/Arby's Group, Inc. and Wendy's/Arby's Restaurants, LLC Current Reports on Form 8-K filed on July 8, 2011 (SEC file nos. 001-02207 and 333-161613, respectively).
2.5	Asset Purchase Agreement by and among Wendy's International, Inc., Pisces Foods, L.P., Near Holdings, L.P., David Near and Jason Near dated as of June 5, 2012, incorporated herein by reference to Exhibit 2.1 of The Wendy's Company Current Report on Form 8-K filed on June 12, 2012 (SEC file no. 001-02207).
2.6	Asset Purchase Agreement by and among Wendy's Old Fashioned Hamburgers of New York, Inc. and NPC Quality Burgers, Inc., dated as of June 12, 2013, incorporated herein by reference to Exhibit 2.1 of The Wendy's Company Current Report on Form 8-K filed on July 23, 2013 (SEC file no. 001-02207).
2.7	Asset Purchase Agreement by and among Wendy's International, Inc., as seller, SeaWend, Ltd., as purchaser, and Cedar Enterprises, Inc., J. David Karam, Joseph D. Karam and James M. Karam, as guarantors, dated as of October 1, 2013, incorporated herein by reference to Exhibit 2.1 of The Wendy's Company Current Report on Form 8-K filed on October 7, 2013 (SEC file no. 001-02207).
3.1	Restated Certificate of Incorporation of The Wendy's Company, as filed with the Secretary of State of the State of Delaware on May 24, 2012, incorporated herein by reference to Exhibit 3.1 of The Wendy's Company Current Report on Form 8-K filed on May 25, 2012 (SEC file no. 001-02207).
3.2	By-Laws of The Wendy's Company (as amended and restated through May 24, 2012), incorporated herein by reference to Exhibit 3.2 of The Wendy's Company Current Report on Form 8-K filed on May 25, 2012 (SEC file no. 001-02207).
10.1	Amendment No. 1, dated September 24, 2013, to the Amended and Restated Credit Agreement, dated May 16, 2013, among Wendy's International, Inc., as borrower, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, Wells Fargo Bank, National Association, as syndication agent, and Fifth Third Bank, The Huntington National Bank, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland", New York Branch, as co-documentation agents, and the lenders and issuers party thereto, incorporated herein by reference to Exhibit 10.1 of The Wendy's Company Current Report on Form 8-K filed on September 24, 2013 (SEC file no. 001-02207).
10.2	Form of Long Term Performance Unit Award Agreement for 2013 under the Wendy's/Arby's Group, Inc. 2010 Omnibus Award Plan (SEC file no. 001-02207).* **
31.1	Certification of the Chief Executive Officer of The Wendy's Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer of The Wendy's Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished as an exhibit to this Form 10-Q.*

Edgar Filing: Wendy's Co - Form 10-Q

101.INS XBRL Instance Document\*  
101.SCH XBRL Taxonomy Extension Schema Document\*  
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*  
101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*  
101.LAB XBRL Taxonomy Extension Label Linkbase Document\*  
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

---

\* Filed herewith

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

45

---

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: November 7, 2013

By: /s/Todd A.  
Penegor  
Todd A. Penegor  
Senior Vice President and  
Chief Financial Officer  
(On behalf of the Company)

Date: November 7, 2013

By: /s/Steven B.  
Graham  
Steven B. Graham  
Senior Vice President and  
Chief Accounting Officer  
(Principal Accounting Officer)

Edgar Filing: Wendy's Co - Form 10-Q

Exhibit Index

EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated as of April 23, 2008, by and among Triarc Companies, Inc., Green Merger Sub, Inc. and Wendy's International, Inc., incorporated herein by reference to Exhibit 2.1 to Triarc's Current Report on Form 8-K dated April 29, 2008 (SEC file no. 001-02207).
2.2	Side Letter Agreement, dated August 14, 2008, by and among Triarc Companies, Inc., Green Merger Sub, Inc. and Wendy's International, Inc., incorporated herein by reference to Exhibit 2.3 to Triarc's Registration Statement on Form S-4, Amendment No.3, filed on August 15, 2008 (Reg. no. 333-151336).
2.3	Purchase and Sale Agreement, dated as of June 13, 2011, by and among Wendy's/Arby's Restaurants, LLC, ARG Holding Corporation and ARG IH Corporation, incorporated herein by reference to Exhibit 2.1 of the Wendy's/Arby's Group, Inc. and Wendy's/Arby's Restaurants, LLC Current Reports on Form 8-K filed on June 13, 2011 (SEC file nos. 001-02207 and 333-161613, respectively).
2.4	Closing letter dated as of July 1, 2011 by and among Wendy's/Arby's Restaurants, LLC, ARG Holding Corporation, ARG IH Corporation, and Roark Capital Partners II, LP, incorporated herein by reference to Exhibit 2.2 of the Wendy's/Arby's Group, Inc. and Wendy's/Arby's Restaurants, LLC Current Reports on Form 8-K filed on July 8, 2011 (SEC file nos. 001-02207 and 333-161613, respectively).
2.5	Asset Purchase Agreement by and among Wendy's International, Inc., Pisces Foods, L.P., Near Holdings, L.P., David Near and Jason Near dated as of June 5, 2012, incorporated herein by reference to Exhibit 2.1 of The Wendy's Company Current Report on Form 8-K filed on June 12, 2012 (SEC file no. 001-02207).
2.6	Asset Purchase Agreement by and among Wendy's Old Fashioned Hamburgers of New York, Inc. and NPC Quality Burgers, Inc., dated as of June 12, 2013, incorporated herein by reference to Exhibit 2.1 of The Wendy's Company Current Report on Form 8-K filed on July 23, 2013 (SEC file no. 001-02207).
2.7	Asset Purchase Agreement by and among Wendy's International, Inc., as seller, SeaWend, Ltd., as purchaser, and Cedar Enterprises, Inc., J. David Karam, Joseph D. Karam and James M. Karam, as guarantors, dated as of October 1, 2013, incorporated herein by reference to Exhibit 2.1 of The Wendy's Company Current Report on Form 8-K filed on October 7, 2013 (SEC file no. 001-02207).
3.1	Restated Certificate of Incorporation of The Wendy's Company, as filed with the Secretary of State of the State of Delaware on May 24, 2012, incorporated herein by reference to Exhibit 3.1 of The Wendy's Company Current Report on Form 8-K filed on May 25, 2012 (SEC file no. 001-02207).
3.2	By-Laws of The Wendy's Company (as amended and restated through May 24, 2012), incorporated herein by reference to Exhibit 3.2 of The Wendy's Company Current Report on Form 8-K filed on May 25, 2012 (SEC file no. 001-02207).
10.1	Amendment No. 1, dated September 24, 2013, to the Amended and Restated Credit Agreement, dated May 16, 2013, among Wendy's International, Inc., as borrower, Bank of America, N.A., as administrative agent, swing line lender and L/C issuer, Wells Fargo Bank, National Association, as syndication agent, and Fifth Third Bank, The Huntington National Bank, and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., "Rabobank Nederland", New York Branch, as co-documentation agents, and the lenders and issuers party thereto, incorporated herein by reference to Exhibit 10.1 of The Wendy's Company Current Report on Form 8-K filed on September 24, 2013 (SEC file no. 001-02207).
10.2	Form of Long Term Performance Unit Award Agreement for 2013 under the Wendy's/Arby's Group, Inc. 2010 Omnibus Award Plan (SEC file no. 001-02207).* **
31.1	Certification of the Chief Executive Officer of The Wendy's Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Chief Financial Officer of The Wendy's Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, furnished as an exhibit to this Form 10-Q.*

Edgar Filing: Wendy's Co - Form 10-Q

101.INS XBRL Instance Document\*  
101.SCH XBRL Taxonomy Extension Schema Document\*  
101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*  
101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*  
101.LAB XBRL Taxonomy Extension Label Linkbase Document\*  
101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

---

\* Filed herewith

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

47