

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

TRIARC COMPANIES INC
Form 8-K
March 27, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of report (Date of earliest event reported) March 27, 2003

TRIARC COMPANIES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	1-2207	38-0471180
-----	-----	-----
(State or other jurisdiction of incorporation of organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

280 Park Avenue New York, NY	10017
-----	-----
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (212) 451-3000

-----	-----
(Former name or former address, if changed since last report)	(Zip Code)

Page 1 of 14 Pages
Exhibit Index appears on Page 3

Item 9. Regulation FD Disclosure

On March 27, 2003, Triarc Companies, Inc. issued a press release announcing the results of operations for its fiscal year and fourth quarter ended December 29, 2002. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein solely for purposes of this Item 9.

The information in this Current Report on Form 8-K, including the exhibit, is furnished pursuant to Item 9 and shall not be deemed "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities under that Section. Furthermore, the information in this Current

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

Report on Form 8-K, including the exhibit, shall not be deemed to be incorporated by reference into the filings of Triarc Companies, Inc. under the Securities Act of 1933.

SIGNATURE

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

TRIARC COMPANIES, INC.

By: /s/ Stuart I. Rosen

Stuart I. Rosen
Senior Vice President
and Associate General Counsel

Dated: March 27, 2003

EXHIBIT INDEX

Exhibit Number	Description of Document	Page No.
99.1	Press Release dated March 27, 2003.	

Exhibit 99.1

For Immediate Release

CONTACT: Anne A. Tarbell
(212) 451-3030
www.triarc.com

TRIARC REPORTS FULL YEAR AND FOURTH QUARTER 2002 RESULTS

New York, NY, March 27, 2003 - Triarc Companies, Inc. (NYSE: TRY) announced today the results of operations for its fiscal year and fourth quarter ended December 29, 2002.

Triarc reported net income of \$1.3 million for 2002, or \$.06 per share, compared with net income of \$52.4 million, or \$2.31 per share, for 2001. This decrease reflects the impact in 2001 of a \$43.5 million after-tax gain from discontinued operations, or \$1.91 per share, for adjustments to the gain from the October 2000 sale of the Snapple Beverage Group to Cadbury Schweppes plc (compared with a gain of \$11.1 million, or \$.54 per share, for further adjustments to the Snapple gain recorded in 2002 related to tax refunds). This decrease also reflects a \$32.8 million decrease in investment income principally resulting from lower available yields on cash equivalents and short-term debt instruments, the writedown of certain investments and, to a lesser extent, lower balances of cash and short-term debt instruments. Other factors contributing to

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

the decrease were a non-recurring after-tax credit of \$3.2 million in 2001 from a litigation settlement and the after-tax effects of (1) 2002 third quarter expenses related to a proposed acquisition that was not consummated and (2) a decline in other income, net. The effects of the above were partially offset by improved operating factors, notably an increase in Arby's(R) royalties and franchise fees, as well as lower consolidated general and administrative expenses.

Triarc reported a loss from continuing operations of (\$9.8) million for 2002, or \$(.48) per share, compared with income from continuing operations of \$9.0 million, or \$.40 per share, for 2001. This decrease was due to the factors discussed above other than the income resulting from the adjustments to the gain from the sale of Snapple.

Domestic comparative store results of Arby's, Triarc's restaurant franchising business, increased 2.2% for 2002 compared with 2001. Arby's results were favorably impacted by higher sales of Market Fresh(R) premium sandwiches spurred in part by more national advertising in 2002, higher sales of core products and net new store openings. Fourth quarter 2002 same store sales declined 3.3% versus a strong 3.9% increase in same store sales in 2001 reflecting the adverse effects in 2002 of severe weather, industry discounting and sluggish economic conditions. Comparable store results in the first quarter of 2003 remain challenging due to the factors discussed above.

Arby's 2002 EBITDA (which we define as earnings before interest, taxes, other non-operating items, depreciation and amortization) of \$60.6 million was 6.1% higher than in the prior year and increased 2.6% in the fourth quarter of 2002 compared with the 2001 fourth quarter to \$15.5 million.

In 2002, 116 new Arby's units were opened and 64 units (generally, underperforming stores) were closed (including 51 new store openings and 17 store closings in the fourth quarter). Average unit volumes at newly opened domestic stores continued to be above the 2002 system average of approximately \$843,000, which was up 3.5% from 2001. As of December 29, 2002, Arby's had commitments from franchisees to build approximately 550 new units through 2010.

Commenting on corporate developments, Nelson Peltz, Triarc's Chairman and Chief Executive Officer, said: "In 2002, we completed the purchase of Sybra, Arby's second largest franchisee and the owner of 239 Arby's restaurants, we repurchased approximately 290,000 shares of our stock for approximately \$7.0 million and we evaluated a number of potential acquisitions. I am proud of our disciplined approach to our strategic options and believe we are well positioned to continue to create shareholder value at Triarc."

Peltz added: "While the QSR environment remains challenging, Arby's will continue to focus on growing its existing products, new product offerings, continued national advertising and new unit openings."

Discussing Arby's operations, Peter May, Triarc's President and Chief Operating Officer, said: "Together with franchisees, Arby's management has developed a number of initiatives for 2003, including new Market Fresh sandwiches, new `artisan' breads, new equipment technologies and advertising, which should enhance Arby's `cut above' brand positioning and spur Arby's growth."

May continued: "Triarc completed its acquisition of Sybra in late December 2002 at an attractive valuation. Our team at Arby's is working closely with Sybra's experienced management to ensure a successful integration. We are excited about the many opportunities that Sybra will present to strengthen the Arby's brand. We also believe that ownership of these restaurants will increase the value of the Arby's brand and thus enhance Triarc shareholder value."

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

Operating Results

Following is a calculation of Arby's EBITDA:

	Fourth Quarter		Fiscal
	2001	2002	2001
	(in millions)		
Royalties and franchise and related fees	\$24.9	\$24.9	\$92.8
General and administrative expenses	(9.8)	(9.4)	(35.7)
	----	----	-----
EBITDA	\$15.1	\$15.5	\$57.1
	=====	=====	=====

Arby's EBITDA increased \$0.4 million and \$3.5 million in the fourth quarter and fiscal year of 2002, respectively, reflecting lower expenses, primarily as a result of timing differences associated with franchise development programs, in the 2002 fourth quarter and increases in royalties and franchise and related fees for fiscal year 2002, resulting from the factors discussed above.

Consolidated Results

Following is a discussion of consolidated results for the fourth quarters and fiscal years of 2002 and 2001. All per share amounts are presented on a fully diluted basis, where applicable.

Triarc reported income from continuing operations for the fourth quarter of 2002 of \$1.4 million, or \$.06 per share, compared with income from continuing operations of \$1.6 million, or \$.07 per share, for the 2001 fourth quarter. This comparison reflects a decrease in investment income due to the factors discussed above partially offset by lower consolidated general and administrative expenses. Triarc reported net income for the 2002 fourth quarter of \$12.5 million, or \$.58 per share, compared with net income of \$6.5 million, or \$.30 per share, for the 2001 fourth quarter. This increase reflected adjustments to the Snapple sale gain recorded in the 2002 fourth quarter of \$11.1 million, or \$.52 per share, (compared with \$4.9 million, or \$.23 per share, in the 2001 fourth quarter), also discussed above.

Triarc reported a loss from continuing operations of (\$9.8) million for 2002, or \$(.48) per share, compared with income from continuing operations of \$9.0 million, or \$.40 per share, for 2001. The factors contributing to this decline were discussed above. Triarc reported net income of \$1.3 million for 2002, or \$.06 per share, compared with net income of \$52.4 million, or \$2.31 per share, for 2001. This decrease, in addition to the decline in income (loss) from continuing operations noted above, reflects the impact in 2001 of a \$43.5 million after-tax gain, or \$1.91 per share, from the October 2000 sale of the Snapple Beverage Group to Cadbury Schweppes plc (compared with \$11.1 million or \$.54 per share, of adjustments to the Snapple gain recorded in 2002).

Triarc is a holding company and through its subsidiaries, the franchisor of the Arby's(R) restaurant system and an operator of 239 Arby's restaurants located in the United States.

..

#

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

Note and Table To Follow

NOTE TO PRESS RELEASE

The statements in this press release that are not historical facts, including, most importantly, information concerning possible or assumed future results of operations of Triarc Companies, Inc. and its subsidiaries (collectively, "Triarc" or the "Company") and statements preceded by, followed by, or that include the words "may," "believes," "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 which address operating performance, events or developments that are expected or anticipated to occur in the future, including statements relating to revenue growth, earnings per share growth or statements expressing general optimism about future operating results, are forward-looking statements within the meaning of the Reform Act. These forward-looking statements are based on our current expectations, speak only of the date of this press release 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 such forward-looking statements. For those 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 the forward-looking statements contained herein. Such factors include, but are not limited to, the following: competition, including pricing pressures, the potential impact of competitors' new units on sales by Arby's restaurants and consumers' perceptions of the relative quality, variety and value of the food products offered; success of operating initiatives; development and operating costs; advertising and promotional efforts; brand awareness; the existence or absence of positive or adverse publicity; market acceptance of new product offerings; new product and concept development by competitors; changing trends in consumer tastes and preferences (including changes resulting from health or safety concerns with respect to the consumption of beef, french fries or other foods or the effects of food-borne illnesses) and in spending and demographic patterns; the business and financial viability of key franchisees; availability, location and terms of sites for restaurant development by the Company and its franchisees; the ability of franchisees to open new restaurants in accordance with their development commitments, including the ability of franchisees to finance restaurant development; delays in opening new restaurants or completing remodels; anticipated or unanticipated restaurant closures by the Company and its franchisees; the ability to identify, attract and retain potential franchisees with sufficient experience and financial resources to develop and operate Arby's restaurants; changes in business strategy or development plans; quality of the Company's and franchisees' management; availability, terms and deployment of capital; business abilities and judgment of the Company's and franchisees' personnel; availability of qualified personnel to the Company and to franchisees; labor and employee benefit costs; availability and cost of energy, raw materials, ingredients and supplies; the potential impact that interruptions in the distribution of supplies of food and other products to Arby's restaurants could have on sales at Company-owned restaurants and the royalties that Arby's receives from franchisees; availability and cost of workers' compensation and general liability premiums and claims experience; changes in national, regional and local economic, business or political conditions in the countries and other territories in which the Company and its franchisees operate; changes in government regulations, including franchising laws, accounting standards, environmental laws, minimum wage rates and taxation requirements; the costs, uncertainties and other effects of legal, environmental and administrative proceedings; the impact of general economic conditions on consumer spending,

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

including a slower consumer economy and the effects of war or terrorist activities; adverse weather conditions; and other risks and uncertainties affecting the Company and its subsidiaries detailed in the Company's Form 10-K for the fiscal year ended December 29, 2002 (see especially "Item 1. Business-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 of which are difficult or impossible to predict accurately and many of which are beyond our control. We will not undertake and specifically decline any obligation to publicly release the results of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. In addition, it is our policy generally not to make any specific projections as to future earnings, and we do not endorse any projections regarding future performance that may be made by third parties.

Triarc Companies, Inc.
Condensed Consolidated Statements of Operations
Fourth Quarter and Fiscal Year Ended December 30, 2001 and December 29, 2002

	Fourth Quarter		
	2001	2002	2001
	(In thousands except per share)		
Revenues, investment income and other income (a)	\$ 30,485	\$ 26,197	\$ 137,146
	=====	=====	=====
Costs and expenses:			
General and administrative (e)	\$ 19,180	\$ 16,906	\$ 77,355
Depreciation and amortization, excluding amortization of deferred financing costs (f)	1,787	1,690	6,506
Interest expense (g)	6,962	6,208	30,447
Insurance expense related to long-term debt	1,181	1,102	4,805
Costs of proposed business acquisitions not consummated	51	6	623
	-----	-----	-----
Total costs and expenses	29,161	25,912	119,736
	-----	-----	-----
Income (loss) from continuing operations before income taxes and minority interests	1,324	285	17,410
Benefit from (provision for) income taxes	(10)	(223)	(8,696)
Minority interests in loss of a consolidated subsidiary (h)	252	1,293	252
	-----	-----	-----
Income (loss) from continuing operations	1,566	1,355	8,966
Discontinued operations:			
Gain on disposal, net of income taxes (i)	4,933	11,100	43,450
	-----	-----	-----
Net income	\$ 6,499	\$ 12,455	\$ 52,416
	=====	=====	=====
Adjusted EBITDA (d)	\$ 5,712	\$ 7,987	\$ 10,468
	=====	=====	=====

Basic income (loss) per share:

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

Continuing operations	\$.08	\$.07	\$.42
Discontinued operations (i)	.24	.54	2.02
	-----	-----	-----
Net income	\$.32	\$.61	\$ 2.44
	=====	=====	=====
Diluted income (loss) per share:			
Continuing operations	\$.07	\$.06	\$.40
Discontinued operations (i)	.23	.52	1.91
	-----	-----	-----
Net income	\$.30	\$.58	\$ 2.31
	=====	=====	=====
Shares to calculate income (loss) per share:			
Basic	20,363	20,370	21,532
	=====	=====	=====
Diluted (j)	21,319	21,514	22,692
	=====	=====	=====

(a) The components of revenues, investment income and other income follow:

	Fourth Quarter		
	2001	2002	2001
	-----	-----	-----
	(In thousands)		
Royalties and franchise and related fees	\$ 24,892	\$ 24,893	\$ 92,823
Investment income, net (b)	4,403	145	33,632
Gain (loss) on sale of businesses	500	--	500
Other income, net (c)	690	1,159	10,191
	-----	-----	-----
Total revenues and other income	\$ 30,485	\$ 26,197	\$ 137,146
	=====	=====	=====

(b) Includes other than temporary losses of \$2.1 million (\$1.3 million after tax or \$.06 per share) for the fourth quarter ended December 30, 2001 and \$3.5 million (\$2.2 million after tax or \$.10 per share) for the year ended December 30, 2001, \$3.5 million (\$2.3 million after tax or \$.10 per share) for the fourth quarter ended December 29, 2002 and \$14.5 million (\$9.3 million after tax or \$.45 per share) for the year ended December 29, 2002. The provisions for unrealized losses deemed to be other than temporary resulted from declines in the underlying economics of specific marketable equity securities and other investments and/or volatility in capital markets.

(c) Includes \$8.3 million (\$5.3 million after tax or \$.23 per share) for the year ended December 30, 2001 of interest income representing interest on the proceeds from Cadbury Schweppes plc (in connection with the 338 (h) (10) election discussed in (i) below).

(d) The components of Adjusted EBITDA and a

Fourth Quarter

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

reconciliation of Adjusted EBITDA to	2001	2002	2001
	-----	-----	-----
EBITDA and net income follow:			In thousands)
Royalties and franchise and related fees	\$ 24,892	\$ 24,893	\$ 92,823
General and administrative expenses before non-recurring credit	(19,180)	(16,906)	(82,355)
	-----	-----	-----
Adjusted EBITDA	5,712	7,987	10,468
Litigation settlement -- see (e) below	--	--	5,000
	-----	-----	-----
EBITDA	5,712	7,987	15,468
Depreciation and amortization, excluding amortization of deferred financing costs (f)	(1,787)	(1,690)	(6,506)
Interest expense (g)	(6,962)	(6,208)	(30,447)
Insurance expense related to long-term debt	(1,181)	(1,102)	(4,805)
Investment income, net	4,403	145	33,632
Gain (loss) on sale of businesses	500	--	500
Costs of proposed business acquisitions not consummated	(51)	(6)	(623)
Other income, net	690	1,159	10,191
	-----	-----	-----
Income (loss) from continuing operations before income taxes and minority interests	1,324	285	17,410
Benefit from (provision for) income taxes	(10)	(223)	(8,696)
Minority interests in loss of a consolidated subsidiary (h)	252	1,293	252
	-----	-----	-----
Income (loss) from continuing operations	1,566	1,355	8,966
Discontinued operations:			
Gain on disposal, net of income taxes (i)	4,933	11,100	43,450
	-----	-----	-----
Net income	\$ 6,499	\$ 12,455	\$ 52,416
	=====	=====	=====

(e) Includes a non-recurring credit of \$5.0 million (\$3.2 million after tax or \$.14 per share) for the year ended December 30, 2001 resulting from the settlement of a class action lawsuit involving compensation previously paid to the Company's Chairman and Chief Executive Officer and President and Chief Operating Officer.

(f) Amortization of goodwill for the fourth quarter ended December 30, 2001 amounted to \$0.2 million on both a pre-tax and after-tax basis, or \$.01 per share, and for the year ended December 30, 2001 amounted to \$0.8 million on both a pre-tax and after-tax basis, or \$.04 per share. Effective December 31, 2001, the Company adopted Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets." In accordance with the provisions of SFAS No. 142, the Company no longer amortizes goodwill.

(g) Includes for the year ended December 30, 2001 expenses of \$3.1 million (\$2.0 million after tax or \$.09 per share) representing interest on the estimated tax liability in connection with the 338(h)(10) election discussed in (i) below.

(h) Represents minority interests in loss of a consolidated subsidiary of \$0.3 million or \$.01 per share for both the fourth quarter and the year ended December 30, 2001, \$1.3 million or \$.06 per share for the fourth quarter ended December 29, 2002 and \$3.5 million or \$.17 per share in the year ended December 29, 2002 principally for the 44.1% (through September 2002, 42.6% thereafter) minority interests in the net loss of 280 BT Holdings LLC. The losses of 280 BT Holdings were due to other than temporary

Edgar Filing: TRIARC COMPANIES INC - Form 8-K

unrealized losses on investments.

- (i) On October 25, 2000 the Company sold its former premium beverage and soft drink concentrate businesses. The income from discontinued operations for the fourth quarter and year ended December 30, 2001 resulted entirely from adjustments to the previously recognized estimated gain on disposal of the Snapple Beverage Group and Royal Crown. These net adjustments principally resulted from the realization of the estimated proceeds from Cadbury Schweppes plc associated with the Company's agreement with Cadbury whereby both the Company and Cadbury jointly elected to treat certain portions of the Snapple Beverage Group sale as an asset sale in lieu of a stock sale under the provisions of Section 338(h)(10) of the United States Internal Revenue Code, net of estimated income taxes related to the election, partially offset by the accrual of additional estimated costs and expenses directly associated with the Snapple Beverage Group sale. The income from discontinued operations for the fourth quarter and year ended December 29, 2002 resulted from the release of income tax reserves related to the sale of the Snapple Beverage Group, discussed above, in connection with the receipt of related income tax refunds.

- (j) The shares used to calculate diluted loss per share for the year ended December 29, 2002 are the same as those used to calculate 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 antidilutive. Had the Company reported income from continuing operations for the year ended December 29, 2002, shares used to calculate diluted income per share would have been 21,737,000 reflecting the effect of dilutive stock options. The effects of dilutive stock options represented in such amounts reflect the average price of the Company's stock during the indicated periods. These dilutive effects may not be representative of the effects that may occur in future periods. Accordingly, this information is presented for informational purposes only.