

# Triarc Companies, Inc.

2002 Annual Report



A TASTE OF TOMORROW AT ARBY'S® TODAY



## ABOUT THE COMPANY

Triarc is a holding company and, through its subsidiaries, the franchisor of the Arby's® restaurant system and an operator of 239 Arby's restaurants located in the United States. Our Class A Common shares are traded on the New York Stock Exchange under the ticker symbol TRY.

With approximately 3,400 restaurants worldwide, Arby's is the largest restaurant

system specializing in the roast beef sandwich segment of the quick service restaurant industry in the United States. Arby's is also the ninth largest quick service restaurant chain in the United States.

In addition to various oven-roasted roast beef sandwiches, Arby's also offers an

extensive menu of chicken, turkey and ham sandwiches, side dishes and salads, including its Market Fresh® premium sandwiches. Arby's also offers franchisees the opportunity to multi-brand at Arby's locations with T.J. Cinnamons® gourmet cinnamon rolls and coffees.

Triarc currently has in excess of \$600 million in cash, cash equivalents and

investments. The Company is reviewing its options, including acquisitions, additional share repurchases and investments, with the goal of further increasing shareholder value.

## SELECTED FINANCIAL HIGHLIGHTS <sup>(1)</sup>

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(In thousands except per share amounts)		
Revenues, investment income and other income	\$137,146	\$ 98,773
Income (loss) from continuing operations	8,966	(9,757)
Income from discontinued operations	43,450	11,100
Net income	52,416	1,343
Diluted income (loss) per share:		
Continuing operations	\$ .40	\$ (.48)
Discontinued operations	1.91	.54
Net income	<u>\$ 2.31</u>	<u>\$ .06</u>
Cash, cash equivalents and investments <sup>(2)</sup>	\$694,387	\$ 667,987
Total assets	868,409	968,891
Long-term debt	288,955	352,700
Stockholders' equity	332,397	332,742
Weighted-average common shares outstanding	21,532	20,446

(1) You should refer to Selected Financial Data and the Consolidated Financial Statements and related notes contained elsewhere in this Annual Report for discussion of the factors that impacted Triarc's results.

(2) Includes restricted cash equivalents as well as both current and non-current investments and is net of both securities sold with an obligation to purchase and investments held in deferred compensation trusts. You should refer to the Consolidated Balance Sheets and Notes 6 and 8 to the Consolidated Financial Statements contained elsewhere in this Annual Report for the amounts of these items.

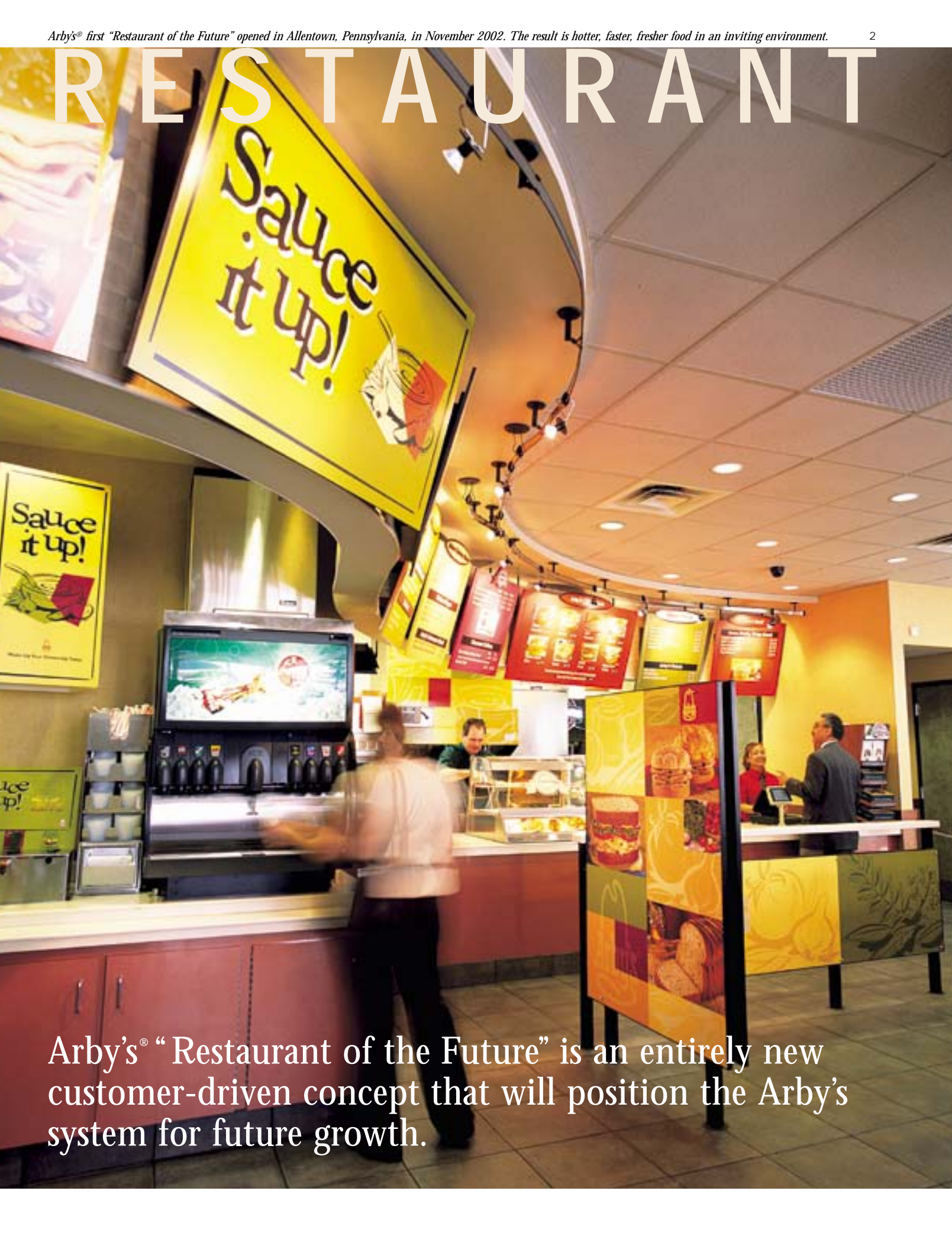
For this year's annual report, we decided to showcase several key initiatives underway at Arby's®. Working closely with franchisees, Arby's management has successfully repositioned and grown the Arby's brand. Today, Arby's is about delicious, fresh, oven roasted food served in an inviting, convenient and friendly environment.

Arby's continued to post positive results in 2002. Higher sales of Market Fresh® premium sandwiches, increased national advertising and net new store openings all combined to boost results.

For 2003, the Arby's system has developed a number of initiatives, including new Market Fresh premium sandwiches, new "artisan" breads, new equipment technologies and advertising, which we believe should further enhance Arby's "cut above" brand positioning and result in continued growth.

The Arby's family is also committed to making a difference in its communities by helping families in need and their children through active participation in a number of charitable events and programs.

# RESTAURANT



Arby's® "Restaurant of the Future" is an entirely new customer-driven concept that will position the Arby's system for future growth.

# OF THE FUTURE



Driven by the desire to elevate the customer experience, Arby's® challenged a multi-disciplinary team of food technologists, ergonomic engineers, equipment designers, restaurant owners and consumer researchers to reinvent the Arby's restaurant. Arby's modernization effort is all about the future, and meeting and exceeding the needs of the customer of the 21st century. The full program includes across-the-board changes from restaurant image to technology, which ultimately will alter and enhance the customer experience. The result is hotter, faster, fresher food, in an inviting environment that features the latest trends in décor. The first Arby's "Restaurant of the Future", located in Allentown, Pennsylvania, opened its doors for business in mid-November 2002.



*Top: Arby's® logo underscores the pride of our employees and their contribution to building its brand equity by delivering to customers quality food and a quality dining experience.*

*Center: Arby's® "Restaurant of the Future" features the latest decorative trends.*

*Bottom: With its upscale dining room accented in earthy tones, soft lighting and upholstered booths and chairs, Arby's® "Restaurant of the Future" offers a quality dining experience.*



Unlike other restaurant chains that fry or grill, Arby's® roast beef is— and always has been— oven roasted in our restaurants for three full hours. In today's environment, where consumers are looking for high-quality food they can feel good about eating, Arby's offers warm, fresh-from-the-oven roast beef sandwiches on a wide variety of bakery-soft breads, as well as our highly popular sliced, fresh-to-order turkey, chicken and ham Market Fresh® premium sandwiches. To underscore its core brand equity of oven roasting, Arby's has launched a new national advertising campaign featuring an animated character, Oven Mitt™. In order to further connect with customers, Oven Mitt features the entertaining voice of Tom Arnold. Emotional about food that is “Oven Fresh... Oven Good,” Oven Mitt sings to Arby's new Italian Beef n' Provolone sandwich and gives motivational speeches to his fellow crew members.



*New limited-time-only Italian Beef n' Provolone features Arby's® signature roast beef marinated in Italian seasoning and topped with grilled onions and provolone cheese on a baguette roll.*



*Arby's Market Fresh® line of premium sandwiches has been a real hit with customers, helping to solidify Arby's as an adult fast-food leader.*



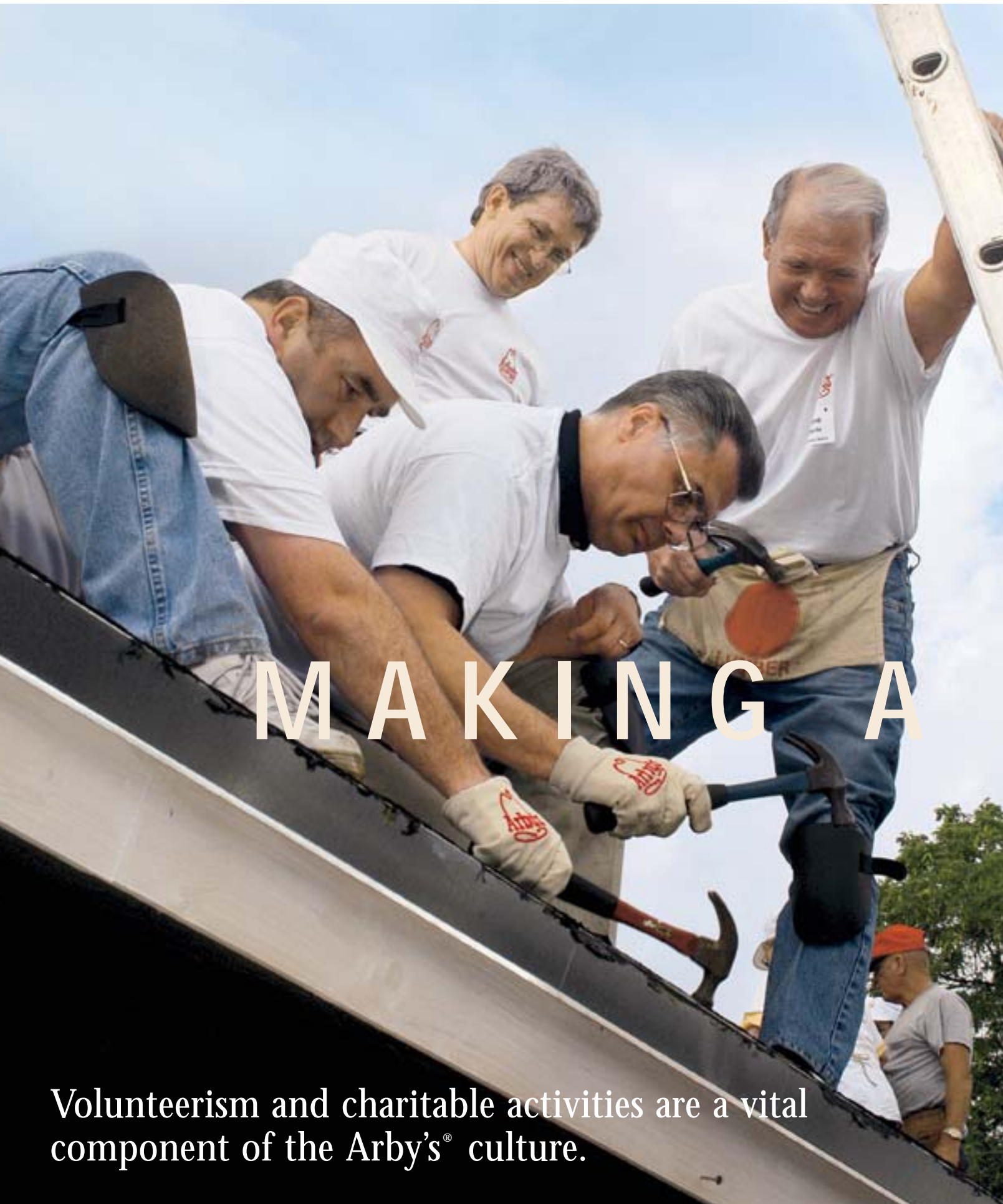
*Excited about food that is “Oven Fresh... Oven Good,” Oven Mitt™ praises Arby's® premium sandwiches, while a fellow crew member watches.*

O V E N F R E S H

Arby's® delivers its oven roasted signature roast beef as well as high-quality, diverse menu choices to satisfy today's discerning adult consumers.



OVEN GOOD



# MAKING A

Volunteerism and charitable activities are a vital component of the Arby's® culture.



Volunteerism and charitable activities have long been a part of the Arby's® culture. Established in 1986, the Arby's Foundation® is a not-for-profit organization focused on making a valuable difference in the education and development of the youth of America through its support of Big Brothers Big Sisters of America and the Boys and Girls Clubs of America. Activities include one-on-one mentoring and educational adventure programs for children in need, volunteering for community building projects, providing college scholarships and an annual 20-city charity golf tour. Since its inception, the Arby's Foundation, along with the Arby's system, has raised approximately \$10.5 million for national and local programs.

# DIFFERENCE



*Top: The Arby's Charity Tour®, a series of golf tournaments and special events held annually throughout the United States, raised over \$2.6 million in 2002 for local youth-mentoring organizations.*

*Center: Brooke Bennett, 2002 U.S. Olympian, shows off her gold medal at an Arby's® "Values lesson."*

*Bottom: Taught by Olympic, NBA and NFL celebrity volunteers, 65 Arby's® "Values lessons" reached more than 15,000 children in 2002.*

## DEAR SHAREHOLDERS

In 2002, we carefully evaluated a number of potential acquisitions and completed the purchase of Sybra, Arby's® second largest franchisee and the owner of 239 Arby's restaurants.

In addition, Arby's continued to post positive results in 2002 as a result of the continued success of its Market Fresh® premium sandwiches, more national advertising and net new store openings.

Finally, we continued to repurchase additional shares of our common stock and to prudently manage our significant cash and investments with the goal of maximizing shareholder value at Triarc.

**SYBRA ACQUISITION** In December 2002, we completed the purchase of Sybra, Inc., the second largest franchisee of the Arby's brand. Sybra was one of the best performers in the Arby's franchise system in 2002. Because Sybra's former parent was in Chapter 11 during 2002 and the sales process was complicated, we were able to purchase Sybra at an attractive valuation for our shareholders.

Sybra owns and operates 239 Arby's restaurants located primarily in Michigan, Texas, Pennsylvania, New Jersey and Florida. We are delighted to welcome Sybra to the Triarc family and our Arby's team is working closely with Sybra's experienced management to ensure a successful integration.

We believe that the Sybra acquisition solidifies Triarc's commitment to the Arby's brand and the Arby's system. We envision our ownership of Sybra as presenting opportunities to demonstrate the benefits of restaurant remodeling and menu diversification. Longer term, we believe that our ownership of Sybra should act as a catalyst to both new and existing franchisees, encouraging them to build new units in new and under-penetrated markets. Accordingly, we believe that our ownership of these restaurants will increase the value of the Arby's brand and thus enhance Triarc shareholder value.

**ARBY'S 2002 PERFORMANCE** Despite a difficult economy and an increasingly competitive QSR environment, Arby's posted solid financial results in 2002, reflecting the favorable impact of higher sales of Arby's Market Fresh premium sandwiches, spurred in part by more national advertising in 2002, as well as net new store openings.

We were able to purchase Sybra at an attractive valuation for our shareholders.



**In 2002, Arby's domestic comparative store results increased 2.2%—the sixth year in a row in which comparative store results improved.**

In 2002, Arby's domestic comparative store results increased 2.2%— the sixth year in a row in which comparative store results improved. In 2002, 116 new Arby's units were opened and 64 units (generally, underperforming stores) were closed, resulting in a total of over 3,400 Arby's units in operation worldwide at year-end 2002. 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.

Despite recent challenges, including the adverse effects of severe weather, industry discounting and sluggish economic conditions, Arby's will continue to focus on growing its existing products, new product offerings, continued national advertising and new unit openings.

We are very excited about Arby's new product initiatives, including the introduction of taste improvements in our signature roast beef and the use of "artisan" breads. We believe that Arby's new sandwiches can effectively bridge the gap between fast food and fast casual offerings, thus broadening Arby's consumer appeal.

Our Arby's team is also working closely with franchisees on new technology and advertising initiatives which we believe will further enhance Arby's "cut above" brand equity and promote sales growth.

Our share repurchase program is an important tool which allows us to proactively respond when we believe the market is undervaluing our stock.

Finally, Arby's continues to be a very strong supporter of education and development of America's youth through the Arby's Foundation and Arby's family of franchisees' commitment to Big Brothers Big Sisters and Boys and Girls Clubs. We at Triarc are proud to support these worthy causes.

**SHARE REPURCHASES** Our share repurchase program is an important tool which allows us to proactively respond when we believe the market is undervaluing our stock.

Over the last five years, we have spent approximately \$300 million to repurchase our stock, including shares repurchased through our stock repurchase programs, our 1999 "Dutch Auction" self-tender and the repurchase of all of our then-outstanding Class B Common Shares.

During our reporting year 2002, while our stock price increased 6.5%, we purchased approximately 290,000 shares at an aggregate cost of approximately \$7 million. Additionally, in January 2003, our board of directors extended the current Class A Common Stock repurchase program until January 2004 and replenished the amount available under the program to permit the Company to purchase up to \$50 million of Class A Common Stock.

Looking ahead, we will repurchase stock when and if market conditions warrant and to the extent legally permissible.

**ACQUISITION STRATEGIES** Our principal objective with any acquisition is significant value creation. We believe we must be disciplined buyers to achieve superior returns. Although we continue to focus on consumer products, restaurants, and service companies, where we believe opportunities exist for Triarc, we also look for undervalued companies in other industries.

Our principal objective with any acquisition is significant value creation. We believe we must be disciplined buyers to achieve superior returns.

We have an experienced team of operating, financial, legal and tax professionals with multiple, complementary acquisition and operating skills and an extensive network of relationships.

During the due diligence process, we focus on many factors, but a key consideration is always a target's ability to generate significant free cash flow under our control. Once we have completed an acquisition, we work to add value with "hands on," entrepreneurial management.

In financing transactions, we have had success with many creative uses of leverage. We also think it is important to maintain liquidity to ensure flexibility and to protect against "the downside."

In 2002, we reviewed many acquisition opportunities and, as we enter 2003, we believe our “deal flow” of opportunities remains strong.

**PRESERVING AND ENHANCING SHAREHOLDER VALUE** Since the sale of the Snapple Beverage Group and the securitization of Arby's North American franchise royalties and fees in 2000, we have prudently managed the significant proceeds generated from these transactions. Our goal is to preserve principal and to maximize liquidity. That way, we can rapidly seize opportunities which we believe can enhance shareholder value.

We are continuously evaluating strategic options which may bolster value.

In addition to maintaining our liquidity in order to facilitate acquisitions and share repurchases and to working closely with our colleagues at Arby's to ensure the brand's future growth, we are continuously evaluating strategic options which may bolster value. In other words, we believe it is important to review an array of means by which to maximize value at Triarc.

**LOOKING AHEAD** In closing, we wish to acknowledge the excellent work of our colleagues. Working closely with the franchisees, the Arby's team continues to develop successful growth strategies. We are confident that Arby's future is bright. Our corporate team remains focused on evaluating options that will enhance shareholder value. We believe that their disciplined work will yield future opportunities from which all shareholders will benefit.

Finally, we note with sadness the passing of our director, Jeffrey S. Silverman, in the fall of 2002. Jeffrey was a very committed director and provided Triarc with excellent advice and counsel. He was also a wonderful friend and we miss him greatly.

We appreciate your continued ownership of Triarc and look forward to updating you on our future progress.

Sincerely,



Nelson Peltz  
*Chairman and Chief Executive Officer*



Peter W. May  
*President and Chief Operating Officer*

## NOTE CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report that are not historical facts constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on our current expectations, speak only as of the date of this Annual Report 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, the Company claims the protection of the safe harbor for forward-looking statements contained in the Act. See “Special Note Regarding Forward-Looking Statements and Projections” and Item 1. Business-Risk Factors, appearing in our Annual Report on Form 10-K for the fiscal year ended December 29, 2002, included herein.

## NOTE CONCERNING INTELLECTUAL PROPERTY

Arby's®, T.J. Cinnamons®, Pasta Connection®, Market Fresh®, Sidekickers®, Arby's Market Fresh™, Oven Mitt™ and related logos are registered or pending trademarks of Arby's, Inc. or its subsidiaries. We also have other registered marks, service marks, trademarks and tradenames, trademark applications and other phrases related to our brands' products, services and concepts that are used in this Annual Report.

## BOARD OF DIRECTORS

Hugh L. Carey<sup>3,4,5</sup>  
Former Governor of the State of New York and  
member of Congress and currently Of Counsel  
to Winston & Strawn

Clive Chajet<sup>2,4,6</sup>  
Chairman, Chajet Consultancy, LLC

Joseph A. Levato<sup>1,2,3,5</sup>  
Former Executive Vice President and  
Chief Financial Officer of the Company

Peter W. May<sup>4</sup>  
President and Chief Operating Officer

Nelson Peltz<sup>4</sup>  
Chairman and Chief Executive Officer

David E. Schwab II<sup>1,2,5,6</sup>  
Senior Counsel  
Cowan, Liebowitz & Latman, P.C.

Raymond S. Troubh<sup>1</sup>  
Financial Consultant and Director of  
various public companies

Gerald Tsai, Jr.<sup>3,5</sup>  
Private Investor

1. *Member of Audit Committee*
2. *Member of Compensation Committee*
3. *Member of ERISA Committee*
4. *Member of Executive Committee*
5. *Member of Nominating Committee*
6. *Member of Performance Compensation Subcommittee*

## SENIOR OFFICERS

Nelson Peltz  
Chairman and Chief Executive Officer

Peter W. May  
President and Chief Operating Officer

Brian L. Schorr  
Executive Vice President and General Counsel

Jonathan P. May  
Senior Vice President, Corporate Development

Francis T. McCarron  
Senior Vice President and Chief Financial Officer

Jarrett B. Posner  
Senior Vice President, Corporate Finance

Stuart I. Rosen  
Senior Vice President and  
Associate General Counsel, and Secretary

Fred H. Schaefer  
Senior Vice President and Chief Accounting Officer

Anne A. Tarbell  
Senior Vice President, Corporate Communications  
and Investor Relations

Robert J. Crowe  
Vice President, Taxes

Greg Essner  
Vice President, Treasury Services and  
Financial Planning

Alexander L. Lemond  
Vice President, Corporate Development

## TRIARC RESTAURANT GROUP

1000 Corporate Drive  
Ft. Lauderdale, FL 33334  
(954) 351-5100

Jonathan P. May  
Chairman

Michael C. Howe  
President and Chief Executive Officer

Curtis S. Gimson  
Senior Vice President and General Counsel, and  
Assistant Secretary

Stanley S. Jeska  
Senior Vice President, Business Development

Kenneth A. Thomas  
Senior Vice President and Chief Financial Officer

Michael T. Welch  
Senior Vice President, Operations

## SHAREHOLDER INFORMATION

Transfer Agent and Registrar  
If you require assistance with your account, such as  
change of address, changes in registration or lost  
stock certificates, please contact:

American Stock Transfer & Trust Company  
59 Maiden Lane  
New York, NY 10038  
(888) 311-2439

Auditors  
Deloitte & Touche LLP  
2 World Financial Center  
New York, NY 10281-1414

Corporate Counsel  
Paul, Weiss, Rifkind, Wharton & Garrison  
1285 Avenue of the Americas  
New York, NY 10019-6064

Common Stock Listing  
New York Stock Exchange (Symbol-TRY)

Investor Inquiries  
Shareholders, securities analysts, investment  
managers and others seeking information about  
the Company should contact:

Triarc Companies, Inc.  
Attn: Investor Relations  
280 Park Avenue  
New York, NY 10017  
(212) 451-3000

[www.triarc.com](http://www.triarc.com)

## DESIGN:

The Graphic Expression, Inc.,  
New York City; [www.tgenyc.com](http://www.tgenyc.com)

## COVER PHOTO:

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first appeared in *Food Service and  
Equipment* magazine.

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