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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D. C. 20549

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**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)**

**May 1, 2019**

**Commission file number 1-13163**

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**YUM! BRANDS, INC.**

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of  
incorporation or organization)

13-3951308

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

1441 Gardiner Lane, Louisville, Kentucky

(Address of principal executive offices)

40213

(Zip Code)

Registrant's telephone number, including area code: (502) 874-8300

Former name or former address, if changed since last report: N/A

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).  Emerging growth company

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

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Section 2 – Financial Information

Item 2.02 Results of Operations and Financial Condition

On May 1, 2019, YUM! Brands, Inc. ("YUM") issued a press release announcing financial results for the quarter ended March 31, 2019. A copy of the press release is attached hereto as Exhibit 99.1.

Section 9 – Financial Statements and Exhibits

Item 9.01 Financial Statements and Exhibits

(c) Exhibits  
99.1 [Press Release dated May 1, 2019 from YUM! Brands, Inc.](#)

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SIGNATURE

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 hereunto duly authorized.

YUM! BRANDS, INC.

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(Registrant)

Date: May 1, 2019

/s/ David E. Russell

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Sr. Vice President, Finance and Corporate  
Controller

(Principal Accounting Officer)



# NEWS



Keith Siegner

Vice President, Investor Relations, Corporate Strategy and Treasurer

**Yum! Brands Reports Solid First-Quarter  
System Sales Growth of 8 %; Same-Store Sales Growth of 4 %  
GAAP Operating Profit Decline of (22) %; Core Operating Profit Growth of 12 %**

**Louisville, KY (May 1, 2019)** - Yum! Brands, Inc. (NYSE: YUM) today reported results for the first-quarter ended March 31, 2019. Worldwide system sales excluding foreign currency translation grew 8%, with 7% net-new units and 4% same-store sales growth. First-quarter GAAP EPS was \$ 0.83 , a decrease of (35) % . First-quarter EPS excluding Special Items was \$ 0.82 , a decrease of (8) % .

**GREG CREED COMMENTS**

Greg Creed, CEO, said “The third and final year of our transformation is underway and I’m thrilled with the progress towards our commitment to becoming a more focused, more franchised, and more efficient growth company. First-quarter results were a solid start to the year, reflecting particular strength at the KFC division and Taco Bell U.S. With this quarter, we have a healthy foundation to help us achieve our 2019 guidance. Through the lens of our four growth drivers, we continue to leverage our unprecedented scale and expand our capabilities with the goal of improving franchise economics and accelerating growth. We remain confident in our enviable business model and our commitment to lasting growth that maximizes shareholder value.”

**FIRST-QUARTER HIGHLIGHTS**

- Worldwide system sales excluding foreign currency translation grew 8%, with KFC at 9%, Taco Bell at 7%, and Pizza Hut at 7%. Adjusting the prior year base to include Telepizza, system sales growth excluding foreign currency translation would have been 7% worldwide and 1% for the Pizza Hut Division.
- We opened 310 net units in the quarter. On a year-over-year basis, which takes into account the strategic alliance with Telepizza in the fourth-quarter 2018, net new unit growth was 7%.
- We repurchased 1.1 million shares totaling \$106 million at an average price of \$94.
- We reflected the change in fair value of our investment in Grubhub by recording \$20 million of pre-tax investment expense, resulting in a negative (\$0.05) impact in EPS. Our Grubhub investment unfavorably impacted year-over-year EPS growth by (\$0.21).
- Foreign currency translation unfavorably impacted divisional operating profit by \$19 million.

|                                 | % Change            |                  |               |                                    |                                    |
|---------------------------------|---------------------|------------------|---------------|------------------------------------|------------------------------------|
|                                 | System Sales Ex F/X | Same-Store Sales | Net New Units | GAAP Operating Profit <sup>2</sup> | Core Operating Profit <sup>2</sup> |
| KFC Division                    | +9                  | +5               | +6            | +7                                 | +14                                |
| Pizza Hut Division <sup>1</sup> | +7                  | Even             | +10           | +11                                | +14                                |
| Taco Bell Division              | +7                  | +4               | +3            | +5                                 | +5                                 |
| Worldwide <sup>1</sup>          | +8                  | +4               | +7            | (22)                               | +12                                |

|                                | First Quarter |        |          |
|--------------------------------|---------------|--------|----------|
|                                | 2019          | 2018   | % Change |
| GAAP EPS                       | \$0.83        | \$1.27 | (35)     |
| Special Items EPS <sup>2</sup> | \$0.01        | \$0.37 | NM       |
| EPS Excluding Special Items    | \$0.82        | \$0.90 | (8)      |

<sup>1</sup> Pizza Hut Division and Worldwide system sales ex F/X and net new units include the benefit of our strategic alliance with Telepizza in the fourth-quarter 2018. Same-store sales reflects the inclusion of Telepizza in the prior year base.

<sup>2</sup> See reconciliation of Non-GAAP Measurements to GAAP Results within this release for further detail of GAAP Operating Profit and Special Items.

All comparisons are versus the same period a year ago.

System sales growth figures exclude foreign currency translation ("F/X") and core operating profit growth figures exclude F/X and Special Items. Special Items are not allocated to any segment and therefore only impact worldwide GAAP results. See reconciliation of Non-GAAP Measurements to GAAP Results within this release for further details.

## KFC DIVISION

|  | First Quarter |        |               |        |
|--|---------------|--------|---------------|--------|
|  | 2019          | 2018   | %/ppts Change |        |
|  |               |        | Reported      | Ex F/X |
| Restaurants                            | 22,886        | 21,644 | +6            | N/A    |
| System Sales (\$MM)                    | 6,547         | 6,329  | +3            | +9     |
| Same-Store Sales Growth (%)            | +5            | +2     | NM            | NM     |
| Franchise and Property Revenues (\$MM) | 323           | 307    | +5            | +12    |
| Operating Profit (\$MM)                | 236           | 221    | +7            | +14    |
| Operating Margin (%)                   | 41.7          | 33.6   | 8.1           | 7.9    |

|                            | First Quarter (% Change) |      |
|----------------------------|--------------------------|------|
|                            | International            | U.S. |
| System Sales Growth Ex F/X | +11                      | +2   |
| Same-Store Sales Growth    | +5                       | +2   |

- KFC Division opened 372 new restaurants in 46 countries.
- Operating margin increased 8.1 percentage points driven by refranchising and same-store sales growth.
- Foreign currency translation unfavorably impacted operating profit by \$16 million.

| KFC Markets <sup>1</sup>            | Percent of KFC System Sales <sup>2</sup> | System Sales Growth Ex F/X |
|-------------------------------------|--|----------------------------|
|                                     |  | First Quarter (% Change)   |
| China                               | 27%                                      | +11                        |
| United States                       | 17%                                      | +2                         |
| Asia                                | 12%                                      | +8                         |
| Russia & Eastern Europe             | 8%                                       | +18                        |
| Australia                           | 7%                                       | +7                         |
| United Kingdom                      | 6%                                       | +19                        |
| Latin America                       | 5%                                       | +10                        |
| Western Europe                      | 5%                                       | +9                         |
| Africa                              | 4%                                       | +13                        |
| Middle East / Turkey / North Africa | 4%                                       | +7                         |
| Canada                              | 2%                                       | (3)                        |
| Thailand                            | 2%                                       | +8                         |
| India                               | 1%                                       | +26                        |

<sup>1</sup> Refer to *investors.yum.com* under Financial Reports for a list of the countries within each of the markets.

<sup>2</sup> Reflects Full Year 2018.

## **PIZZA HUT DIVISION**

|  | <b>First Quarter</b> |             |                      |               |
|--|----------------------|-------------|----------------------|---------------|
|  | <b>2019</b>          | <b>2018</b> | <b>%/ppts Change</b> |               |
|  |                      |             | <b>Reported</b>      | <b>Ex F/X</b> |
| Restaurants                              | 18,466               | 16,796      | +10                  | N/A           |
| System Sales (\$MM) <sup>1</sup>         | 3,131                | 3,032       | +3                   | +7            |
| Same-Store Sales Growth (%) <sup>1</sup> | Even                 | +1          | NM                   | NM            |
| Franchise and Property Revenues (\$MM)   | 145                  | 149         | (3)                  | Even          |
| Operating Profit (\$MM)                  | 97                   | 88          | +11                  | +14           |
| Operating Margin (%)                     | 40.1                 | 35.0        | 5.1                  | 5.6           |

|   | <b>First Quarter (% Change)</b> |             |
|---|---------------------------------|-------------|
|   | <b>International</b>            | <b>U.S.</b> |
| System Sales Growth Ex F/X <sup>1</sup> | +13                             | (1)         |
| Same-Store Sales Growth <sup>1</sup>    | Even                            | Even        |

- Pizza Hut Division opened 172 new restaurants in 39 countries.
- Operating margin increased 5.1 percentage points driven by refranchising and lower franchise and property expense due to lower advertising spend associated with the U.S. Transformation Agreement.
- Foreign currency translation unfavorably impacted operating profit by \$3 million.

| <b>Pizza Hut Markets <sup>2</sup></b>      | <b>Percent of Pizza Hut System Sales <sup>3</sup></b> | <b>System Sales Growth Ex F/X <sup>1</sup></b> |
|--|---|--|
|  |   | <b>First Quarter (% Change)</b>                |
| United States                              | 46%   | (1)  |
| China                                      | 17%   | +3   |
| Asia                                       | 13%   | +4   |
| Europe (excluding Spain & Portugal)        | 9%  | +3   |
| Latin America (including Spain & Portugal) | 7%  | +84  |
| Middle East / Turkey / North Africa        | 4%  | +7   |
| Canada                                     | 2%  | —  |
| India                                      | 1%  | +11  |
| Africa                                     | <1%   | +37  |

<sup>1</sup> System sales ex F/X includes the benefit of our strategic alliance with Telepizza in the fourth-quarter 2018. Same-store sales reflects the inclusion of Telepizza in the prior year base.

<sup>2</sup> Refer to *investors.yum.com* under Financial Reports for a list of the countries within each of the markets.

<sup>3</sup> Reflects Full Year 2018. Europe and Latin America adjusted for transfer of reporting responsibility of Spain and Portugal Pizza Hut units from Europe to Latin America as a result of the Telepizza alliance.

**TACO BELL DIVISION**

|  | First Quarter |       |               |        |
|--|---------------|-------|---------------|--------|
|  | 2019          | 2018  | %/ppts Change |        |
|  |               |       | Reported      | Ex F/X |
| Restaurants                            | 7,105         | 6,883 | +3            | N/A    |
| System Sales (\$MM)                    | 2,506         | 2,347 | +7            | +7     |
| Same-Store Sales Growth (%)            | +4            | +1    | NM            | NM     |
| Franchise and Property Revenues (\$MM) | 144           | 128   | +12           | +13    |
| Operating Profit (\$MM)                | 138           | 132   | +5            | +5     |
| Operating Margin (%)                   | 31.0          | 28.5  | 2.5           | 2.5    |

- Taco Bell Division opened 62 new restaurants, including 12 new international restaurants.
- Operating margin increased 2.5 percentage points driven by refranchising and same-store sales growth.

**OTHER ITEMS**

- Disclosures pertaining to outstanding debt in our Restricted Group capital structure will be provided at the time of the filing of the first-quarter Form 10-Q.

## **CONFERENCE CALL**

Yum! Brands, Inc. will host a conference call to review the company's financial performance and strategies at 8:15 a.m. Eastern Time May 1, 2019. The number is 877/815-2029 for U.S. callers and 706/645-9271 for international callers, conference ID 2388316.

The call will be available for playback beginning at 11:00 a.m. Eastern Time May 1, 2019 through June 7, 2019. To access the playback, dial 855/859-2056 in the U.S. and 404/537-3406 internationally, conference ID 2388316.

The webcast and the playback can be accessed via the website by visiting Yum! Brands' website, [investors.yum.com/events-and-presentations](http://investors.yum.com/events-and-presentations) and selecting "Q1 2019 Yum! Brands, Inc. Earnings Call."

## **ADDITIONAL INFORMATION ONLINE**

Quarter end dates for each division, restaurant count details, definitions of terms and Restricted Group financial information are available at [investors.yum.com](http://investors.yum.com). Reconciliation of non-GAAP financial measures to the most directly comparable GAAP measures are included within this release.

## **FORWARD-LOOKING STATEMENTS**

This announcement may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as "expect," "expectation," "believe," "anticipate," "may," "could," "intend," "belief," "plan," "estimate," "target," "predict," "likely," "seek," "project," "model," "ongoing," "will," "should," "forecast," "outlook" or similar terminology. These statements are based on and reflect our current expectations, estimates, assumptions and/or projections, our perception of historical trends and current conditions, as well as other factors that we believe are appropriate and reasonable under the circumstances. Forward-looking statements are neither predictions nor guarantees of future events, circumstances or performance and are inherently subject to known and unknown risks, uncertainties and assumptions that could cause our actual results to differ materially from those indicated by those statements. There can be no assurance that our expectations, estimates, assumptions and/or projections, including with respect to the future earnings and performance or capital structure of Yum! Brands, will prove to be correct or that any of our expectations, estimates or projections will be achieved.

Numerous factors could cause our actual results and events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: food safety and food borne-illness issues; health concerns arising from outbreaks of viruses or other diseases; the success of our franchisees and licensees; the success of our transformation initiatives, including our refranchising strategy; our significant exposure to the Chinese market; changes in economic and political conditions in countries and territories outside of the U.S. where we operate; our ability to protect the integrity and security of individually identifiable data of our customers and employees; our ability to successfully implement technology initiatives; our increasing dependence on digital commerce platforms and information technology systems; the impact of social media; our ability to secure and maintain distribution and adequate supply to our restaurants; the success of our development strategy in emerging markets; changes in commodity, labor and other operating costs; pending or future litigation and legal claims or proceedings; changes in or noncompliance with government regulations, including labor standards and anti-bribery or anti-corruption laws; tax matters, including changes in tax laws or disagreements with taxing authorities; consumer preferences and perceptions of our brands; changes in consumer discretionary spending and general economic conditions; competition within the retail food industry; and risks relating to our significant amount of indebtedness. In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

The forward-looking statements included in this announcement are only made as of the date of this announcement and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions "Risk Factors" and "Forward-Looking Statements" in our most recently filed Annual Report on Form 10-K and Quarterly Report on Form 10-Q) for additional detail about factors that could affect our financial and other results.

Yum! Brands, Inc., based in Louisville, Kentucky, has over 48,000 restaurants in more than 145 countries and territories primarily operating the company's brands -- KFC, Pizza Hut and Taco Bell -- global leaders of the chicken, pizza and Mexican-style food categories. Worldwide, the Yum! Brands system opens over eight new restaurants per day on average, making it a leader in global retail development. In 2018, Yum! Brands was named to the Dow Jones Sustainability North America Index and ranked among the top 100 Best Corporate Citizens by Corporate Responsibility Magazine. In 2019, Yum! Brands was named to the Bloomberg Gender-Equality Index for the second consecutive year.

Analysts are invited to contact:

Keith Siegner, Vice President, Investor Relations, Corporate Strategy and Treasurer at 888/298-6986

Members of the media are invited to contact:

Virginia Ferguson, Director, Public Relations, at 502/874-8200

**YUM! Brands, Inc.**  
**Condensed Consolidated Summary of Results**  
**(amounts in millions, except per share amounts)**  
**(unaudited)**

|  | Quarter ended  |                | % Change<br>B/(W) |
|--|----------------|----------------|-------------------|
|  | 3/31/19        | 3/31/18        |                   |
| <b>Revenues</b>  |                |                |                   |
| Company sales  | \$ 333         | \$ 512         | (35)              |
| Franchise and property revenues                            | 612            | 584            | 5                 |
| Franchise contributions for advertising and other services | 309            | 275            | 12                |
| Total revenues   | <u>1,254</u>   | <u>1,371</u>   | (9)               |
| <b>Costs and Expenses, Net</b>                             |                |                |                   |
| Company restaurant expenses                                | 272            | 438            | 38                |
| General and administrative expenses                        | 211            | 219            | 3                 |
| Franchise and property expenses                            | 43             | 47             | 6                 |
| Franchise advertising and other services expense           | 301            | 272            | (11)              |
| Refranchising (gain) loss                                  | (6)            | (156)          | (96)              |
| Other (income) expense                                     | —              | (2)            | NM                |
| Total costs and expenses, net                              | <u>821</u>     | <u>818</u>     | —                 |
| <b>Operating Profit</b>                                    |                |                |                   |
|  | 433            | 553            | (22)              |
| Investment (income) expense, net                           | 16             | (66)           | NM                |
| Other pension (income) expense                             | 3              | 3              | 20                |
| Interest expense, net                                      | 115            | 107            | (8)               |
| <b>Income before income taxes</b>                          | <u>299</u>     | <u>509</u>     | (41)              |
| Income tax provision                                       | 37             | 76             | 52                |
| <b>Net Income</b>  | <u>\$ 262</u>  | <u>\$ 433</u>  | (39)              |
| <b>Effective tax rate</b>                                  |                |                |                   |
|  | <u>12.3%</u>   | <u>15.0%</u>   | 2.7 pts.          |
| <b>Basic EPS</b>   |                |                |                   |
| EPS  | <u>\$ 0.85</u> | <u>\$ 1.30</u> | (35)              |
| Average shares outstanding                                 | <u>308</u>     | <u>332</u>     | 7                 |
| <b>Diluted EPS</b>   |                |                |                   |
| EPS  | <u>\$ 0.83</u> | <u>\$ 1.27</u> | (35)              |
| Average shares outstanding                                 | <u>315</u>     | <u>340</u>     | 8                 |
| <b>Dividends declared per common share</b>                 |                |                |                   |
|  | <u>\$ 0.42</u> | <u>\$ 0.36</u> |                   |

See accompanying notes.  
Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**KFC DIVISION Operating Results**  
(amounts in millions)  
(unaudited)

|  | Quarter ended |               | % Change<br>B/(W) |
|--|---------------|---------------|-------------------|
|  | 3/31/19       | 3/31/18       |                   |
| Company sales  | \$ 125        | \$ 245        | (49)              |
| Franchise and property revenues                            | 323           | 307           | 5                 |
| Franchise contributions for advertising and other services | 118           | 106           | 11                |
| Total revenues   | <u>566</u>    | <u>658</u>    | (14)              |
| Company restaurant expenses                                | 108           | 220           | 51                |
| General and administrative expenses                        | 78            | 85            | 8                 |
| Franchise and property expenses                            | 28            | 29            | 2                 |
| Franchise advertising and other services expense           | 116           | 104           | (11)              |
| Other (income) expense                                     | —             | (1)           | NM                |
| Total costs and expenses, net                              | <u>330</u>    | <u>437</u>    | 24                |
| Operating Profit   | <u>\$ 236</u> | <u>\$ 221</u> | 7                 |
| Restaurant margin  | <u>14.1%</u>  | <u>10.5%</u>  | 3.6 ppts.         |
| Operating margin   | <u>41.7%</u>  | <u>33.6%</u>  | 8.1 ppts.         |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**PIZZA HUT DIVISION Operating Results**  
(amounts in millions)  
(unaudited)

|  | Quarter ended |               | % Change<br>B/(W) |
|--|---------------|---------------|-------------------|
|  | 3/31/19       | 3/31/18       |                   |
| Company sales  | \$ 11         | \$ 24         | (55)              |
| Franchise and property revenues                            | 145           | 149           | (3)               |
| Franchise contributions for advertising and other services | 87            | 78            | 12                |
| Total revenues   | <u>243</u>    | <u>251</u>    | (3)               |
| Company restaurant expenses                                | 11            | 24            | 56                |
| General and administrative expenses                        | 47            | 50            | 5                 |
| Franchise and property expenses                            | 5             | 11            | 53                |
| Franchise advertising and other services expense           | 83            | 78            | (7)               |
| Other (income) expense                                     | —             | —             | NM                |
| Total costs and expenses, net                              | <u>146</u>    | <u>163</u>    | 11                |
| Operating Profit   | <u>\$ 97</u>  | <u>\$ 88</u>  | 11                |
| Restaurant margin  | <u>3.9%</u>   | <u>(0.1)%</u> | 4.0 ppts.         |
| Operating margin   | <u>40.1%</u>  | <u>35.0 %</u> | 5.1 ppts.         |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**TACO BELL DIVISION Operating Results**  
(amounts in millions)  
(unaudited)

|  | Quarter ended |               | % Change<br>B/(W) |
|--|---------------|---------------|-------------------|
|  | 3/31/19       | 3/31/18       |                   |
| Company sales  | \$ 197        | \$ 243        | (19)              |
| Franchise and property revenues                            | 144           | 128           | 12                |
| Franchise contributions for advertising and other services | 104           | 91            | 14                |
| Total revenues   | <u>445</u>    | <u>462</u>    | (4)               |
| Company restaurant expenses                                | 153           | 194           | 21                |
| General and administrative expenses                        | 43            | 40            | (8)               |
| Franchise and property expenses                            | 9             | 6             | (53)              |
| Franchise advertising and other services expense           | 102           | 90            | (13)              |
| Other (income) expense                                     | —             | —             | NM                |
| Total costs and expenses, net                              | <u>307</u>    | <u>330</u>    | 7                 |
| Operating Profit   | <u>\$ 138</u> | <u>\$ 132</u> | 5                 |
| Restaurant margin  | <u>22.0%</u>  | <u>19.6%</u>  | 2.4 ppts.         |
| Operating margin   | <u>31.0%</u>  | <u>28.5%</u>  | 2.5 ppts.         |

See accompanying notes.

Percentages may not recompute due to rounding.

**YUM! Brands, Inc.**  
**Condensed Consolidated Balance Sheets**  
**(amounts in millions)**

|  | <u>(unaudited)</u><br>3/31/19 | <u>12/31/18</u> |
|--|-------------------------------|-----------------|
| <b>ASSETS</b>  |                               |                 |
| <b>Current Assets</b>  |                               |                 |
| Cash and cash equivalents  | \$ 278                        | \$ 292          |
| Accounts and notes receivable, less allowance: \$41 in 2019 and \$31 in 2018   | 543                           | 561             |
| Prepaid expenses and other current assets  | 365                           | 354             |
| <b>Total Current Assets</b>  | <u>1,186</u>                  | <u>1,207</u>    |
| Property, plant and equipment, net of accumulated depreciation and amortization of \$1,126 in 2019 and \$1,116 in 2018 | 1,212                         | 1,237           |
| Goodwill   | 529                           | 525             |
| Intangible assets, net   | 243                           | 242             |
| Other assets   | 1,372                         | 724             |
| Deferred income taxes  | 202                           | 195             |
| <b>Total Assets</b>  | <u>\$ 4,744</u>               | <u>\$ 4,130</u> |
| <b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>   |                               |                 |
| <b>Current Liabilities</b>   |                               |                 |
| Accounts payable and other current liabilities   | \$ 918                        | \$ 911          |
| Income taxes payable   | 71                            | 69              |
| Short-term borrowings  | 338                           | 321             |
| <b>Total Current Liabilities</b>   | <u>1,327</u>                  | <u>1,301</u>    |
| Long-term debt   | 9,736                         | 9,751           |
| Other liabilities and deferred credits   | 1,585                         | 1,004           |
| <b>Total Liabilities</b>   | <u>12,648</u>                 | <u>12,056</u>   |
| <b>Shareholders' Deficit</b>   |                               |                 |
| Common stock, no par value, 750 shares authorized; 306 shares issued in both 2019 and 2018                             | —                             | —               |
| Accumulated deficit  | (7,580)                       | (7,592)         |
| Accumulated other comprehensive loss   | (324)                         | (334)           |
| <b>Total Shareholders' Deficit</b>   | <u>(7,904)</u>                | <u>(7,926)</u>  |
| <b>Total Liabilities and Shareholders' Deficit</b>   | <u>\$ 4,744</u>               | <u>\$ 4,130</u> |
| See accompanying notes.  |                               |                 |

**YUM! Brands, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
(amounts in millions)  
(unaudited)

|  | Quarter ended |                 |
|--|---------------|-----------------|
|  | 3/31/19       | 3/31/18         |
| <b>Cash Flows - Operating Activities</b>   |               |                 |
| Net Income   | \$ 262        | \$ 433          |
| Depreciation and amortization  | 26            | 37              |
| Refranchising (gain) loss  | (6)           | (156)           |
| Investment (income) expense, net   | 16            | (66)            |
| Contributions to defined benefit pension plans   | (9)           | (3)             |
| Deferred income taxes  | (1)           | (1)             |
| Share-based compensation expense   | 17            | 17              |
| Changes in accounts and notes receivable   | 14            | 4               |
| Changes in prepaid expenses and other current assets   | (13)          | (22)            |
| Changes in accounts payable and other current liabilities  | (50)          | (99)            |
| Changes in income taxes payable  | (5)           | 13              |
| Other, net   | 49            | 32              |
| <b>Net Cash Provided by Operating Activities</b>   | <b>300</b>    | <b>189</b>      |
| <b>Cash Flows - Investing Activities</b>   |               |                 |
| Capital spending   | (44)          | (42)            |
| Proceeds from refranchising of restaurants   | 14            | 205             |
| Other, net   | (4)           | 1               |
| <b>Net Cash Provided by (Used in) Investing Activities</b>   | <b>(34)</b>   | <b>164</b>      |
| <b>Cash Flows - Financing Activities</b>   |               |                 |
| Proceeds from long-term debt   | —             | —               |
| Repayments of long-term debt   | (20)          | (332)           |
| Revolving credit facilities, three months or less, net   | —             | —               |
| Short-term borrowings by original maturity   |               |                 |
| More than three months - proceeds  | 58            | 12              |
| More than three months - payments  | (41)          | (7)             |
| Three months or less, net  | —             | —               |
| Repurchase shares of Common Stock  | (109)         | (498)           |
| Dividends paid on Common Stock   | (129)         | (120)           |
| Debt issuance costs  | —             | —               |
| Other, net   | (37)          | (31)            |
| <b>Net Cash Used in Financing Activities</b>   | <b>(278)</b>  | <b>(976)</b>    |
| <b>Effect of Exchange Rate on Cash and Cash Equivalents</b>  | <b>12</b>     | <b>38</b>       |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents, Restricted Cash and Restricted Cash Equivalents</b> | <b>—</b>      | <b>(585)</b>    |
| <b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - Beginning of Period</b>         | <b>474</b>    | <b>1,668</b>    |
| <b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - End of Period</b>               | <b>\$ 474</b> | <b>\$ 1,083</b> |

See accompanying notes.

**Reconciliation of Non-GAAP Measurements to GAAP Results**  
**(amounts in millions, except per share amounts)**  
**(unaudited)**

In addition to the results provided in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP"), the Company provides the following non-GAAP measurements.

- System sales and System sales excluding the impacts of foreign currency translation ("FX"). System sales include the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants. Sales of franchise restaurants typically generate ongoing franchise and license fees for the Company at a rate of 3% to 6% of sales. Franchise restaurant sales are not included in Company sales on the Condensed Consolidated Statements of Income; however, the franchise and license fees are included in the Company's revenues. We believe System sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates our primary revenue drivers, Company and franchise same-store sales as well as net unit growth.
- Diluted Earnings Per Share ("EPS") excluding Special Items (as defined below);
- Effective Tax Rate excluding Special Items;
- Core Operating Profit. Core Operating Profit excludes Special Items and FX and we use Core Operating Profit for the purposes of evaluating performance internally.

These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of these non-GAAP measurements provide additional information to investors to facilitate the comparison of past and present operations.

Special Items are not included in any of our Division segment results as the Company does not believe they are indicative of our ongoing operations due to their size and/or nature. Our chief operating decision maker does not consider the impact of Special Items when assessing segment performance. The Special Items are described in (b), (c) and (d) in the accompanying notes.

Certain non-GAAP measurements are presented excluding the impact of FX. These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the FX impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.

|   | Quarter ended |         |
|---|---------------|---------|
|   | 3/31/19       | 3/31/18 |
| <b>Detail of Special Items</b>  |               |         |
| Refranchising gain (loss) <sup>(b)</sup>                                | \$ 6          | \$ 156  |
| Other Special Items Expense   | (2)           | (3)     |
| Special Items Income - Operating Profit                                 | 4             | 153     |
| Tax Expense on Special Items <sup>(c)</sup>                             | (1)           | (19)    |
| Tax Expense - U.S. Tax Act <sup>(d)</sup>                               | —             | (6)     |
| Special Items Income, net of tax  | 3             | 128     |
| Average diluted shares outstanding                                      | 315           | 340     |
| Special Items diluted EPS   | \$ 0.01       | \$ 0.37 |
| <b>Reconciliation of GAAP Operating Profit to Core Operating Profit</b> |               |         |
| <u>Consolidated</u>   |               |         |
| GAAP Operating Profit   | \$ 433        | \$ 553  |
| Special Items Income  | 4             | 153     |
| Foreign Currency Impact on Divisional Operating Profit                  | (19)          | N/A     |
| Core Operating Profit   | \$ 448        | \$ 400  |
| <u>KFC Division</u>   |               |         |
| GAAP Operating Profit   | \$ 236        | \$ 221  |
| Foreign Currency Impact on Divisional Operating Profit                  | (16)          | N/A     |
| Core Operating Profit   | \$ 252        | \$ 221  |

**Reconciliation of Non-GAAP Measurements to GAAP Results (Continued)**  
**(amounts in millions, except per share amounts)**  
**(unaudited)**

|  | Quarter ended    |                  |
|--|------------------|------------------|
|  | 3/31/19          | 3/31/18          |
| <u>Pizza Hut Division</u>  |                  |                  |
| GAAP Operating Profit  | \$ 97            | \$ 88            |
| Foreign Currency Impact on Divisional Operating Profit   | (3)              | N/A              |
| Core Operating Profit  | <u>\$ 100</u>    | <u>\$ 88</u>     |
| <u>Taco Bell Division</u>  |                  |                  |
| GAAP Operating Profit  | \$ 138           | \$ 132           |
| Foreign Currency Impact on Divisional Operating Profit   | —                | N/A              |
| Core Operating Profit  | <u>\$ 138</u>    | <u>\$ 132</u>    |
| <b>Reconciliation of Diluted EPS to Diluted EPS excluding Special Items</b>                    |                  |                  |
| Diluted EPS  | \$ 0.83          | \$ 1.27          |
| Special Items Diluted EPS  | 0.01             | 0.37             |
| Diluted EPS excluding Special Items  | <u>\$ 0.82</u>   | <u>\$ 0.90</u>   |
| <b>Reconciliation of GAAP Effective Tax Rate to Effective Tax Rate excluding Special Items</b> |                  |                  |
| GAAP Effective Tax Rate  | 12.3%            | 15.0%            |
| Impact on Tax Rate as a result of Special Items  | 0.1%             | 0.6%             |
| Effective Tax Rate excluding Special Items   | <u>12.2%</u>     | <u>14.4%</u>     |
| <b>Reconciliation of Company sales to System sales</b>   |                  |                  |
| <u>Consolidated</u>  |                  |                  |
| GAAP Company sales   | \$ 333           | \$ 512           |
| Franchise sales  | 11,851           | 11,196           |
| System sales   | 12,184           | 11,708           |
| Foreign Currency Impact on System sales  | (491)            | N/A              |
| System sales, excluding FX   | <u>\$ 12,675</u> | <u>\$ 11,708</u> |
| <u>KFC Division</u>  |                  |                  |
| GAAP Company sales   | \$ 125           | \$ 245           |
| Franchise sales  | 6,422            | 6,084            |
| System sales   | 6,547            | 6,329            |
| Foreign Currency Impact on System sales  | (383)            | N/A              |
| System sales, excluding FX   | <u>\$ 6,930</u>  | <u>\$ 6,329</u>  |
| <u>Pizza Hut Division</u>  |                  |                  |
| GAAP Company sales   | \$ 11            | \$ 24            |
| Franchise sales  | 3,120            | 3,008            |
| System sales   | 3,131            | 3,032            |
| Foreign Currency Impact on System sales  | (103)            | N/A              |
| System sales, excluding FX   | <u>\$ 3,234</u>  | <u>\$ 3,032</u>  |
| <u>Taco Bell Division</u>  |                  |                  |
| GAAP Company sales   | \$ 197           | \$ 243           |
| Franchise sales  | 2,309            | 2,104            |
| System sales   | 2,506            | 2,347            |
| Foreign Currency Impact on System sales  | (5)              | N/A              |
| System sales, excluding FX   | <u>\$ 2,511</u>  | <u>\$ 2,347</u>  |



## **2019 EPS GUIDANCE**

We have also provided certain forward-looking guidance using non-GAAP measurements. Specifically, in connection with the announcement of our strategic transformation initiatives in 2016, we announced a 2019 Diluted EPS target of at least \$3.75 (“2019 Adjusted EPS Target”). This 2019 Adjusted EPS Target was intended to exclude:

- Any impact from changes in FX rates (i.e. FX rates were assumed not to change from those in place when we determined the 2019 Adjusted EPS Target in 2016)
- Any Special Items; and
- The impact of the 53rd week in 2019 for our U.S. businesses and certain international subsidiaries that report on a period calendar;

Additionally, we acquired an interest in Grubhub common stock subsequent to our original determination of the 2019 Adjusted EPS Target and thus are excluding any resulting mark-to-market adjustment for that investment from the 2019 Adjusted EPS target.

At this time, we are unable to forecast any Special Items or Grubhub mark-to-market adjustments for the remainder of 2019 beyond amounts already recognized through March 31, 2019. The full year forecasted impacts of FX and the 53rd week and actual year-to-date impacts of Special Items and Grubhub mark-to-market adjustments on our 2019 Adjusted EPS Target are shown below. This impact of FX has been determined as the difference in translating our current local currency forecasts for 2019 at current FX forward rates and FX rates at the time the 2019 Adjusted EPS target was determined in 2016.

### **Reconciliation of Non-GAAP Amounts - 2019 Adjusted EPS Target**

|   |                               |
|---|-------------------------------|
| 2019 Diluted EPS with no forecasted impact of Special Items or Grubhub mark-to-market | At least \$3.73               |
| Foreign Currency Impact   | 0.04                          |
| Impact of 53 <sup>rd</sup> Week   | (0.06)                        |
| Year-to-Date Special Items through March 31, 2019                                     | (0.01)                        |
| Year-to-Date Grubhub mark-to-market through March 31, 2019                            | 0.05                          |
| 2019 Adjusted EPS Target  | <u><u>At least \$3.75</u></u> |

**YUM! Brands, Inc.**  
**Segment Results**  
(amounts in millions)  
(unaudited)

| <b>Quarter Ended 3/31/2019</b>                   | KFC    | Pizza Hut | Taco Bell | Corporate and<br>Unallocated | Consolidated |
|--|--------|-----------|-----------|------------------------------|--------------|
| Total revenues                                   | \$ 566 | \$ 243    | \$ 445    | \$ —                         | \$ 1,254     |
| Company restaurant expenses                      | 108    | 11        | 153       | —                            | 272          |
| General and administrative expenses              | 78     | 47        | 43        | 43                           | 211          |
| Franchise and property expenses                  | 28     | 5         | 9         | 1                            | 43           |
| Franchise advertising and other services expense | 116    | 83        | 102       | —                            | 301          |
| Refranchising (gain) loss                        | —      | —         | —         | (6)                          | (6)          |
| Other (income) expense                           | —      | —         | —         | —                            | —            |
| Total costs and expenses, net                    | 330    | 146       | 307       | 38                           | 821          |
| Operating Profit                                 | \$ 236 | \$ 97     | \$ 138    | \$ (38)                      | \$ 433       |

| <b>Quarter Ended 3/31/2018</b>                   | KFC    | Pizza Hut | Taco Bell | Corporate and<br>Unallocated | Consolidated |
|--|--------|-----------|-----------|------------------------------|--------------|
| Total revenues                                   | \$ 658 | \$ 251    | \$ 462    | \$ —                         | \$ 1,371     |
| Company restaurant expenses                      | 220    | 24        | 194       | —                            | 438          |
| General and administrative expenses              | 85     | 50        | 40        | 44                           | 219          |
| Franchise and property expenses                  | 29     | 11        | 6         | 1                            | 47           |
| Franchise advertising and other services expense | 104    | 78        | 90        | —                            | 272          |
| Refranchising (gain) loss                        | —      | —         | —         | (156)                        | (156)        |
| Other (income) expense                           | (1)    | —         | —         | (1)                          | (2)          |
| Total costs and expenses, net                    | 437    | 163       | 330       | (112)                        | 818          |
| Operating Profit                                 | \$ 221 | \$ 88     | \$ 132    | \$ 112                       | \$ 553       |

The above tables reconcile segment information, which is based on management responsibility, with our Condensed Consolidated Summary of Results. Corporate and unallocated expenses comprise items that are not allocated to segments for performance reporting purposes.

The Corporate and Unallocated column in the above tables includes, among other amounts, all amounts that we have deemed Special Items. See Reconciliation of Non-GAAP Measurements to GAAP Results.

**Notes to the Condensed Consolidated Summary of Results, Condensed Consolidated Balance Sheets  
and Condensed Consolidated Statements of Cash Flows**  
**(amounts in millions)**  
**(unaudited)**

- (a) Amounts presented as of and for the quarters ended March 31, 2019 and 2018 are preliminary.
- (b) In connection with our previously announced plans to have at least 98% franchise restaurant ownership by the end of 2018, we recorded net refranchising gains during the quarters ended March 31, 2019 and 2018 of \$6 million and \$156 million, respectively, that have been reflected as Special Items.
- The first quarter 2019 refranchising gains related primarily to true-ups of previously recorded amounts. The first quarter 2018 net refranchising gains related primarily to refranchising KFC restaurants in the UK and Taco Bell restaurants in the U.S.
- (c) Tax Expense on Special Items was determined based upon the impact of the nature, as well as the jurisdiction of the respective individual components within Special Items.
- (d) During the quarter ended March 31, 2018, we recorded a \$16 million increase related to our provisional tax expense recorded in the fourth quarter of 2017 associated with the Tax Cuts and Jobs Act of 2017 ("Tax Act") that was reported as a Special Item. We also recorded a Special Items tax benefit of \$10 million in the quarter ended March 31, 2018 related to 2018 U.S. foreign tax credits that became realizable directly as a result of the impact of deemed repatriation tax expense associated with the Tax Act.
- (e) Effective January 1, 2019, we adopted the new lease accounting standard. As a result, we are now required to recognize right-of-use assets and lease liabilities upon lease commencement for operating leases based on the present value of lease payments over the lease term. Under our historical accounting, operating leases were not recognized on the balance sheet. Prior results have not been restated for the impact of this accounting change. Upon adoption we recognized right-of-use assets for leases in place at January 1, 2019 of \$690 million, which are presented within Other Assets in our Condensed Consolidated Balance Sheets. Also upon adoption we recognized lease liabilities of \$83 million and \$661 million within Accounts payable and other current liabilities and Other liabilities and deferred credits, respectively, in our Condensed Consolidated Balance Sheets. The impact of the new operating lease accounting on our results of operations and cash flows is not expected to be significant.