

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

**FORM 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** for the quarterly period ended March 31, 2021
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-13163

YUM! BRANDS, INC.

(Exact name of registrant as specified in its charter)

North Carolina

(State or other jurisdiction of incorporation or organization)

1441 Gardiner Lane,      Louisville,      Kentucky  
(Address of principal executive offices)

Registrant's telephone number, including area code:

13-3951308

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

40213  
(Zip Code)

(502) 874-8300

Securities registered pursuant to Section 12(b) of the Act

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, no par value	YUM	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging Growth Company	<input type="checkbox"/>		

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

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

The number of shares outstanding of the registrant's Common Stock as of April 29, 2021 was 297,901,153 shares.

**YUM! BRANDS, INC.**

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions, except per share data)

	Quarter ended	
	3/31/2021	3/31/2020
<b>Revenues</b>		
Company sales	\$ 476	\$ 355
Franchise and property revenues	658	596
Franchise contributions for advertising and other services	352	312
Total revenues	<u>1,486</u>	<u>1,263</u>
<b>Costs and Expenses, Net</b>		
Company restaurant expenses	392	298
General and administrative expenses	206	208
Franchise and property expenses	23	58
Franchise advertising and other services expense	343	310
Refranchising (gain) loss	(15)	(13)
Other (income) expense	(6)	152
Total costs and expenses, net	<u>943</u>	<u>1,013</u>
<b>Operating Profit</b>	543	250
Investment (income) expense, net	—	34
Other pension (income) expense	3	3
Interest expense, net	131	118
<b>Income Before Income Taxes</b>	409	95
Income tax provision	83	12
<b>Net Income</b>	<u>\$ 326</u>	<u>\$ 83</u>
<b>Basic Earnings Per Common Share</b>	<u>\$ 1.09</u>	<u>\$ 0.28</u>
<b>Diluted Earnings Per Common Share</b>	<u>\$ 1.07</u>	<u>\$ 0.27</u>
<b>Dividends Declared Per Common Share</b>	<u>\$ 0.50</u>	<u>\$ 0.47</u>

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See accompanying Notes to Condensed Consolidated Financial Statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)**

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

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	Quarter ended	
	3/31/2021	3/31/2020
Net Income	\$ 326	\$ 83
Other comprehensive income (loss), net of tax		
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature		
Adjustments and gains (losses) arising during the period	3	(102)
	<u>3</u>	<u>(102)</u>
Tax (expense) benefit	—	—
	<u>3</u>	<u>(102)</u>
Changes in pension and post-retirement benefits		
Unrealized gains (losses) arising during the period	47	—
Reclassification of (gains) losses into Net Income	7	5
	<u>54</u>	<u>5</u>
Tax (expense) benefit	(13)	(1)
	<u>41</u>	<u>4</u>
Changes in derivative instruments		
Unrealized gains (losses) arising during the period	24	(77)
Reclassification of (gains) losses into Net Income	4	(6)
	<u>28</u>	<u>(83)</u>
Tax (expense) benefit	(7)	20
	<u>21</u>	<u>(63)</u>
Other comprehensive income (loss), net of tax	65	(161)
<b>Comprehensive Income (Loss)</b>	<u>\$ 391</u>	<u>\$ (78)</u>

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See accompanying Notes to Condensed Consolidated Financial Statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Quarter ended	
	3/31/2021	3/31/2020
<b>Cash Flows – Operating Activities</b>		
Net Income	\$ 326	\$ 83
Depreciation and amortization	39	27
Impairment and closure expense	1	140
Refranchising (gain) loss	(15)	(13)
Investment (income) expense, net	—	34
Contributions to defined benefit pension plans	(2)	(1)
Deferred income taxes	14	(31)
Share-based compensation expense	21	18
Changes in accounts and notes receivable	27	25
Changes in prepaid expenses and other current assets	(9)	(17)
Changes in accounts payable and other current liabilities	(123)	(51)
Changes in income taxes payable	5	(11)
Other, net	40	35
<b>Net Cash Provided by Operating Activities</b>	<b>324</b>	<b>238</b>
<b>Cash Flows – Investing Activities</b>		
Capital spending	(45)	(35)
Acquisition of The Habit Restaurants, Inc., net of cash acquired	—	(408)
Proceeds from refranchising of restaurants	20	2
Other, net	39	—
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>14</b>	<b>(441)</b>
<b>Cash Flows – Financing Activities</b>		
Proceeds from long-term debt	800	—
Repayments of long-term debt	(912)	(20)
Revolving credit facility, three months or less, net	—	950
Short-term borrowings by original maturity		
More than three months - proceeds	—	66
More than three months - payments	—	(44)
Three months or less, net	—	—
Repurchase shares of Common Stock	(286)	—
Dividends paid on Common Stock	(150)	(141)
Debt issuance costs	(5)	—
Other, net	(10)	(13)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(563)</b>	<b>798</b>
<b>Effect of Exchange Rates on Cash and Cash Equivalents</b>	<b>3</b>	<b>(53)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents, Restricted Cash and Restricted Cash Equivalents</b>	<b>(222)</b>	<b>542</b>
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - Beginning of Period</b>	<b>1,024</b>	<b>768</b>
<b>Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - End of Period</b>	<b>\$ 802</b>	<b>\$ 1,310</b>

See accompanying Notes to Condensed Consolidated Financial Statements.

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

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	(Unaudited) 3/31/2021	12/31/2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 561	\$ 730
Accounts and notes receivable, net	508	534
Prepaid expenses and other current assets	385	425
<b>Total Current Assets</b>	<u>1,454</u>	<u>1,689</u>
Property, plant and equipment, net	1,215	1,235
Goodwill	597	597
Intangible assets, net	354	343
Other assets	1,416	1,435
Deferred income taxes	514	553
<b>Total Assets</b>	<u>\$ 5,550</u>	<u>\$ 5,852</u>
<b>LIABILITIES AND SHAREHOLDERS' DEFICIT</b>		
<b>Current Liabilities</b>		
Accounts payable and other current liabilities	\$ 1,061	\$ 1,189
Income taxes payable	24	33
Short-term borrowings	394	453
<b>Total Current Liabilities</b>	<u>1,479</u>	<u>1,675</u>
Long-term debt	10,229	10,272
Other liabilities and deferred credits	1,754	1,796
<b>Total Liabilities</b>	<u>13,462</u>	<u>13,743</u>
<b>Shareholders' Deficit</b>		
Common Stock, no par value, 750 shares authorized; 298 shares issued in 2021 and 300 issued in 2020	—	—
Accumulated deficit	(7,566)	(7,480)
Accumulated other comprehensive loss	(346)	(411)
<b>Total Shareholders' Deficit</b>	<u>(7,912)</u>	<u>(7,891)</u>
<b>Total Liabilities and Shareholders' Deficit</b>	<u>\$ 5,550</u>	<u>\$ 5,852</u>

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See accompanying Notes to Condensed Consolidated Financial Statements.

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**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT (Unaudited)**

YUM! BRANDS, INC. AND SUBSIDIARIES

Quarters ended March 31, 2021 and 2020

(in millions)

	Yum! Brands, Inc.				
	Issued Common Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Deficit
	Shares	Amount			
<b>Balance at December 31, 2020</b>	300	\$ —	\$ (7,480)	\$ (411)	\$ (7,891)
Net Income			326		326
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature				3	3
Pension and post-retirement benefit plans (net of tax impact of \$13 million)				41	41
Net gain on derivative instruments (net of tax impact of \$7 million)				21	21
Comprehensive Income					391
Dividends declared			(151)		(151)
Repurchase of shares of Common Stock	(3)	(14)	(261)		(275)
Employee share-based award exercises	1	(10)			(10)
Share-based compensation events		24			24
<b>Balance at March 31, 2021</b>	298	\$ —	\$ (7,566)	\$ (346)	\$ (7,912)
<b>Balance at December 31, 2019</b>	300	\$ —	\$ (7,628)	\$ (388)	\$ (8,016)
Net Income			83		83
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature				(102)	(102)
Pension and post-retirement benefit plans (net of tax impact of \$1 million)				4	4
Net loss on derivative instruments (net of tax impact of \$20 million)				(63)	(63)
Comprehensive Income					(78)
Dividends declared			(142)		(142)
Repurchase of shares of Common Stock					—
Employee share-based award exercises	1	(13)			(13)
Share-based compensation events		28			28
Adoption of Expected Credit Loss accounting standard			(8)		(8)
<b>Balance at March 31, 2020</b>	301	\$ 15	\$ (7,695)	\$ (549)	\$ (8,229)

See accompanying Notes to Condensed Consolidated Financial Statements.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Tabular amounts in millions, except per share data)

### Note 1 - Financial Statement Presentation

We have prepared our accompanying unaudited Condensed Consolidated Financial Statements (“Financial Statements”) in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by Generally Accepted Accounting Principles in the United States (“GAAP”) for complete financial statements. Therefore, we suggest that the accompanying Financial Statements be read in conjunction with the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, (“2020 Form 10-K”).

Yum! Brands, Inc. and its Subsidiaries (collectively referred to herein as the “Company,” “YUM,” “we,” “us” or “our”) franchise or operate a system of over 50,000 restaurants in more than 150 countries and territories. As of March 31, 2021, 98% of these restaurants were owned and operated by franchisees. The Company’s KFC, Pizza Hut and Taco Bell brands are global leaders of the chicken, pizza and Mexican-style food categories, respectively. The Habit Burger Grill, a concept we acquired on March 18, 2020, is a fast-casual restaurant concept specializing in made-to-order chargrilled burgers, sandwiches and more.

As of March 31, 2021, YUM consisted of four operating segments:

- The KFC Division which includes our worldwide operations of the KFC concept
- The Pizza Hut Division which includes our worldwide operations of the Pizza Hut concept
- The Taco Bell Division which includes our worldwide operations of the Taco Bell concept
- The Habit Burger Grill Division which includes our worldwide operations of the Habit Burger Grill concept

YUM's fiscal year begins on January 1 and ends December 31 of each year, with each quarter comprised of three months. The majority of our U.S. subsidiaries and certain international subsidiaries operate on a weekly periodic calendar where the first three quarters of each fiscal year consists of 12 weeks and the fourth quarter consists of 16 weeks in fiscal years with 52 weeks and 17 weeks in fiscal years with 53 weeks. Our remaining international subsidiaries operate on a monthly calendar similar to that on which YUM operates. Our Habit Burger Grill Division operates on a weekly periodic calendar where each quarter consists of 13 weeks, except in fiscal years with 53 weeks when the fourth quarter consists of 14 weeks.

Our preparation of the accompanying Financial Statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The accompanying Financial Statements include all normal and recurring adjustments considered necessary to present fairly, when read in conjunction with our 2020 Form 10-K, the results of the interim periods presented. Our results of operations, comprehensive income, cash flows and changes in shareholders' deficit for these interim periods are not necessarily indicative of the results to be expected for the full year.

Our significant interim accounting policies include the recognition of advertising and marketing costs, generally in proportion to revenue, and the recognition of income taxes using an estimated annual effective tax rate.

### Note 2 - Habit Burger Grill Acquisition

On March 18, 2020, we completed the acquisition of all of the issued and outstanding common shares of The Habit Restaurants, Inc. As of the date of acquisition, The Habit Restaurants, Inc. operated 245 company-owned and 31 franchised Habit Burger Grill restaurants across the U.S. and in China, offering a flavor-forward variety of made-to-order items chargrilled over an open flame. We expect Habit Burger Grill to benefit from the global scale and resources of YUM and that the acquisition will accelerate and diversify YUM's growth.

Total cash consideration paid in connection with the acquisition was \$408 million, net of acquired cash of \$20 million. The acquisition was accounted for as a business combination using the acquisition method of accounting. During the quarter ended March 31, 2021, we finalized our estimate of the fair value of the net assets acquired, which resulted in goodwill being reduced by \$15 million compared to the initial fair value estimate recorded in the quarter ended March 31, 2020 (\$2 million of this reduction was recorded in the quarter ended March 31, 2021). The final allocation of consideration to the net tangible and intangible assets acquired upon the March 18, 2020 acquisition is presented in the table below.

Total Current Assets	\$	11
Property, plant and equipment, net		111
Habit Burger Grill brand (included in Intangible assets, net)		96
Operating lease right-of-use assets (included in Other assets)		196
Other assets		28
Total Assets		<u>442</u>
Total Current Liabilities		(68)
Operating lease liabilities (included in Other liabilities and deferred credits)		(170)
Total Liabilities		<u>(238)</u>
Total identifiable net assets		204
Goodwill		204
Net consideration transferred	\$	<u><u>408</u></u>

During the first quarter of 2020, the operations of substantially all Habit Burger Grill restaurants were impacted by COVID-19. As a result, we performed an interim impairment test of the Habit Burger Grill reporting unit goodwill as of March 31, 2020. This test of impairment included comparing the estimated fair value of the Habit Burger Grill reporting unit to its carrying value, including goodwill, as originally determined through our preliminary purchase price allocation. The fair value estimate of the Habit Burger Grill reporting unit was based on the estimated price a willing buyer would pay for the reporting unit and was determined using an income approach through a discounted cash flow analysis using unobservable inputs (Level 3). The most impactful of these inputs included future average unit volumes of Habit Burger Grill restaurants as well as restaurant unit counts. The fair value was determined based upon a probability-weighted average of three scenarios, which included assumed recovery of Habit Burger Grill average unit volumes to a pre—COVID-19 level over periods ranging from the beginning of 2021 to the end of 2022. Factors impacting restaurant unit counts were near-term unit closures as the result of COVID-19 as well as the pace of expected new unit development. Unit counts assumed were correlated with the expected recoveries in average unit volumes. Based upon this fair value estimate, we determined that the carrying value of our Habit Burger Grill reporting unit exceeded its fair value. As a result, during the first quarter of 2020 we recorded a goodwill impairment charge of \$139 million to Other (income) expense and a corresponding income tax benefit of \$32 million. As we continued to refine our preliminary purchase price allocation in the quarter ended September 30, 2020, the impairment charge was adjusted upward by \$5 million, which resulted in a corresponding income tax benefit of \$1 million. Subsequent to these 2020 goodwill impairment charges and the finalization of the allocation of consideration to the net assets acquired (described above), the Habit Burger Grill reporting unit goodwill is approximately \$60 million as of March 31, 2021.

**Note 3 - Earnings Per Common Share (“EPS”)**

	Quarter ended	
	2021	2020
Net Income	\$ 326	\$ 83
Weighted-average common shares outstanding (for basic calculation)	301	302
Effect of dilutive share-based employee compensation	4	5
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	305	307
Basic EPS	\$ 1.09	\$ 0.28
Diluted EPS	\$ 1.07	\$ 0.27
Unexercised employee stock options and stock appreciation rights (in millions) excluded from the diluted EPS computation <sup>(a)</sup>	2.3	4.2

- (a) These unexercised employee stock options and stock appreciation rights were not included in the computation of diluted EPS because to do so would have been antidilutive for the periods presented.

#### Note 4 - Shareholder's Deficit

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during the quarters ended March 31, 2021 and 2020 as indicated below. All amounts exclude applicable transaction fees.

Authorization Date	Shares Repurchased (thousands)		Dollar Value of Shares Repurchased		Remaining Dollar Value of Shares that may be Repurchased
	2021	2020	2021	2020	2021
November 2019	2,599 <sup>(a)</sup>	—	\$ 275 <sup>(a)</sup>	\$ —	\$1,475

(a) Excludes the effect of \$11 million in share repurchases (0.1 million shares) with trade dates on, or prior to, December 31, 2020, but cash settlement dates subsequent to December 31, 2020.

Changes in Accumulated other comprehensive loss ("AOCI") are presented below.

	Translation Adjustments and Gains (Losses) From Intra- Entity Transactions of a Long-Term Nature	Pension and Post- Retirement Benefits	Derivative Instruments	Total
Balance at December 31, 2020, net of tax	\$ (182)	\$ (96)	\$ (133)	\$ (411)
OCI, net of tax				
Gains (losses) arising during the period classified into AOCI, net of tax	3	36	18	57
(Gains) losses reclassified from AOCI, net of tax	—	5	3	8
	<u>3</u>	<u>41</u>	<u>21</u>	<u>65</u>
Balance at March 31, 2021, net of tax	<u>\$ (179)</u>	<u>\$ (55)</u>	<u>\$ (112)</u>	<u>\$ (346)</u>

#### Note 5 - Other (Income) Expense

	Quarter ended	
	3/31/2021	3/31/2020
Foreign exchange net (gain) loss and other <sup>(a)</sup>	\$ (7)	\$ 12
Impairment and closure expense <sup>(b)</sup>	1	140
Other (income) expense	<u>\$ (6)</u>	<u>\$ 152</u>

(a) The quarter ended March 31, 2021, includes a gain of \$6 million associated with the sale of property.

(b) The quarter ended March 31, 2020, includes a charge of \$139 million related to the impairment of Habit Burger Grill goodwill. See Note 2.

## Note 6 - Supplemental Balance Sheet Information

### Accounts and Notes Receivable, net

The Company's receivables are primarily generated from ongoing business relationships with our franchisees as a result of franchise and lease agreements. Trade receivables consisting of royalties from franchisees are generally due within 30 days of the period in which the corresponding sales occur and are classified as Accounts and notes receivable, net in our Condensed Consolidated Balance Sheets. Accounts and notes receivable, net also includes receivables generated from advertising cooperatives that we consolidate.

	<u>3/31/2021</u>	<u>12/31/2020</u>
Accounts and notes receivable, gross	\$ 545	\$ 579
Allowance for doubtful accounts	(37)	(45)
Accounts and notes receivable, net	<u>\$ 508</u>	<u>\$ 534</u>

### Property, Plant and Equipment, net

	<u>3/31/2021</u>	<u>12/31/2020</u>
Property, plant and equipment, gross	\$ 2,466	\$ 2,465
Accumulated depreciation and amortization	(1,251)	(1,230)
Property, plant and equipment, net	<u>\$ 1,215</u>	<u>\$ 1,235</u>

Assets held-for-sale totaled \$17 million and \$7 million, respectively, as of March 31, 2021 and December 31, 2020, and are included in Prepaid expenses and other current assets in our Condensed Consolidated Balance Sheets.

<u>Other Assets</u>	<u>3/31/2021</u>	<u>12/31/2020</u>
Operating lease right-of-use assets <sup>(a)</sup>	\$ 840	\$ 851
Franchise incentives	171	163
Other	405	421
Other assets	<u>\$ 1,416</u>	<u>\$ 1,435</u>

(a) Non-current operating lease liabilities of \$816 million and \$823 million as of March 31, 2021 and December 31, 2020, respectively, are included in Other liabilities and deferred credits in our Condensed Consolidated Balance Sheets.

### Reconciliation of Cash and Cash Equivalents for Condensed Consolidated Statements of Cash Flows

	<u>3/31/2021</u>	<u>12/31/2020</u>
Cash and cash equivalents as presented in Condensed Consolidated Balance Sheets	\$ 561	\$ 730
Restricted cash included in Prepaid expenses and other current assets <sup>(a)</sup>	207	258
Restricted cash and restricted cash equivalents included in Other assets <sup>(b)</sup>	34	36
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents as presented in Condensed Consolidated Statements of Cash Flows	<u>\$ 802</u>	<u>\$ 1,024</u>

(a) Restricted cash within Prepaid expenses and other current assets reflects the cash related to advertising cooperatives which we consolidate that can only be used to settle obligations of the respective cooperatives and Taco Bell Securitization interest reserves.

(b) Primarily trust accounts related to our self-insurance program.

**Note 7 - Income Taxes**

	Quarter ended	
	2021	2020
Income tax provision	\$ 83	\$ 12
Effective tax rate	20.2 %	12.5 %

The increase in our effective tax rate for the first quarter 2021 as compared with the first quarter 2020 is primarily due to a reduction in the rate impact of the benefit associated with excess tax benefits on share-based compensation due to pre-tax earnings being significantly lower in the first quarter 2020 as compared to the first quarter 2021.

**Note 8 - Revenue Recognition**Disaggregation of Total Revenues

The following tables disaggregate revenue by Concept, for our two most significant markets based on Operating Profit and for all other markets. We believe this disaggregation best reflects the extent to which the nature, amount, timing and uncertainty of our revenues and cash flows are impacted by economic factors.

	Quarter ended 3/31/2021				
	KFC Division	Pizza Hut Division	Taco Bell Division	Habit Burger Grill Division	Total
<b>U.S.</b>					
Company sales	\$ 14	\$ 5	\$ 208	\$ 121	\$ 348
Franchise revenues	44	67	144	1	256
Property revenues	4	—	10	—	14
Franchise contributions for advertising and other services	6	79	117	—	202
<b>China</b>					
Franchise revenues	62	16	—	—	78
<b>Other</b>					
Company sales	119	9	—	—	128
Franchise revenues	230	57	8	—	295
Property revenues	14	1	—	—	15
Franchise contributions for advertising and other services	132	17	1	—	150
	<u>\$ 625</u>	<u>\$ 251</u>	<u>\$ 488</u>	<u>\$ 122</u>	<u>\$ 1,486</u>

	Quarter ended 3/31/2020				
	KFC Division	Pizza Hut Division	Taco Bell Division	Habit Burger Grill Division	Total
<b>U.S.</b>					
Company sales	\$ 16	\$ 5	\$ 198	\$ 9	\$ 228
Franchise revenues	38	62	131	—	231
Property revenues	4	1	10	—	15
Franchise contributions for advertising and other services	4	70	107	—	181
<b>China</b>					
Franchise revenues	47	10	—	—	57
<b>Other</b>					
Company sales	114	13	—	—	127
Franchise revenues	212	59	7	—	278
Property revenues	14	1	—	—	15
Franchise contributions for advertising and other services	117	14	—	—	131
	<u>\$ 566</u>	<u>\$ 235</u>	<u>\$ 453</u>	<u>\$ 9</u>	<u>\$ 1,263</u>

#### Contract Liabilities

Our contract liabilities are comprised of unamortized upfront fees received from franchisees. A summary of significant changes to the contract liability balance during 2021 is presented below.

	<u>Deferred Franchise Fees</u>
Balance at December 31, 2020	\$ 415
Revenue recognized that was included in unamortized upfront fees received from franchisees at the beginning of the period	(17)
Increase for upfront fees associated with contracts that became effective during the period, net of amounts recognized as revenue during the period	12
Other <sup>(a)</sup>	(3)
Balance at March 31, 2021	<u>\$ 407</u>

(a) Primarily includes impact of foreign currency translation.

We expect to recognize contract liabilities as revenue over the remaining term of the associated franchise agreement as follows:

Less than 1 year	\$ 64
1 - 2 years	59
2 - 3 years	54
3 - 4 years	49
4 - 5 years	43
Thereafter	138
Total	<u>\$ 407</u>

## Note 9 - Reportable Operating Segments

We identify our operating segments based on management responsibility. The following tables summarize Revenues and Operating Profit for each of our reportable operating segments:

Revenues	Quarter ended	
	2021	2020
KFC Division	\$ 625	\$ 566
Pizza Hut Division	251	235
Taco Bell Division	488	453
Habit Burger Grill Division	122	9
	<u>\$ 1,486</u>	<u>\$ 1,263</u>

Operating Profit	Quarter ended	
	2021	2020
KFC Division	\$ 300	\$ 224
Pizza Hut Division	102	76
Taco Bell Division	178	144
Habit Burger Grill Division	—	(2)
Corporate and unallocated G&A expenses	(50)	(50)
Unallocated Company restaurant expenses	—	(1)
Unallocated Franchise and property expenses	—	(2)
Unallocated Refranchising gain (loss)	15	13
Unallocated Other income (expense) (See Note 5)	(2)	(152)
Operating Profit	<u>\$ 543</u>	<u>\$ 250</u>
Investment income (expense), net <sup>(a)</sup>	—	(34)
Other pension income (expense) (See Note 10)	(3)	(3)
Interest expense, net <sup>(b)</sup>	(131)	(118)
Income before income taxes	<u>\$ 409</u>	<u>\$ 95</u>

Our chief operating decision maker (“CODM”) does not consider the impact of Corporate and unallocated amounts when assessing Divisional segment performance. As such, we do not allocate such amounts to our Divisional segments for performance reporting purposes.

- (a) Includes changes in the value of Grubhub, Inc. (“Grubhub”) common stock and other investments. For the quarter ended March 31, 2020, we recognized investment expense of \$22 million related to changes in fair value of our investment in Grubhub common stock. In the quarter ended September 30, 2020, we sold our investment in Grubhub.
- (b) Includes fees expensed and unamortized debt issuance costs written off totaling \$12 million related to the refinancing of the Credit Agreement during the quarter ended March 31, 2021 (see Note 11).

## Note 10 - Pension Benefits

We sponsor qualified and supplemental (non-qualified) noncontributory defined benefit pension plans covering certain full-time salaried and hourly U.S. employees. The most significant of these plans, the YUM Retirement Plan (the “Plan”), is funded. We fund our other U.S. plan as benefits are paid. The Plan and our non-qualified plan in the U.S. are closed to new salaried participants.

The components of net periodic benefit cost associated with our U.S. pension plans are as follows:

	Quarter ended	
	2021	2020
Service cost	\$ 2	\$ 2
Interest cost	8	9
Expected return on plan assets	(11)	(11)
Amortization of net loss	6	4
Amortization of prior service cost	1	1
Net periodic benefit cost	<u>\$ 6</u>	<u>\$ 5</u>

#### Note 11 - Short-term Borrowings and Long-term Debt

##### Short-term Borrowings

	3/31/2021	12/31/2020
Current maturities of long-term debt	\$ 401	\$ 463
Less current portion of debt issuance costs and discounts	(7)	(10)
Short-term borrowings	<u>\$ 394</u>	<u>\$ 453</u>

##### Long-term Debt

Securitization Notes	\$ 2,861	\$ 2,869
Subsidiary Senior Unsecured Notes	1,800	1,800
Term Loan A Facility	750	431
Term Loan B Facility	1,500	1,916
YUM Senior Unsecured Notes	3,725	3,725
Finance lease obligations	69	72
	<u>\$ 10,705</u>	<u>\$ 10,813</u>
Less debt issuance costs and discounts	(75)	(78)
Less current maturities of long-term debt	(401)	(463)
Long-term debt	<u>\$ 10,229</u>	<u>\$ 10,272</u>

Details of our Short-term borrowings and Long-term debt as of December 31, 2020 can be found within our 2020 Form 10-K.

On March 15, 2021, KFC Holding Co., Pizza Hut Holdings, LLC and Taco Bell of America, LLC (collectively, the "Borrowers"), each of which is a wholly-owned subsidiary of the Company, completed the refinancing of the then existing \$1.9 billion term loan B facility, \$431 million term loan A facility and \$1.0 billion revolving facility through the issuance of a \$1.5 billion term loan B facility maturing March 15, 2028 (the "Term Loan B Facility"), a \$750 million term loan A facility maturing March 15, 2026 (the "Term Loan A Facility") and a \$1.25 billion revolving facility maturing March 15, 2026 (the "Revolving Facility") pursuant to an amendment to the Credit Agreement (as defined in our 2020 Form 10-K). The amendment reduces the interest rate currently applicable to the refinanced Term Loan A Facility and for borrowings under the refinanced Revolving Facility by 25 basis points. Subsequent to the refinance the interest rate applicable to the Term Loan A Facility and the Revolving Facility ranges from 0.75% to 1.50% plus LIBOR or from 0.00% to 0.50% plus the Base Rate, at the Borrowers' election, based on the total leverage ratio (as defined in the Credit Agreement).

The refinanced Term Loan A Facility is now subject to quarterly amortization payments in an amount equal to 0.625% of the principal amount of the facility as of the refinance date beginning with the second quarter of 2022. The Term Loan A Facility quarterly amortization payments increase to 1.25% of the principal amount of the facility as of the refinance date beginning with the second quarter of 2024. The Term Loan B Facility continues to be subject to quarterly amortization payments in an amount equal to 0.25% of the principal amount of the facility as of the refinance date. All other material provisions under the Credit Agreement remain unchanged.

As a result of this Credit Agreement refinancing, \$8 million of fees were capitalized as debt issuance costs primarily within Long-term debt and Other assets on our Condensed Consolidated Balance Sheet as of March 31, 2021. During the quarter

ended March 31, 2021, fees expensed as well as previously recorded unamortized debt issuance costs written off totaling approximately \$12 million were recognized within Interest expense, net due to this refinancing. Excluding the amounts associated with the Credit Agreement refinancing, cash paid for interest during the quarters ended March 31, 2021 and 2020 was \$88 million and \$72 million, respectively.

#### YUM Senior Unsecured Notes Issuance and Redemption of Subsidiary Senior Unsecured Notes

Subsequent to the end of the first quarter, on April 1, 2021, YUM! Brands, Inc. issued \$1.1 billion aggregate principal amount of 4.625% YUM Senior Unsecured Notes due January 31, 2032 (the “2032 Notes”). Interest on the 2032 Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on October 1, 2021. The indenture governing the 2032 Notes contains covenants and events of default that are customary for debt securities of this type, including cross-default provisions whereby the acceleration of the maturity of any of our indebtedness in a principal amount of \$100 million or more or the failure to pay the principal of such indebtedness at its stated maturity will constitute an event of default under the 2032 Notes unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice. We intend to use the net proceeds from the 2032 Notes to fund the redemption of the 2026 Notes discussed below.

Subsequent to the end of the first quarter, on April 23, 2021, the Borrowers issued a notice of redemption for June 1, 2021 for \$1,050 million aggregate principal amount of 5.25% Subsidiary Senior Unsecured Notes due in 2026 (the “2026 Notes”). The redemption amount will be equal to 102.625% of the \$1,050 million aggregate principal amount redeemed, reflecting a “call premium”, plus accrued interest to the date of redemption.

#### **Note 12 - Derivative Instruments**

We use derivative instruments to manage certain of our market risks related to fluctuations in interest rates and foreign currency exchange rates.

##### Interest Rate Swaps

We have entered into interest rate swaps, with the objective of reducing our exposure to interest rate risk for a portion of our variable-rate debt interest payments primarily under our Term Loan B Facility. At both March 31, 2021 and December 31, 2020, our interest rate swaps expiring in July 2021 had notional amounts of \$1.55 billion and our interest rate swaps expiring in March 2025 had notional amounts of \$1.5 billion. These interest rate swaps are designated cash flow hedges as the changes in the future cash flows of the swaps are expected to offset changes in expected future interest payments on the related variable-rate debt. There were no other interest rate swaps outstanding as of March 31, 2021 or December 31, 2020.

Gains or losses on the interest rate swaps are reported as a component of AOCI and reclassified into Interest expense, net in our Condensed Consolidated Statements of Income in the same period or periods during which the related hedged interest payments affect earnings. Through March 31, 2021, the swaps were highly effective cash flow hedges.

##### Foreign Currency Contracts

We have entered into foreign currency forward and swap contracts with the objective of reducing our exposure to earnings volatility arising from foreign currency fluctuations associated with certain foreign currency denominated intercompany receivables and payables. The notional amount, maturity date, and currency of these contracts match those of the underlying intercompany receivables or payables. Our foreign currency contracts are designated cash flow hedges as the future cash flows of the contracts are expected to offset changes in intercompany receivables and payables due to foreign currency exchange rate fluctuations.

Gains or losses on the foreign currency contracts are reported as a component of AOCI. Amounts are reclassified from AOCI each quarter to offset foreign currency transaction gains or losses recorded within Other (income) expense when the related intercompany receivables and payables affect earnings due to their functional currency remeasurements. Through March 31, 2021, all foreign currency contracts related to intercompany receivables and payables were highly effective cash flow hedges.

As of March 31, 2021 and December 31, 2020, outstanding foreign currency contracts related to intercompany receivables and payables had total notional amounts of \$34 million and \$39 million, respectively. These foreign currency forward contracts all have durations that expire in 2021.

As a result of the use of interest rate swaps and foreign currency contracts, the Company is exposed to risk that the counterparties will fail to meet their contractual obligations. To mitigate the counterparty credit risk, we only enter into contracts with major financial institutions carefully selected based upon their credit ratings and other factors, and continually assess the creditworthiness of counterparties. At March 31, 2021, all of the counterparties to our interest rate swaps and foreign currency contracts had investment grade ratings according to the three major ratings agencies. To date, all counterparties have performed in accordance with their contractual obligations.

Gains and losses on derivative instruments designated as cash flow hedges recognized in OCI and reclassifications from AOCI into Net Income:

	Quarter ended			
	Gains/(Losses) Recognized in OCI		(Gains)/Losses Reclassified from AOCI into Net Income	
	2021	2020	2021	2020
Interest rate swaps	\$ 24	\$ (83)	\$ 4	\$ 2
Foreign currency contracts	—	6	—	(8)
Income tax benefit/(expense)	(6)	19	(1)	1

As of March 31, 2021, the estimated net loss included in AOCI related to our cash flow hedges that will be reclassified into earnings in the next 12 months is \$34 million, based on current LIBOR interest rates.

#### Total Return Swaps

We have entered into total return swap derivative contracts, with the objective of reducing our exposure to market-driven changes in certain of the liabilities associated with compensation deferrals into our Executive Income Deferral ("EID") plan. While these total return swaps represent economic hedges, we have not designated them as hedges for accounting purposes. As a result, the changes in the fair value of these derivatives are recognized immediately in earnings within General and administrative expenses in our Condensed Consolidated Statements of Income largely offsetting the changes in the associated EID liabilities.

See Note 13 for the fair value of our derivative assets and liabilities.

#### **Note 13 - Fair Value Disclosures**

As of March 31, 2021, the carrying values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, short-term borrowings and accounts payable approximated their fair values because of the short-term nature of these instruments. The fair value of notes receivable, net of allowances, and lease guarantees, less reserves for expected losses, approximates their carrying value. The following table presents the carrying value and estimated fair value of the Company's debt obligations:

	3/31/2021		12/31/2020	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Securitization Notes <sup>(a)</sup>	\$ 2,861	\$ 2,999	\$ 2,869	\$ 3,015
Subsidiary Senior Unsecured Notes <sup>(b)</sup>	1,800	1,901	1,800	1,890
Term Loan A Facility <sup>(b)</sup>	750	727	431	428
Term Loan B Facility <sup>(b)</sup>	1,500	1,504	1,916	1,907
YUM Senior Unsecured Notes <sup>(b)</sup>	3,725	3,952	3,725	4,094

(a) We estimated the fair value of the Securitization Notes using market quotes and calculations. The markets in which the Securitization Notes trade are not considered active markets.

- (b) We estimated the fair value of the YUM and Subsidiary Senior Unsecured Notes, Term Loan A Facility and Term Loan B Facility using market quotes and calculations based on market rates.

#### Recurring Fair Value Measurements

The Company has interest rate swaps, foreign currency contracts and other investments, all of which are required to be measured at fair value on a recurring basis (See Note 12 for discussion regarding derivative instruments). The following table presents fair values for those assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the measurements fall.

	Condensed Consolidated Balance Sheet	Level	Fair Value	
			3/31/2021	12/31/2020
<b>Assets</b>				
Foreign Currency Contracts	Prepaid expenses and other current assets	2	\$ 1	\$ 1
Other Investments	Other assets	1	2	45
<b>Liabilities</b>				
Interest Rate Swaps	Accounts payable and other current liabilities	2	35	28
Interest Rate Swaps	Other liabilities and deferred credits	2	92	127

The fair value of the Company's interest rate swaps and foreign currency contracts were determined based on the present value of expected future cash flows considering the risks involved, including nonperformance risk, and using discount rates appropriate for the duration based on observable inputs. The other investments primarily include investments in mutual funds, which were historically used to offset fluctuations for a portion of our EID liabilities and whose fair values were determined based on the closing market prices of the respective mutual funds as of March 31, 2021 and December 31, 2020. In the quarter ended March 31, 2021, upon entering into the total return swaps as disclosed in Note 13, we sold the majority of these other investments and received cash proceeds of \$44 million. These proceeds have been classified within Other, net cash flows from investing activities within our Condensed Consolidated Statements of Cash Flows.

#### **Note 14 - Contingencies**

##### Lease Guarantees

As a result of having assigned our interest in obligations under real estate leases as a condition to the refranchising of certain Company-owned restaurants, and guaranteeing certain other leases, we are frequently secondarily liable on lease agreements. These leases have varying terms, the latest of which expires in 2065. As of March 31, 2021, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately \$425 million. The present value of these potential payments discounted at our pre-tax cost of debt at March 31, 2021, was approximately \$350 million. Our franchisees are the primary lessees under the vast majority of these leases. We generally have cross-default provisions with these franchisees that would put them in default of their franchise agreement in the event of non-payment under the lease. We believe these cross-default provisions significantly reduce the risk that we will be required to make payments under these leases, although such risk may not be reduced in the context of a bankruptcy or other similar restructuring of a large franchisee or group of franchisees. The liability recorded for our expected losses under such leases as of March 31, 2021, was not material.

##### Legal Proceedings

We are subject to various claims and contingencies related to lawsuits, real estate, environmental and other matters arising in the normal course of business. An accrual is recorded with respect to claims or contingencies for which a loss is determined to be probable and reasonably estimable.

Yum! Restaurants India Private Limited ("YRIPL"), a Yum subsidiary that operates KFC and Pizza Hut restaurants in India, is the subject of a regulatory enforcement action in India (the "Action"). The Action alleges, among other things, that KFC International Holdings, Inc. and Pizza Hut International failed to satisfy certain conditions imposed by the Secretariat for Industrial Approval in 1993 and 1994 when those companies were granted permission for foreign investment and operation in

India. The conditions at issue include an alleged minimum investment commitment and store build requirements as well as limitations on the remittance of fees outside of India.

The Action originated with a complaint and show cause notice filed in 2009 against YRIPL by the Deputy Director of the Directorate of Enforcement (“DOE”) of the Indian Ministry of Finance following an income tax audit for the years 2002 and 2003. The matter was argued at various hearings in 2015, but no order was issued. Following a change in the incumbent official holding the position of Special Director of DOE (the “Special Director”), the matter resumed in 2018 and several additional hearings were conducted.

On January 29, 2020, the Special Director issued an order imposing a penalty on YRIPL and certain former directors of approximately Indian Rupee 11 billion, or approximately \$150 million. Of this amount, \$145 million relates to the alleged failure to invest a total of \$80 million in India within an initial seven-year period. We have been advised by external counsel that the order is flawed and have filed a writ petition with the Delhi High Court, which granted an interim stay of the penalty order on March 5, 2020. The stay order remains in effect and the next hearing is scheduled for August 9, 2021. We deny liability and intend to continue vigorously defending this matter. We do not consider the risk of any significant loss arising from this order to be probable.

We are currently engaged in various other legal proceedings and have certain unresolved claims pending, the ultimate liability for which, if any, cannot be determined at this time. However, based upon consultation with legal counsel, we are of the opinion that such proceedings and claims are not expected to have a material adverse effect, individually or in the aggregate, on our Condensed Consolidated Financial Statements.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Introduction and Overview

The following Management's Discussion and Analysis ("MD&A"), should be read in conjunction with the unaudited Condensed Consolidated Financial Statements ("Financial Statements"), the Forward-Looking Statements and our Annual Report on Form 10-K for the fiscal year ended December 31, 2020, ("2020 Form 10-K"). All Note references herein refer to the Notes to the Financial Statements. Tabular amounts are displayed in millions of U.S. dollars except per share and unit count amounts, or as otherwise specifically identified. Percentages may not recompute due to rounding.

Yum! Brands, Inc. and its Subsidiaries (collectively referred to herein as the "Company," "YUM," "we," "us" or "our") franchise or operate a system of over 50,000 restaurants in more than 150 countries and territories, primarily under the concepts of KFC, Pizza Hut, Taco Bell and The Habit Burger Grill (collectively, the "Concepts"). The Company's KFC, Pizza Hut and Taco Bell brands are global leaders of the chicken, pizza and Mexican-style food categories, respectively. The Habit Burger Grill, a concept we acquired on March 18, 2020, is a fast-casual restaurant concept specializing in made-to-order chargrilled burgers, sandwiches and more. Of the over 50,000 restaurants, 98% are operated by franchisees.

YUM currently consists of four operating segments:

- The KFC Division which includes our worldwide operations of the KFC concept
- The Pizza Hut Division which includes our worldwide operations of the Pizza Hut concept
- The Taco Bell Division which includes our worldwide operations of the Taco Bell concept
- The Habit Burger Grill Division which includes our worldwide operations of the Habit Burger Grill concept

Through our Recipe for Growth and Good we intend to unlock the growth potential of our Concepts and YUM, drive increased collaboration across our Concepts and geographies and consistently deliver better customer experiences, improved unit economics and higher rates of growth. Key enablers include accelerated use of technology and better leverage of our systemwide scale.

Our Recipe for Growth is based on four key drivers:

- Unrivaled Culture and Talent: Leverage our culture and people capability to fuel brand performance and franchise success
- Unmatched Operating Capability: Recruit and equip the best restaurant operators in the world to deliver great customer experiences
- Relevant, Easy and Distinctive Brands: Innovate and elevate iconic restaurant brands people trust and champion
- Bold Restaurant Development: Drive market and franchise expansion with strong economics and value

Our global citizenship strategy, called the Recipe for Good, reflects our priorities for socially responsible growth, risk management and sustainable stewardship of our people, food and planet.

We intend for this MD&A to provide the reader with information that will assist in understanding our results of operations, including performance metrics that management uses to assess the Company's performance. Throughout this MD&A, we commonly discuss the following performance metrics:

- Same-store sales growth is the estimated percentage change in system sales of all restaurants that have been open and in the YUM system for one year or more (with the exception of Habit Burger Grill restaurants acquired in the first quarter of 2020 for which we included all sales in the quarter ended March 31, 2020 both before and after the acquisition in the prior year base for purposes of determining 2021 same-store sales growth), including those temporarily closed. From time-to-time restaurants may be temporarily closed due to remodeling or image enhancement, rebuilding, natural disasters, health epidemic or pandemic, landlord disputes or other issues. Throughout 2020 and continuing into 2021 we have had a significant number of restaurants that were temporarily closed including restaurants closed due to government and landlord restrictions as a result of COVID-19. The system sales of restaurants we deem temporarily closed remain in our base for purposes of determining same-store sales growth and the restaurants remain in our unit count (see below). We believe same-store sales growth is useful to investors because our results are heavily dependent on the results of our Concepts' existing store base. Additionally, same-store sales growth is reflective of the strength of our Brands, the effectiveness of our operational and advertising initiatives and local economic and consumer trends.
- Net new unit growth reflects new unit openings offset by permanent store closures, by us and our franchisees. To determine whether a restaurant meets the definition of a unit we consider whether the restaurant has operations that are ongoing and

independent from another YUM unit, serves the primary product of one of our Concepts, operates under a separate franchise agreement (if operated by a franchisee) and has substantial and sustainable sales. We believe net new unit growth is useful to investors because we depend on net new units for a significant portion of our growth. Additionally, net new unit growth is generally reflective of the economic returns to us and our franchisees from opening and operating our Concept restaurants.

- System sales and System sales excluding the impacts of foreign currency translation ("FX") reflect the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants. Sales at franchise restaurants typically generate ongoing franchise and license fees for the Company at a rate of 3% to 6% of sales. Increasingly, customers are paying a fee to a third party to deliver or facilitate the ordering of our Concepts' products. We also include in System sales any portion of the amount customers pay these third parties for which the third party is obligated to pay us a license fee as a percentage of such amount. Franchise restaurant sales and fees paid by customers to third parties to deliver or facilitate the ordering of our Concepts' products are not included in Company sales on the Condensed Consolidated Statements of Income; however, any resulting franchise and license fees we receive 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.

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:

- Diluted Earnings Per Share 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.
- Company restaurant profit and Company restaurant margin as a percentage of sales (as defined below).

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.

Company restaurant profit is defined as Company sales less Company restaurant expenses, both of which appear on the face of our Condensed Consolidated Statements of Income. Company restaurant expenses include those expenses incurred directly by our Company-owned restaurants in generating Company sales, including cost of food and paper, cost of restaurant-level labor, rent, depreciation and amortization of restaurant-level assets and advertising expenses incurred by and on behalf of that Company restaurant. Company restaurant margin as a percentage of sales ("Company restaurant margin %") is defined as Company restaurant profit divided by Company sales. We use Company restaurant profit for the purposes of internally evaluating the performance of our Company-owned restaurants and we believe Company restaurant profit provides useful information to investors as to the profitability of our Company-owned restaurants. In calculating Company restaurant profit, the Company excludes revenues and expenses directly associated with our franchise operations as well as non-restaurant-level costs included in General and administrative expenses, some of which may support Company-owned restaurant operations. The Company also excludes restaurant-level asset impairment and closures expenses, which have historically not been significant, from the determination of Company restaurant profit as such expenses are not believed to be indicative of ongoing operations. Company restaurant profit and Company restaurant margin % as presented may not be comparable to other similarly titled measures of other companies in the industry.

Certain performance metrics and 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.

## Results of Operations

### Summary

All comparisons within this summary are versus the same period a year ago.

For the quarter ended March 31, 2021, GAAP diluted EPS was \$1.07 per share, an increase from \$0.27 per share in the quarter ended March 31, 2020, and diluted EPS, excluding Special Items, was \$1.07 per share, an increase from \$0.64 per share in the quarter ended March 31, 2020.

Quarterly Financial highlights:

	% Change				
	System Sales, ex FX	Same-Store Sales	Units	GAAP Operating Profit	Core Operating Profit
KFC Division	+11	+8	+4	+34	+28
Pizza Hut Division	+7	+12	(4)	+34	+30
Taco Bell Division	+11	+9	+1	+24	+24
Worldwide <sup>(1)</sup>	+11	+9	+1	+117	+33

(1) Worldwide system sales ex F/X includes the benefit of our acquisition of Habit Burger Grill on March 18, 2020. Same-store sales reflects the inclusion of Habit Burger Grill in the prior year base for periods in the first-quarter of 2020 both before and after the acquisition. Operating profit results of Habit Burger Grill for the period subsequent to our acquisition are reflected in the consolidated figures.

Additionally:

- Net new units added were 435 for the quarter for 1% unit growth year-over-year.
- During the quarter, we repurchased 2.6 million shares totaling \$275 million at an average price of \$106.
- Foreign currency translation favorably impacted Divisional Operating Profit for the quarter to date by \$16 million.

**Worldwide**GAAP Results

	Quarter ended		
	2021	2020	% B/(W)
Company sales	\$ 476	\$ 355	34
Franchise and property revenues	658	596	10
Franchise contributions for advertising and other services	352	312	13
Total revenues	<u>1,486</u>	<u>1,263</u>	18
Company restaurant expenses	392	298	(32)
G&A expenses	206	208	1
Franchise and property expenses	23	58	61
Franchise advertising and other services expense	343	310	(10)
Refranchising (gain) loss	(15)	(13)	15
Other (income) expense	(6)	152	NM
Total costs and expenses, net	<u>943</u>	<u>1,013</u>	7
Operating Profit	543	250	117
Investment (income) expense, net	—	34	NM
Other pension (income) expense	3	3	(12)
Interest expense, net	131	118	(11)
Income before income taxes	409	95	NM
Income tax provision	83	12	NM
Net Income	<u>\$ 326</u>	<u>\$ 83</u>	NM
Diluted EPS <sup>(a)</sup>	<u>\$ 1.07</u>	<u>\$ 0.27</u>	NM
Effective tax rate	20.2 %	12.5 %	(7.7) ppts.

(a) See Note 3 for the number of shares used in this calculation.

Performance Metrics

<u>Unit Count</u>	3/31/2021	3/31/2020	% Increase (Decrease)
Franchise	49,714	49,359	1
Company-owned	1,074	1,152	(7)
Total	<u>50,788</u>	<u>50,511</u>	1

	Quarter ended	
	2021	2020
Same-store Sales Growth (Decline) %	9	(7)
System Sales Growth (Decline) %, reported	14	(4)
System Sales Growth (Decline) %, excluding FX	11	(3)

Our system sales breakdown by Company and franchise sales was as follows:

	Quarter ended	
	2021	2020
<u>Consolidated</u>		
Company sales <sup>(a)</sup>	\$ 476	\$ 355
Franchise sales	12,909	11,339
System sales	13,385	11,694
Foreign Currency Impact on System sales <sup>(b)</sup>	383	N/A
System sales, excluding FX	\$ 13,002	\$ 11,694
<u>KFC Division</u>		
Company sales <sup>(a)</sup>	\$ 133	\$ 130
Franchise sales	7,140	6,157
System sales	7,273	6,287
Foreign Currency Impact on System sales <sup>(b)</sup>	292	N/A
System sales, excluding FX	\$ 6,981	\$ 6,287
<u>Pizza Hut Division</u>		
Company sales <sup>(a)</sup>	\$ 14	\$ 18
Franchise sales	3,082	2,783
System sales	3,096	2,801
Foreign Currency Impact on System sales <sup>(b)</sup>	86	N/A
System sales, excluding FX	\$ 3,010	\$ 2,801
<u>Taco Bell Division</u>		
Company sales <sup>(a)</sup>	\$ 208	\$ 198
Franchise sales	2,672	2,398
System sales	2,880	2,596
Foreign Currency Impact on System sales <sup>(b)</sup>	5	N/A
System sales, excluding FX	\$ 2,875	\$ 2,596
<u>Habit Burger Grill Division</u>		
Company sales <sup>(a)</sup>	\$ 121	\$ 9
Franchise sales	15	1
System sales	136	10
Foreign Currency Impact on System sales <sup>(b)</sup>	—	N/A
System sales, excluding FX	\$ 136	\$ 10

(a) Company sales represents sales from our Company-operated stores as presented on our Condensed Consolidated Statements of Income.

(b) The foreign currency impact on System sales is presented in relation only to the immediately preceding year presented. When determining applicable System sales growth percentages, the System sales excluding FX for the current year should be compared to the prior year System sales.

#### Non-GAAP Items

Non-GAAP Items, along with the reconciliation to the most comparable GAAP financial measure, as presented below.

	Quarter ended	
	2021	2020
Core Operating Profit Growth (Decline) %	33	(6)
Diluted EPS Growth (Decline) %, excluding Special Items	67	(23)
Effective Tax Rate excluding Special Items	20.2 %	18.7 %

	Quarter ended	
	2021	2020
Company restaurant profit	\$ 84	\$ 57
Company restaurant margin %	17.6 %	16.2 %
<hr/>		
Detail of Special Items	Quarter ended	
	2021	2020
Refranchising gain (loss) <sup>(a)</sup>	\$ 2	\$ 3
Costs associated with acquisition and integration of Habit Burger Grill (See Note 2)	—	(6)
Impairment of Habit Burger Grill goodwill (See Note 2)	—	(139)
Other Special Items Income (Expense)	—	(3)
Special Items Income (Expense) - Operating Profit	2	(145)
Tax (Expense) Benefit on Special Items <sup>(b)</sup>	(1)	33
Special Items Income (Expense), net of tax	\$ 1	\$ (112)
Average diluted shares outstanding	305	307
Special Items diluted EPS	\$ —	\$ (0.37)
<hr/>		
Reconciliation of GAAP Operating Profit to Core Operating Profit		
<u>Consolidated</u>		
GAAP Operating Profit	\$ 543	\$ 250
Special Items Income (Expense)	2	(145)
Foreign Currency Impact on Divisional Operating Profit <sup>(c)</sup>	16	N/A
Core Operating Profit	\$ 525	\$ 395
<u>KFC Division</u>		
GAAP Operating Profit	\$ 300	\$ 224
Foreign Currency Impact on Divisional Operating Profit <sup>(c)</sup>	13	N/A
Core Operating Profit	\$ 287	\$ 224
<u>Pizza Hut Division</u>		
GAAP Operating Profit	\$ 102	\$ 76
Foreign Currency Impact on Divisional Operating Profit <sup>(c)</sup>	3	N/A
Core Operating Profit	\$ 99	\$ 76
<u>Taco Bell Division</u>		
GAAP Operating Profit	\$ 178	\$ 144
Foreign Currency Impact on Divisional Operating Profit <sup>(c)</sup>	—	N/A
Core Operating Profit	\$ 178	\$ 144
<u>Habit Burger Grill Division</u>		
GAAP Operating Profit (Loss)	\$ —	\$ (2)
Foreign Currency Impact on Divisional Operating Profit <sup>(c)</sup>	—	N/A
Core Operating Profit	\$ —	\$ (2)
<hr/>		
Reconciliation of Diluted EPS to Diluted EPS excluding Special Items		
Diluted EPS	\$ 1.07	\$ 0.27
Special Items Diluted EPS	—	(0.37)
Diluted EPS excluding Special Items	\$ 1.07	\$ 0.64
<hr/>		
Reconciliation of GAAP Effective Tax Rate to Effective Tax Rate excluding Special Items		
GAAP Effective Tax Rate	20.2 %	12.5 %
Impact on Tax Rate as a result of Special Items <sup>(b)</sup>	— %	(6.2)%
Effective Tax Rate excluding Special Items	20.2 %	18.7 %

(a) Due to their size and volatility we have reflected as Special Items those refranchising gains and losses that were recorded in connection with our previously announced plans to have at least 98% franchise restaurant ownership by the

end of 2018. As such, refranchising gains and losses recorded during 2021 and 2020 as Special Items directly relate to refranchising gains and losses recorded prior to December 31, 2018.

During the quarters ended March 31, 2021 and 2020, we recorded net refranchising gains of \$2 million and \$3 million, respectively, that have been reflected as Special Items.

Additionally, during the quarters ended March 31, 2021 and 2020, we recorded net refranchising gains of \$13 million and \$10 million, respectively, that have not been reflected as Special Items as such amounts are considered indicative of our expected ongoing refranchising activity. These gains relate to refranchising of restaurants in 2021 and 2020 that were not part of our aforementioned plans to achieve 98% franchise ownership and that we believe are now more indicative of our ongoing operations.

- (b) Tax (Expense) Benefit 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.
- (c) The foreign currency impact on reported Operating Profit is presented in relation only to the immediately preceding year presented. When determining applicable Core Operating Profit growth percentages, the Core Operating Profit for the current year should be compared to the prior year GAAP Operating Profit adjusted only for any prior year Special Items Income (Expense).

Reconciliation of GAAP Operating Profit to Company Restaurant Profit

	Quarter ended 3/31/2021					Total
	KFC Division	Pizza Hut Division	Taco Bell Division	Habit Burger Grill Division	Unallocated	
GAAP Operating Profit	\$ 300	\$ 102	\$ 178	\$ —	\$ (37)	\$ 543
Less:						
Franchise and property revenues	354	141	162	1	—	658
Franchise contributions for advertising and other services	138	96	118	—	—	352
Add:						
General and administrative expenses	73	40	31	12	50	206
Franchise and property expenses	14	2	7	—	—	23
Franchise advertising and other services expense	133	94	116	—	—	343
Refranchising (gain) loss	—	—	—	—	(15)	(15)
Other (income) expense	(6)	—	(2)	—	2	(6)
Company restaurant profit	\$ 22	\$ 1	\$ 50	\$ 11	\$ —	\$ 84
Company sales	\$ 133	\$ 14	\$ 208	\$ 121	\$ —	\$ 476
Company restaurant margin %	16.6 %	6.7 %	24.1 %	8.8 %	NM	17.6 %

	Quarter ended 3/31/2020					
	KFC Division	Pizza Hut Division	Taco Bell Division	Habit Burger Grill Division	Unallocated	Total
GAAP Operating Profit	\$ 224	\$ 76	\$ 144	\$ (2)	\$ (192)	\$ 250
Less:						
Franchise and property revenues	315	133	148	—	—	596
Franchise contributions for advertising and other services	121	84	107	—	—	312
Add:						
General and administrative expenses	73	46	38	1	50	208
Franchise and property expenses	33	12	11	—	2	58
Franchise advertising and other services expense	120	84	106	—	—	310
Refranchising (gain) loss	—	—	—	—	(13)	(13)
Other (income) expense	1	(2)	1	—	152	152
Company restaurant profit	\$ 15	\$ (1)	\$ 45	\$ (1)	\$ (1)	\$ 57
Company sales	\$ 130	\$ 18	\$ 198	\$ 9	\$ —	\$ 355
Company restaurant margin %	11.7 %	(3.0) %	22.4 %	(7.7) %	NM	16.2 %

#### Items Impacting Current Quarter and Expected to Impact Future Results

The following items impacted reported results in 2021 and/or 2020 and/or are expected to impact future results. See also the Detail of Special Items section of this MD&A for other items similarly impacting results.

#### COVID-19

In late 2019, a novel strain of coronavirus, COVID-19, was first detected and in March 2020, the World Health Organization declared COVID-19 a global pandemic. Throughout 2020 and into 2021, COVID-19 has spread throughout the U.S. and the rest of the world and governmental authorities have implemented measures to reduce the spread of COVID-19. These measures include restrictions on travel outside the home and other limitations on business and other activities as well as encouraging social distancing. As a result of COVID-19, we and our franchisees have experienced significant store closures and instances of reduced store-level operations, including reduced operating hours and dining-room closures. The impact on our sales in each of our markets has been dependent on the timing, severity and duration of the outbreak, measures implemented by government authorities to reduce the spread of COVID-19, as well as our reliance on dine-in sales in the market.

Our results were significantly impacted by the impacts of COVID-19 in the year ended December 31, 2020, as evidenced by our worldwide same-store sales decline of 6%. Overall, our sales declines were primarily driven by temporary store closures, which peaked in early April 2020 at about 11,000 restaurants and ended the year at about 830 restaurants, which meant roughly 98% of our system was open in a full or limited capacity at year end. In addition to the loss of sales due to restaurants being temporarily closed, we also lost sales due to dining room closures or other limitations on access.

Beginning in 2020 and continuing through the first quarter of 2021 we have been able to mitigate the loss of sales due to temporary unit closures, dining room closures or other limitations on access through the strength of our off-premise channels, aided by increasing consumer access to our brands via digital channels. As a result, our same-store sales increased 9% in the quarter ended March 31, 2021 driven by strong performance in North America, the United Kingdom, Australia and Japan, with some offset from COVID-19-related trading restrictions in parts of Asia and Europe. Our first quarter 2021 same-store sales results include the impact of nearly 900 restaurants remaining temporarily closed due to COVID-19. These temporary closures are primarily KFC and Pizza Hut restaurants located in countries where COVID-19 government restrictions remain elevated, including Latin America and certain parts of Europe and Asia. Assets located in malls, transportation centers, airports and other similar locations continue to be pressured, making up many of the temporary closures.

The COVID-19 situation is ongoing, and its dynamic nature makes it difficult to forecast any impacts on the Company's results for the balance of 2021. The ultimate pace of our recovery will largely depend on the pace of restaurant reopenings and the continuation of current sales trends, although we expect continuing adverse impacts from COVID-19 in certain parts of the

world. In addition, for our restaurants that prominently feature drive-thru, carryout and delivery options, COVID-19 has in many cases contributed to an increase in sales during 2020 and the first quarter of 2021. If the impact of COVID-19 recedes, in-person dining restrictions are lifted or lessened and the restaurant industry in general returns to more normal operations, the benefits to sales experienced by certain of our restaurants, including our Pizza Hut delivery restaurants, could wane and our results could be negatively impacted. As 98% of our restaurants are operated by approximately 2,000 independent franchisees across the world, we are closely monitoring the impact of COVID-19 on our franchisees' financial condition.

#### The Habit Restaurants, Inc. Acquisition

On March 18, 2020, we acquired The Habit Restaurants, Inc. for total cash consideration of \$408 million, net of cash acquired. Our condensed consolidated financial statements and system sales metric reflect the ongoing results of Habit Burger Grill operations for fourteen days in the quarter ended March 31, 2020 and full quarter results for the quarter ended March 31, 2021. These ongoing results had an insignificant impact on our consolidated results of operations. Consolidated system sales for the quarter ended March 31, 2021, were positively impacted 1% due to the acquisition of Habit Burger Grill.

As a result of the impacts of COVID-19 on the results of Habit Burger Grill's operations, as well as general market conditions, we recorded an after-tax impairment charge of \$107 million in the first quarter of 2020 related to the goodwill arising from the preliminary purchase price allocation associated with the acquisition. We have reflected this impairment as a Special Item, resulting in a Special Item EPS charge for the quarter ended March 31, 2020, of approximately \$0.35. See Note 2.

#### Franchise Bad Debt Expense

We experienced significant quarterly fluctuations in franchise bad debt expense in 2020 due in large part to the uncertainties associated with COVID-19. During the quarter ended March 31, 2021, we recognized net bad debt recoveries of \$6 million related to short-term accounts receivable due from our franchisees for royalties, rent and other services we provide, which were primarily reflected within Franchise and property expenses. These net bad debt recoveries of \$6 million compared to \$28 million of bad debt expense recognized in the quarter ended March 31, 2020, and thus benefited Operating Profit growth by \$34 million quarter-over-quarter.

Due to the quarterly fluctuations in franchise bad debt expense in 2020 discussed above, we expect quarterly operating profit growth in 2021 to continue to be impacted as we lap net bad debt expense of \$13 million in the quarter ended June 30, 2020, and net bad debt recoveries of \$21 million and \$8 million in the quarters ended September 30, 2020 and December 31, 2020, respectively. While difficult to forecast, at this point we do not expect net bad debt expense to significantly impact our full year operating profit growth for 2021.

#### Investment in Grubhub, Inc. ("Grubhub")

In April of 2018 we purchased 2.8 million shares of Grubhub common stock for \$200 million. In the quarter ended September 30, 2020, we sold our entire investment in Grubhub and received proceeds of \$206 million. While we held our investment in Grubhub common stock we recognized changes in the fair value in our investment in our Condensed Consolidated Statements of Income. For the quarter ended March 31, 2020, we recognized pre-tax investment expense of \$22 million related to changes in fair value of our investment in Grubhub common stock.

### **KFC Division**

The KFC Division has 25,292 units, 84% of which are located outside the U.S. Additionally, 99% of the KFC Division units were operated by franchisees as of March 31, 2021.

	Quarter ended			
	2021	2020	% B/(W)	
			Reported	Ex FX
System Sales	\$ 7,273	\$ 6,287	16	11
Same-Store Sales Growth (Decline) %	8	(8)	N/A	N/A
Company sales	\$ 133	\$ 130	2	(3)
Franchise and property revenues	354	315	12	8
Franchise contributions for advertising and other services	138	121	14	9
Total revenues	<u>\$ 625</u>	<u>\$ 566</u>	10	6
Company restaurant profit	\$ 22	\$ 15	46	36
Company restaurant margin %	16.6 %	11.7 %	4.9 ppts.	4.6 ppts.
G&A expenses	\$ 73	\$ 73	—	2
Franchise and property expenses	14	33	59	61
Franchise advertising and other services expense	133	120	(11)	(5)
Operating Profit	\$ 300	\$ 224	34	28
<u>Unit Count</u>	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>% Increase (Decrease)</u>	
Franchise	25,002	23,969	4	
Company-owned	290	335	(13)	
Total	<u>25,292</u>	<u>24,304</u>	4	

#### Company sales and Company restaurant margin %

The quarterly decrease in Company sales, excluding the impacts of foreign currency translation, was driven by refranchising, partially offset by company same-store sales growth of 7%.

The quarterly increase in Company restaurant margin % was driven by same-store sales growth, partially offset by increased restaurant-level costs.

#### Franchise and property revenues

The quarterly increase in Franchise and property revenues, excluding the impacts of foreign currency translation, was driven by franchise same-store sales growth of 8% and unit growth.

#### G&A

The quarterly decrease in G&A, excluding the impacts of foreign currency translation, was driven by lower travel related costs, partially offset by higher expenses related to our deferred compensation program.

#### Operating Profit

The quarterly increase in Operating Profit, excluding the impacts of foreign currency translation, was driven by same-store sales growth, lower bad debt expense, and unit growth.

### ***Pizza Hut Division***

The Pizza Hut Division has 17,710 units, 63% of which are located outside the U.S. The Pizza Hut Division uses multiple distribution channels including delivery, dine-in and express (e.g. airports) and includes units operating under both the Pizza Hut and Telepizza brands. Additionally, over 99% of the Pizza Hut Division units were operated by franchisees as of March 31, 2021.

	Quarter ended			
	2021	2020	% B/(W)	
			Reported	Ex FX
System Sales	\$ 3,096	\$ 2,801	11	7
Same-Store Sales Growth (Decline) %	12	(11)	N/A	N/A
Company sales	\$ 14	\$ 18	(24)	(27)
Franchise and property revenues	141	133	7	4
Franchise contributions for advertising and other services	96	84	14	13
Total revenues	<u>\$ 251</u>	<u>\$ 235</u>	7	5
Company restaurant profit	\$ 1	\$ (1)	NM	NM
Company restaurant margin %	6.7 %	(3.0)%	9.7 ppts.	9.7 ppts.
G&A expenses	\$ 40	\$ 46	11	12
Franchise and property expenses	2	12	84	85
Franchise advertising and other services expense	94	84	(12)	(11)
Operating Profit	\$ 102	\$ 76	34	30
<u>Unit Count</u>	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>% Increase (Decrease)</u>	
Franchise	17,657	18,434	(4)	
Company-owned	53	99	(46)	
Total	<u>17,710</u>	<u>18,533</u>	(4)	

#### Company sales

The quarterly decrease in Company sales, excluding the impacts of foreign currency translation, was driven by the refranchising of stores in the UK in the quarter ended March 31, 2021, partially offset by company same-store sales growth of 9%.

#### Franchise and property revenues

The quarterly increase in Franchise and property revenues, excluding the impacts of foreign currency translation, was driven by franchise same-store sales growth of 12%, partially offset by unit declines.

#### G&A

The quarterly decrease in G&A, excluding the impacts of foreign currency translation, was driven by lower headcount, lower professional fees and lower travel related costs, partially offset by higher expenses related to our deferred compensation programs.

#### Operating Profit

The quarterly increase in Operating Profit, excluding the impacts of foreign currency translation, was driven by same-store sales growth, lower bad debt expense and lower G&A, partially offset by the impact of unit declines.

### ***Taco Bell Division***

The Taco Bell Division has 7,493 units, the vast majority of which are in the U.S. The Company owned 7% of the Taco Bell units in the U.S. as of March 31, 2021.

	Quarter ended			
	2021	2020	% B/(W)	
			Reported	Ex FX
System Sales	\$ 2,880	\$ 2,596	11	11
Same-Store Sales Growth %	9	1	N/A	N/A
Company sales	\$ 208	\$ 198	5	5
Franchise and property revenues	162	148	9	9
Franchise contributions for advertising and other services	118	107	10	10
Total revenues	<u>\$ 488</u>	<u>\$ 453</u>	8	8
Company restaurant profit	\$ 50	\$ 45	13	13
Company restaurant margin %	24.1 %	22.4 %	1.7 ppts.	1.7 ppts.
G&A expenses	\$ 31	\$ 38	17	18
Franchise and property expenses	7	11	36	36
Franchise advertising and other services expense	116	106	(9)	(9)
Operating Profit	\$ 178	\$ 144	24	24
<u>Unit Count</u>	<u>3/31/2021</u>	<u>3/31/2020</u>	<u>% Increase (Decrease)</u>	
Franchise	7,019	6,925	1	
Company-owned	474	473	—	
Total	<u>7,493</u>	<u>7,398</u>	1	

#### Company sales and Company restaurant margin %

The quarterly increase in Company sales was driven by same-store sales growth of 4% and unit growth.

The quarterly increase in Company restaurant margin % was driven by the favorable impact of higher guest check partially offset by transaction declines.

#### Franchise and property revenues

The quarterly increase in Franchise and property revenues was driven by franchise same-store sales growth of 10% and unit growth.

#### G&A

The quarterly decrease in G&A was driven by lower headcount, lapping higher severance expenses and lower travel related costs offset by higher expenses related to our deferred compensation programs.

#### Operating Profit

The quarterly increase in Operating Profit was driven by same-store sales growth and lower G&A expenses.

### ***Habit Burger Grill Division***

The Habit Burger Grill Division has 293 units, the vast majority of which are in the U.S. The Company owned 91% of the Habit Burger Grill units in the U.S. as of March 31, 2021. During the quarter ended March 31, 2021, The Habit Burger Grill opened 6 gross new restaurants and reported same-store sales growth of 13%. Total revenues and Operating Profit were \$122 million and less than \$1 million, respectively, for the quarter ended March 31, 2021.

### ***Corporate & Unallocated***

(Expense) / Income	Quarter ended		
	2021	2020	% B/(W)
Corporate and unallocated G&A	\$ (50)	\$ (50)	(1)
Unallocated Company restaurant expenses	—	(1)	NM
Unallocated Franchise and property expenses	—	(2)	NM
Unallocated Refranchising gain (loss)	15	13	15
Unallocated Other income (expense)	(2)	(152)	NM
Investment income (expense), net (See Note 9)	—	(34)	NM
Other pension income (expense) (See Note 10)	(3)	(3)	(12)
Interest expense, net	(131)	(118)	(11)
Income tax provision (See Note 7)	(83)	(12)	NM
Effective tax rate (See Note 7)	20.2 %	12.5 %	(7.7) pts.

### **Corporate and unallocated G&A**

The quarterly increase in Corporate and unallocated G&A expense was driven by higher expenses related to our deferred compensation programs, higher share-based compensation expense and increased headcount supporting our technology initiatives offset by lower professional fees including lapping prior year costs associated with the acquisition of Habit Burger Grill.

### **Unallocated Other income (expense)**

Unallocated Other income (expense) for the quarter ended March 31, 2020, includes a goodwill impairment charge of \$139 million for Habit Burger Grill (see Note 2).

### **Interest expense, net**

The quarterly increase in Interest expense, net was driven by fees expensed as well as unamortized debt issuance costs written off totaling approximately \$12 million related to the refinancing of the Credit Agreement (see Note 11).

### **Consolidated Cash Flows**

**Net cash provided by operating activities** was \$324 million in 2021 versus \$238 million in 2020. The increase was largely driven by an increase in Operating profit before Special Items and decreased incentive compensation payments, partially offset by the timing of advertising and accounts payable spending and an increase in interest and income tax payments.

**Net cash provided by investing activities** was \$14 million in 2021 versus net cash used in investing activities of \$441 million in 2020. The increase was primarily driven by the lapping of our prior year acquisition of The Habit Restaurants, Inc., the current year sale of certain mutual fund investments (see Note 13) and higher refranchising proceeds in the current year, partially offset by higher current year capital spending.

**Net cash used in financing activities** was \$563 million in 2021 versus net cash provided by financing activities of \$798 million in 2020. The change was primarily driven by lower net borrowings and higher share repurchases in the current year.

## Liquidity and Capital Resources

Our primary sources of liquidity are cash generated by operations, cash on hand and our Revolving Facility (as defined below). We have historically generated substantial cash flows from the operations of our Company-owned stores and from our extensive franchise operations, which require a limited YUM investment. Our annual operating cash flows have historically been in excess of \$1 billion. It is our intent to use these operating cash flows to continue to invest in growing our business and pay a meaningful dividend, with any remaining excess then returned to shareholders through share repurchases. To the extent operating cash flows plus other sources of cash such as refranchising proceeds do not cover our anticipated cash needs, we maintain a \$1.25 billion Revolving Facility under our Credit Agreement that was undrawn as of March 31, 2021. We believe that our existing cash from operations, cash on hand and availability under our Revolving Facility, will be sufficient to fund our operations, anticipated capital expenditures and debt repayment obligations over the next twelve months.

### Debt Instruments

As of March 31, 2021, approximately 93%, including the impact of interest rate swaps, of our \$10.6 billion of total debt outstanding, excluding finance leases, is fixed with an effective overall interest rate of approximately 4.8%. We are managing a capital structure which reflects consolidated leverage, net of available cash, in-line with our target of ~5.0x EBITDA, and which we believe provides an attractive balance between optimized interest rates, duration and flexibility with diversified sources of liquidity and maturities spread over multiple years. We have credit ratings of BB (Standard & Poor's)/Ba2 (Moody's) with a balance sheet consistent with highly-levered peer restaurant franchise companies.

The following table summarizes the future maturities of our outstanding long-term debt, excluding finance leases and debt issuance costs and discounts, as of March 31, 2021.

	2021	2022	2023	2024	2025	2026	2027	2028	2030	2031	2037	2043	Total
Securitization Notes	\$ 21	\$ 29	\$ 1,281	\$ 16	\$ 16	\$ 921	\$ 6	\$ 571					\$ 2,861
Credit Agreement	12	29	34	48	53	662	15	1,397					2,250
Subsidiary Senior Unsecured Notes						1,050	750						1,800
YUM Senior Unsecured Notes	350		325		600				\$ 800	\$ 1,050	\$ 325	\$ 275	3,725
Total	\$ 383	\$ 58	\$ 1,640	\$ 64	\$ 669	\$ 2,633	\$ 771	\$ 1,968	\$ 800	\$ 1,050	\$ 325	\$ 275	\$ 10,636

*Securitization Notes* include four series of senior secured notes issued by Taco Bell Funding, LLC (the "Issuer") totaling \$2.9 billion with fixed interest rates ranging from 4.318% to 4.970%. The Securitization Notes are secured by substantially all of the assets of the Issuer and the Issuer's special purpose, wholly-owned subsidiaries (collectively with the Issuer, the "Securitization Entities"), and include a lien on all existing and future U.S. Taco Bell franchise and license agreements and the royalties payable thereunder, existing and future U.S. Taco Bell intellectual property, certain transaction accounts and a pledge of the equity interests in asset-owning Securitization Entities. The Securitization Notes contain cross-default provisions whereby the failure to pay principal on any outstanding Securitization Notes will constitute an event of default under any other Securitization Notes.

*Credit Agreement* includes senior secured credit facilities consisting of a \$750 million Term Loan A facility (the "Term Loan A Facility"), a \$1.5 billion Term Loan B facility (the "Term Loan B Facility") and a \$1.25 billion revolving facility (the "Revolving Facility") issued by KFC Holding Co., Pizza Hut Holdings, LLC and Taco Bell of America, LLC (collectively, the "Borrowers"), each of which is a wholly-owned subsidiary of the Company. Our Revolving Facility was undrawn as of March 31, 2021. The interest rates applicable to the Term Loan A Facility and the Revolving Facility range from 0.75% to 1.50% plus LIBOR or from 0.00% to 0.50% plus the Base Rate, at the Borrowers' election, based upon the total net leverage ratio of the Borrowers and the Specified Guarantors (as defined in the Credit Agreement). The interest rates applicable to the Term Loan B Facility are 1.75% plus LIBOR or 0.75% plus the Base Rate, at the Borrowers' election. Our Term Loan A Facility and Term Loan B Facility contain cross-default provisions whereby the failure to pay principal of or otherwise perform any agreement or condition under indebtedness of certain subsidiaries with a principal amount in excess of \$100 million will constitute an event of default under the Credit Agreement. See Note 11 for details regarding our refinance of the Credit Agreement during the quarter ended March 31, 2021.

*Subsidiary Senior Unsecured Notes* include \$1,050 million aggregate principal amount of 5.25% Subsidiary Senior Unsecured Notes due 2026 (the "2026 Notes") and \$750 million aggregate principal amount of 4.75% Subsidiary Senior Unsecured Notes due 2027. Our Subsidiary Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of

the indebtedness of certain subsidiaries with a principal amount in excess of \$100 million or the failure to pay principal of such indebtedness will constitute an event of default under the Subsidiary Senior Unsecured Notes.

Subsequent to the end of the first quarter, on April 23, 2021, the Borrowers issued a notice of redemption for June 1, 2021 for the 2026 Notes. The redemption amount is equal to 102.625% of the principal amount redeemed, reflecting a “call premium”, plus accrued interest to the date of redemption. See Note 11.

*YUM Senior Unsecured Notes* include seven series of senior unsecured notes issued by Yum! Brands, Inc. totaling \$3.7 billion with fixed interest rates ranging from 3.625% to 7.75%. Our YUM Senior Unsecured Notes contain cross-default provisions whereby the acceleration of the maturity of any of our indebtedness or the failure to pay principal of such indebtedness above certain thresholds will constitute an event of default under the YUM Senior Unsecured Notes unless such indebtedness is discharged, or the acceleration of the maturity of that indebtedness is annulled, within 30 days after notice.

Subsequent to the end of the first quarter, on April 1, 2021, Yum! Brands, Inc. issued \$1.1 billion aggregate principal amount of 4.625% YUM Senior Unsecured Notes due January 31, 2032 (the “2032 Notes”) that are not included in the table above. We intend to use the net proceeds from the 2032 Notes to fund the redemption of the 2026 Notes discussed above. See Note 11.

### **New Accounting Pronouncements Not Yet Adopted**

In March 2020, the FASB issued guidance related to reference rate reform. The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from LIBOR and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2022. We are currently evaluating the impact of the transition from LIBOR to alternative reference rates, including the impact on our interest rate swaps. As of March 31, 2021, our interest rate swaps expiring in July 2021 had notional amounts of \$1.55 billion and our interest rate swaps expiring in March 2025 had notional amounts of \$1.5 billion. These interest rate swaps are designated cash flow hedges. We do not anticipate the impact of adopting this standard will be material to our Financial Statements.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

There were no material changes during the quarter ended March 31, 2021, to the disclosures made in Item 7A of the Company’s 2020 Form 10-K.

### **Item 4. Controls and Procedures**

#### Evaluation of Disclosure Controls and Procedures

The Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of the Company’s management, including the Chief Executive Officer (the “CEO”) and the Chief Financial Officer (the “CFO”), the Company’s management, including the CEO and CFO, concluded that the Company’s disclosure controls and procedures were effective as of the end of the period covered by the report.

#### Changes in Internal Control

There were no changes with respect to the Company’s internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended March 31, 2021.

### **Forward-Looking Statements**

Forward-looking statements 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. Forward-looking statements are based on 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 will be achieved. Factors that could cause actual results and events to differ materially from our expectations and forward-looking statements include (i) the factors described in Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part I, Item 2 of this report, (ii) any risks and uncertainties described in the Risk Factors included in Part II, Item 1A of this report, (iii) the factors described in the Management's Discussion and Analysis of Financial Condition and Results of Operations included in Part II, Item 7 of our Form 10-K for the year ended December 31, 2020, and (iv) the risks and uncertainties described in the Risk Factors included in Part I, Item 1A of our Form 10-K for the year ended December 31, 2020. You should not place undue reliance on forward-looking statements, which speak only as of the date hereof. We are not undertaking to update any of these statements.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Yum! Brands, Inc.:

### *Results of Review of Interim Financial Information*

We have reviewed the condensed consolidated balance sheet of Yum! Brands, Inc. and Subsidiaries (YUM) as of March 31, 2021, the related condensed consolidated statements of income, comprehensive income, cash flows and shareholders' deficit for the three-month periods ended March 31, 2021 and 2020, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of YUM as of December 31, 2020, and the related consolidated statements of income, comprehensive income, cash flows and changes in shareholders' deficit for the year then ended (not presented herein); and in our report dated February 19, 2021, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

### *Basis for Review Results*

This consolidated interim financial information is the responsibility of YUM's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to YUM in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ KPMG LLP

Louisville, Kentucky  
May 4, 2021

## PART II – OTHER INFORMATION AND SIGNATURES

### Item 1. Legal Proceedings

Information regarding legal proceedings is incorporated by reference from Note 14 to the Company's Condensed Consolidated Financial Statements set forth in Part I of this report.

### Item 1A. Risk Factors

We face a variety of risks that are inherent in our business and our industry, including operational, legal, regulatory and product risks. Such risks could cause our actual results to differ materially from our forward-looking statements, expectations and historical trends. There have been no material changes from the risk factors disclosed in Part I, Item 1A "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information as of March 31, 2021, with respect to shares of Common Stock repurchased by the Company during the quarter then ended:

<u>Fiscal Periods</u>	<u>Total number of shares purchased (thousands)</u>	<u>Average price paid per share</u>	<u>Total number of shares purchased as part of publicly announced plans or programs (thousands)</u>	<u>Approximate dollar value of shares that may yet be purchased under the plans or programs (millions)</u>
1/1/21-1/31/21	—	\$ —	—	\$1,750
2/1/21-2/28/21	911	\$105.00	911	\$1,654
3/1/21-3/31/21	1,688	\$106.30	1,688	\$1,475
Total	<u>2,599</u>	\$105.84	<u>2,599</u>	\$1,475

**Item 6. Exhibits****(a) Exhibit Index**

<b>Exhibit No.</b>	<b>Exhibit Description</b>
4.2.2.	<a href="#">Second Supplemental Indenture, dated as of April 1, 2021, by and between the Company and U.S. Bank National Association, as trustee, which is incorporated herein from Exhibit 4.1 to Form 8-K filed April 1, 2021.</a>
10.1	<a href="#">Refinancing Amendment No. 4, dated as of March 15, 2021, to Credit Agreement dated as of June 16, 2016 among Pizza Hut Holdings, LLC, KFC Holding Co. and Taco Bell of America, LLC, as borrowers, the Lenders from time to time party thereto and JPMorgan Chase Bank, N.A., as Collateral Agent, Swing Line Lender, an L/C Issuer and Administrative Agent for the Lenders., which is incorporated herein by reference from Exhibit 10.1 to YUM's Report on 8-K filed on March 18, 2021.</a>
10.20	<a href="#">Yum! Brands, Inc. Long Term Incentive Plan Form of Global Performance Share Unit Agreement (2021)</a>
15	<a href="#">Letter from KPMG LLP regarding Unaudited Interim Financial Information (Acknowledgement of Independent Registered Public Accounting Firm)</a>
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, duly authorized officer of the registrant.

YUM! BRANDS, INC.

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(Registrant)

Date: May 4, 2021

/s/ David E. Russell

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Senior Vice President, Finance and Corporate Controller  
(Principal Accounting Officer)

**YUM! BRANDS, INC. LONG TERM INCENTIVE PLAN  
FORM OF GLOBAL PERFORMANCE SHARE UNIT AGREEMENT**

<b>Grant Date:</b>	<b>[INSERT]</b>
<b>Grantee/Participant:</b>	<b>Name</b>
<b>Number of Target Performance Share Units:</b>	<b>XXX</b>
<b>Performance Period:</b>	<b>[INSERT]</b>
<b>Performance Target:</b>	<b>[INSERT]</b>

This **GLOBAL PERFORMANCE SHARE UNIT AGREEMENT** (“Agreement”) is made as of the \_\_\_ day of \_\_\_\_\_, 20\_\_ between **YUM! BRANDS, INC.**, a North Carolina corporation (“YUM!”) and [NAME] (“Participant”).

1. **Award.**

(a) **Performance Share Units.** Pursuant to the YUM! Brands, Inc. Long Term Incentive Plan (the “Plan”), Participant is hereby awarded a Full Value Award in the form of performance share units with respect to the number of shares of Stock as set forth herein (the “Performance Share Units”), subject to the conditions of the Plan and this Agreement. The number of Performance Share Units to which Participant may become entitled under this Award at the target level of performance (the “Target Performance Share Units”) is set forth above.

(b) **Plan Incorporated.** Participant acknowledges receipt of a copy of the Summary Plan Description, and agrees that this award of Performance Share Units shall be subject to all of the terms and conditions set forth in the Plan and the Summary Plan Description, including future amendments thereto, if any, which Plan and Summary Plan Description are incorporated herein by reference as a part of this Agreement. Participant may make a written request for a copy of the Plan at any time. Except as defined herein, capitalized terms shall have the same meanings ascribed to them under the Plan.

(c) **Certain Defined Terms.** Without limiting the generality of the provisions of subsection 1(b), for purposes of this Agreement the following capitalized terms shall have the following meaning specified:

(i) “Code Section 409A” means Section 409A of the Code and all regulations, guidance and other interpretive authority issued thereunder.

(ii) “Company” means, collectively, YUM!, its divisions and its Subsidiaries.

(iii) “Projected Level of Performance” means, for a Performance Period, the level of performance, determined in the discretion of the Committee, that would have been achieved if the level of performance for the Performance Period through

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Participant's Termination Date had continued for the remainder of the applicable Performance Period.

(iv) "Retirement" shall mean termination of employment by Participant on or after Participant's attainment of age 55 and 10 years of service or age 65 and 5 years of service (and not for any other reason).

(v) "Termination Date" means the date on which Participant ceases to be an employee of the Company and ceases to perform material services for the Company, regardless of the reason for the cessation; provided, however, that a Participant's "Termination Date" shall not be considered to have occurred during the period in which the reason for the cessation of services is a leave of absence approved by the Company which was the recipient of Participant's services. Notwithstanding the foregoing and for the avoidance of doubt, in the event of a Change in Control, if Participant becomes employed by the successor to YUM! or an affiliate of such successor, Participant's Termination Date shall not occur until Participant both ceases to be an employee and ceases to perform material services for the successor and its affiliates on or after the Change in Control. In the case of any amounts subject to Code Section 409A, Participant's Termination Date shall be the date on which Participant has a "separation from service" with the Company within the meaning of Code Section 409A.

(vi) "Vested Units" means the number of Performance Share Units to which Participant is entitled hereunder as determined by the Committee based on satisfaction of the Performance Target and satisfaction of the applicable service requirements or as otherwise determined in accordance with this Agreement.

2. **Terms of Performance Share Units.** Participant hereby accepts the Performance Share Units and agrees with respect thereto as follows:

(a) **Assignment of Performance Share Units Prohibited.** The Performance Share Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of, except by will or the applicable laws of inheritance.

(b) **Vesting Generally.** Except as otherwise specifically provided herein and subject to the terms and conditions of this Agreement and the Plan:

(i) Participant shall have no right to any Performance Share Units subject to this Award (and shall not be vested in such Performance Share Units) until the Committee determines whether and to what extent the performance conditions have been satisfied (as set forth in this Agreement, including paragraph 2(b)(ii) and Exhibit A hereof) and then only if Participant's Termination Date has not occurred as of the last day of the Performance Period.

(ii) The number of Performance Share Units to which Participant will be entitled under this Agreement (and that shall become Vested Units hereunder) shall be based on level of performance of the Performance Target as determined in accordance with Exhibit A hereto. As soon as practicable following the end of the Performance Period, the Committee shall determine whether and the extent to which the Performance

Target has been satisfied and the number of the Target Performance Share Units to which Participant will be entitled under this Award in accordance with the provisions of Exhibit A hereto.

(c) **Termination of Service.** In the event that Participant's Termination Date occurs prior to the last day of the Performance Period for death or Retirement, then the number of Performance Share Units to which Participant will be entitled under this Agreement (and that shall become Vested Units) will be that number of Performance Share Units that would have become Vested Units had the Termination Date not occurred (and based on actual performance for the Performance Period), pro-rated on a monthly basis for the portion of the Performance Period ending on the Termination Date. In the event that Participant's Termination Date occurs prior to the last day of the Performance Period for any reason other than death or Retirement, Participant shall, for no consideration, forfeit all Performance Share Units on the Termination Date.

(d) **Change in Control.** If a Change in Control occurs prior to the last day of the Performance Period and prior to Participant's Termination Date and if Participant's Termination Date occurs by reason of involuntary termination by the Company (other than for cause) on or within two years following the Change in Control and prior to the last day of the Performance Period, then:

(i) for the Performance Period that begins in the year in which the Termination Date occurs, Participant shall become vested in all then outstanding Target Performance Share Units to which Participant would have been entitled for the Performance Period if the target level of performance was achieved for such Performance Period, reduced on a pro rata basis to reflect the portion of the Performance Period remaining following the Termination Date; and

(ii) for any Performance Period that began before the year in which the Termination Date occurs, Participant shall become vested in all then outstanding Target Performance Share Units to which Participant would have been entitled for the applicable Performance Period if the performance achieved for the applicable Performance Period was the greater of (A) the target level of performance or (B) the Projected Level of Performance, reduced on a pro rata basis to reflect the portion of the applicable Performance Period remaining following the Termination Date.

(e) **Dividend Equivalent Units.** This Award contains the right to receive additional share units ("Dividend Equivalent Units") in respect of dividends paid with respect to shares of Stock during the Performance Period in accordance with the following:

(i) If a dividend with respect to shares of Stock is payable in shares of Stock, then, as of the applicable dividend payment date, Participant shall be credited with that number of Dividend Equivalent Units equal to (A) the number of shares of Stock distributed in the dividend with respect to a share of Stock, multiplied by (B) the number of Performance Share Units outstanding on the dividend record date.

(ii) If a dividend with respect to shares of Stock is payable in cash, then, as of the applicable dividend payment date, Participant shall be credited with that number of Dividend Equivalent Units equal to (A) the cash dividend payable with respect to a share of Stock divided by the Fair Market Value of a share of Stock on the applicable dividend payment date, multiplied by (B) the number of Performance Share Units outstanding on the dividend record date.

The Dividend Equivalent Units credited to Participant shall be subject to the same vesting and performance conditions as the Performance Share Units and shall be settled in accordance with Section 3.

(f) **No Rights as Stockholder.** Participant shall not be a shareholder of record and therefore shall have no voting, dividend or other shareholder rights prior to the issuance of shares of Stock to Participant in accordance with this Agreement.

### 3. **Form and Timing of Payment and Settlement of Award.**

(a) **Settlement and Delivery of Stock Generally.** Payment and settlement of Vested Units and any related Dividend Equivalent Units shall be made as soon as administratively practicable after the applicable the last day of the Performance Period but in no event later than 2-1/2 months following the last day of the Performance Period (the date on which such payment and settlement is made, the "Settlement Date"). Notwithstanding the foregoing, in the case of any Target Performance Share Units that become Vested Units pursuant to subsection 2(d) (relating to Change in Control), the "Settlement Date" shall be the Termination Date and payment shall be made within thirty (30) days following the Settlement Date. Settlement will be made by payment in shares of Stock. Upon the settlement and payment of the Award, the Award shall be cancelled. Notwithstanding the foregoing, YUM! shall not be obligated to deliver any shares of Stock if counsel to YUM! determines that such sale or delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of YUM! with, any securities exchange or association upon which the Stock is listed or quoted. YUM! shall in no event be obligated to take any affirmative action in order to cause the delivery of shares of Stock to comply with any such law, rule, regulation or agreement.

(b) **Non-U.S. Restrictions and Requirements.** Participant understands that the laws of the country in which he/she is working at the time of grant or vesting of the Performance Share Units (and related Dividend Equivalent Units) or at the subsequent sale of Stock granted to Participant under this Award (including any rules or regulations governing securities, foreign exchange, tax, labor or other matters) may subject Participant to additional procedural or regulatory requirements he/she is solely responsible for and will have to independently fulfill in relation to ownership or sale of such Stock.

### 4. **Withholding of Tax.**

(a) **Liability for Tax.** Participant acknowledges that regardless of any action taken by YUM! or if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items arising out of Participant's participation in the Plan and legally applicable to

Participant (“Tax-Related Items”), is and remains Participant’s responsibility and may exceed the amount actually withheld by YUM! and/or the Employer. Participant further acknowledges that YUM! and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Share Units (and related Dividend Equivalent Units), including but not limited to, the grant, vesting or settlement of the Performance Share Units (and related Dividend Equivalent Units), the subsequent sale of Stock acquired under the Plan pursuant to such settlement and the receipt of any dividends or Dividend Equivalent Units; and (ii) do not commit and are under no obligation to structure the terms of the grant or any aspect of the grant or any aspect of the Performance Share Units (and related Dividend Equivalent Units) to reduce or eliminate Participant’s liability for Tax-Related Items or achieve any particular tax result. Furthermore, if Participant is or becomes subject to tax in more than one jurisdiction between the Grant Date and the date of any relevant taxable event or tax withholding event, as applicable, Participant acknowledges that YUM! and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) **Adequate Arrangements.** Prior to any relevant taxable or tax withholding event, as applicable, Participant shall pay or make adequate arrangements satisfactory to YUM! and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes YUM! and/or the Employer, or their respective agents, at their discretion, to satisfy the obligations with respect to Tax-Related Items by one or a combination of the following (1) withholding from Participant’s wages or other cash compensation paid to Participant by YUM!, the Employer, or any Subsidiary of YUM!; or (2) withholding from the proceeds of the sale of shares of Stock acquired upon settlement of the Performance Share Units (and related Dividend Equivalent Units) either through a voluntary sale or through a mandatory sale arranged by YUM! (on Participant’s behalf pursuant to this authorization); or (3) withholding in Stock to be issued upon settlement of the Performance Share Units (and related Dividend Equivalent Units).

(c) **Withholding Rates.** Depending on the withholding method, YUM! or the Employer may withhold or account for Tax-Related Items by considering applicable minimum statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case Participant will receive a refund of any over-withheld amount in cash and will have no entitlement to the Stock equivalent. If the obligation for the Tax-Related Items is satisfied by withholding in Stock, for tax purposes, Participant is deemed to have been issued the full number of shares of Stock subject to the vested Performance Share Units (and related Dividend Equivalent Units), notwithstanding that a number of shares of Stock are held back solely for the purpose of paying the Tax-Related Items.

(d) **Participant Responsibility.** Participant shall pay to YUM! or the Employer any amount of Tax-Related Items that YUM! or the Employer may be required to withhold or account for as a result of Participant’s participation in the Plan that cannot be satisfied by the means previously described in this Section 4. YUM! may refuse to issue or deliver the Stock or the proceeds from the sale of Stock, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

5. **Nature of Award.** In accepting the Performance Share Units, Participant acknowledges, understands and agrees that:

- (a) **Voluntary Plan.** The Plan is established voluntarily by YUM!, it is discretionary in nature and may be modified, amended, suspended or terminated by YUM! at any time, to the extent permitted by the Plan.
- (b) **No Contractual Right.** This Award of Performance Share Units is voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Share Units, or benefits in lieu of Performance Share Units, even if Performance Share Units have been granted in the past.
- (c) **Not Part of Normal or Expected Compensation.** The Performance Share Units and any shares acquired under the Plan are not part of normal or expected compensation or salary for any purpose.
- (d) **Foreign Exchange Rates.** Participant acknowledges and agrees that neither YUM!, the Employer nor any Subsidiary shall be liable for any foreign exchange rate fluctuation between his or her local currency and the United States Dollar that may affect the value of the Performance Share Units (and related Dividend Equivalent Units) or of any amounts due to Participant pursuant to the settlement of the Performance Share Units (and related Dividend Equivalent Units) or the subsequent sale of any shares of Stock acquired upon settlement.
- (e) **Future Grants Discretionary.** All decisions with respect to future grants of Performance Share Units or other Awards, if any, will be at the sole discretion of YUM!.
- (f) **Voluntary Participation.** Participant's participation in the Plan is voluntary.
- (g) **No Replacement for any Compensation.** This Award of Performance Share Units and any Stock acquired under the Plan are not intended to replace any pension rights or compensation.
- (h) **Unpredictable Future Value.** The future value of the Stock underlying the Performance Share Units is unknown, indeterminable and cannot be predicted with certainty.
- (i) **No Damages or Claims.** No claim or entitlement to compensation or damages shall arise from termination of this Award of Performance Share Units or diminution in value of the Stock acquired upon settlement resulting from Participant's separation from service (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and in consideration of this Award of Performance Share Units to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against YUM!, any of its Subsidiaries and/or the Employer, waives Participant's ability, if any, to bring any such claim, and releases YUM!, its Subsidiaries and/or the Employer from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant shall be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claim.
- (j) **Termination of Employment or Service.** For purposes of the Performance Share Units without limiting the generality of any other provision of this Agreement,

Participant's employment or service relationship will be considered terminated as of the date Participant is no longer actively providing services to YUM! or one of its Subsidiaries (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by YUM!, Participant's right to vest in the Performance Share Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any). The Committee shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Award (including whether Participant may still be considered to be providing services while on a leave of absence).

(k) **Amendment of Existing Agreements.** By accepting the Performance Share Units covered by this Agreement, Participant agrees to an amendment to the terms of all prior Global Performance Share Unit Agreements between the Company and Participant pursuant to which there are currently unvested Performance Share Units outstanding, to add a new Section 14 to such Agreements which is identical to Section 14, Restrictive Covenants, of this Agreement.

(l) **Corporate Transactions/Assumption of Award.** Unless otherwise provided in the Plan or by YUM! in its discretion, the Performance Share Units and the benefits evidenced by this Agreement do not create any entitlement to have the Performance Share Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Stock.

#### 6. **Compensation Recovery Policy.**

(a) **Compensation Recovery Policy.** Participant acknowledges and agrees that the Performance Share Units granted to Participant under this Agreement shall be subject to the YUM! Brands, Inc. Compensation Recovery Policy, amended and restated January 1, 2015 ("Compensation Recovery Policy"), and as in effect on the date of this Agreement.

(b) **Repayment.** This Agreement is a voluntary agreement, and Participant has voluntarily chosen to accept such Agreement. Participant understands that the Performance Share Units provided under the Agreement and all amounts paid to the individual under the Agreement are provided as an advance that is contingent on YUM!'s financial statements not being subject to a material restatement. As a condition of the Agreement, Participant specifically agrees that the Committee may cancel, rescind, suspend, withhold or otherwise limit or restrict the Performance Share Units for any individual party to such an agreement due to a material restatement of YUM!'s financial statements, as provided in YUM!'s Compensation Recovery Policy. In the event that amounts have been paid to Participant pursuant to the Agreement and the Committee determines that Participant must repay an amount to YUM! as a result of the Committee's cancellation, rescission, suspension, withholding or other limitation or restriction of rights, Participant agrees, as a condition of being awarded such rights, to make such repayments.

7. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or sale of the Stock acquired upon vesting of the Performance Share Units (and related Dividend Equivalent Units). Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

8. **Adjustment for Change in Stock.** As set forth in the Plan, in the event of any change in the outstanding shares of Stock by reason of any stock split, stock dividend, recapitalization, merger, consolidation, combination or exchange of shares or similar corporate change, the number of shares which Participant may receive upon settlement of the Performance Share Units (and related Dividend Equivalent Units) shall be adjusted appropriately in the Committee's sole discretion.

9. **Employment Relationship.** For purposes of this Agreement, Participant shall be considered to be in the employment of the Company as long as Participant remains an employee of YUM! or any of its Subsidiaries or a corporation or a subsidiary of YUM! assuming or substituting a new award for this Award of Performance Share Units. Any question as to whether and when there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee, or its delegate, as appropriate, and its determination shall be final. Nothing contained in this Agreement is intended to constitute or create a contract of service or employment, nor shall it constitute or create the right to remain associated with or in the service or employ of YUM!, the Employer or any other Subsidiary or related company for any particular period of time. This Agreement shall not interfere in any way with the right of YUM!, the Employer or any Subsidiary or related company, as applicable, to terminate Participant's service or employment at any time. Furthermore, this Agreement, the Plan, and any other Plan documents are not part of Participant's employment contract, if any, and do not guarantee either Participant's right to receive any future grants of Awards or benefits in lieu thereof under this Agreement or the Plan. The Performance Share Units and any Stock acquired under the Plan and the income and value of same are not part of normal or expected compensation for any purposes of calculating any severance, resignation, termination, redundancy, end-of-service payments, bonuses, long-service awards, pension or retirement or welfare benefits or similar payments.

10. **Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Agreement and any other Award materials ("Data") by and among, as applicable, the Employer, YUM! and its Subsidiaries for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

*Participant understands that YUM! and the Employer may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any Stock or directorships held in YUM!, details of all Awards of Performance Share Units or any other entitlement to Stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the exclusive purpose of implementing, administering and managing the Plan.*

*Participant understands that Data will be transferred to Merrill Lynch, which is assisting YUM! with the implementation, administration and management of the Plan. Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections from Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative. Participant authorizes YUM!, Merrill Lynch and any other possible recipients which may assist YUM! (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment status or service and career with the Employer will not be adversely affected; the only adverse consequence of refusing or withdrawing his or her consent is that YUM! would not be able to grant Participant Performance Share Units or other Awards or administer or maintain such Awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant understands that he or she may contact his or her local human resources representative.*

11. **Mode of Communications.** Participant agrees, to the fullest extent permitted by law, in lieu of receiving documents in paper format, to accept electronic delivery of any documents that YUM! or related company may deliver in connection with this grant and any other grants offered by YUM!, including prospectuses, grant notifications, account statements, annual or quarterly reports, and other communications. Electronic delivery of a document may be made via YUM!'s email system or by reference to a location on YUM!'s intranet or website or website of YUM!'s agent administering the Plan. To the extent Participant has been provided with a copy of this Agreement, the Plan, or any other documents relating to this Award in a language other than English, the English language documents will prevail in case of any ambiguities or divergences as a result of translation.

12. **Committee's Powers.** No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Performance Share Units (and related Dividend Equivalent Units).

13. **Severability.** The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

14. **Restrictive Covenants.** By accepting the Performance Share Units, and in consideration of these units and receipt of confidential information from the Company during his or her employment, Participant specifically agrees to the restrictive covenants contained in this Section 14 (the “Restrictive Covenants”) and agrees that the Restrictive Covenants and the remedies described herein are reasonable and necessary to protect the legitimate interests of the Company. Subsections 14(b) and 14(c) apply to Participants who are Level 15 employees (or the equivalent of a Level 15 Employee) of the Company or above.

(a) **Confidentiality.** In consideration for receiving the Performance Share Units, Participant acknowledges that the Company is engaged in a competitive business environment and has a substantial interest in protecting its confidential information. Participant agrees that he or she has received and continues to receive, by virtue of his or her position with the Company, access to confidential information (including trade secrets) related to the Company and its business, and Participant agrees, during his or her employment with the Company and thereafter, and in consideration of receiving such information to maintain the confidentiality of the Company’s confidential information and to use such confidential information for the exclusive benefit of the Company, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(b) **Competitive Activity.**

(i) During Participant’s employment with the Company and for one year following the termination of Participant’s employment for any reason whatsoever, Participant agrees and covenants that: Participant shall not either directly or indirectly, alone or in conjunction with any other party or entity, perform any services, work or consulting for one or more Competitor Companies anywhere in the world. A “Competitor Company” shall be defined as: (A) any company or other entity engaged as a “quick service restaurant” (“QSR”) and (B) any company or other entity that is a delivery-oriented restaurant; and (iii) any entity under common control with an entity included in (A) or (B), above. Competitor Companies covered under this definition include, but are not limited to: McDonald’s, Domino’s Pizza, Starbucks, Wendy’s, Papa John’s, Restaurant Brands International (including Burger King, Tim Horton’s and Popeye’s Chicken), Culver’s, In-N-Out Burger, Sonic, Hardee’s, Arby’s, Jack-in-the-Box, Chick-fil-A, Chipotle, Q-doba, Panera Bread, Subway, Dunkin’ Brands, Five Guys, Bojangles, Church’s, Del Taco, Little Caesars, Subway, Dico’s, Jollibee, Blaze, MOD Pizza, Olive Garden, JAB Holding Company, Darden Restaurants, Inspire Brands and Focus Brands, and their respective organizations, partnerships, ventures, sister companies, franchisees, affiliates, franchisee organizations, cooperatives or any organization in which they have an interest and which are involved in the QSR restaurant industry anywhere in the world, or which otherwise compete with Yum Brands, Inc.

(ii) Notwithstanding the forgoing, the provisions of this subsection 14(b) are not applicable to a Participant who is a resident of California and provides the majority of his or her services to the Company within California.

(c) **Non-Solicitation.** During Participant's employment and for eighteen months following the later of (1) termination of Participant's employment for any reason whatsoever or (2) the last scheduled award vesting date, Participant shall not:

(i) induce or attempt to induce any employee of the Company to leave the employ of Company;

(ii) induce or attempt to induce any employee of the Company to work for, render services to, or provide advice to any third party;

(iii) induce or attempt to induce any current or former employee of the Company to supply confidential information of Company to any third party, except where disclosure is required to be made to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law or in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal;

(iv) employ, or otherwise pay for services rendered by, any employee of the Company in any business enterprise with which Participant may be associated, connected or affiliated;

(v) induce or attempt to induce any customer, franchisee, supplier, licensee, licensor or other business relation of Company to cease doing business with Company, or in any way interfere with the then existing business relationship between any such customer, franchisee, supplier, licensee, licensor or other business relation and Company; or

(vi) assist, solicit, or encourage any other third party, directly or indirectly, in carrying out any activity set forth above that would be prohibited by any of the provisions of this Agreement if such activity were carried out by Participant. In particular, Participant will not, directly or indirectly, induce any employee of Company to carry out any such activity.

Notwithstanding the forgoing, the provisions of this subsection 14(c) are not applicable to a Participant who is a resident of California and provides the majority of his or her services to the Company within California. The Company and Participant agree that the provisions of this Section 14 contain restrictions that are not greater than necessary to protect the interests of the Company.

(d) **Partial Invalidity.** In the event that any portion of this Section 14 shall be determined by a court or arbitrator to be unenforceable because it is unreasonably restrictive in any respect, it shall be interpreted to extend over the maximum period of time for which it reasonably may be enforced and to the maximum extent for which it reasonably may be enforced in all other respects, and enforced as so interpreted, all as determined by such court or arbitrator

in such action. Participant acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement is to be given the construction that renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(e) **Clawback and Recovery.** Participant agrees that a breach of any of the Restrictive Covenants set forth in this Section 14 would cause material and irreparable harm to the Company. Accordingly, Participant agrees that if the Committee, in its sole discretion, determines that Participant has violated any of the Restrictive Covenants contained in this Section 14, either during employment with the Company or after such employment terminates for any reason, the following rules shall apply:

(i) The Committee may (A) terminate such Participant's participation in the Plan and/or (B) send a "Recapture Notice" that will (1) cancel all or a portion of this or any outstanding Performance Share Units, (2) require the return of any shares of Stock received upon settlement of this or any prior Performance Share Units and/or (3) require the reimbursement to the Company of any net proceeds received from the sale of any shares of Stock acquired as a result of such settlement.

(ii) Under this Section 14, the obligation to return shares of Stock received and/or to reimburse the Company for any net proceeds received pursuant to a Recapture Notice, shall be limited to shares and/or proceeds received by Participant within the period that is one year prior to and one year following Participant's termination of employment.

(iii) The Committee has sole and absolute discretion to take action or not to take action pursuant to this Section 14 upon determination of a breach of a Restrictive Covenant, and its decision not to take action in any particular instance shall not in any way limit its authority to send a Recapture Notice in any other instance.

(iv) Any action taken by the Committee pursuant to this Section 14(e) is without prejudice to any other action the Committee may choose to take upon determination that Participant has violated a Restrictive Covenant contained herein.

(v) This subsection 14(e) will cease to apply upon a Change in Control.

(f) **Right of Set Off.** By accepting the Performance Share Units, Participant agrees that any member of the Company Group may set off any amount owed to Participant (including wages or other compensation, fringe benefits or vacation pay) against any amounts Participant owes under this Section 14.

15. **Binding Effect.** This Agreement shall be binding upon and inure to the benefit of any successors to YUM! and all persons lawfully claiming under Participant.

16. **Insider Trading Restrictions/Market Abuse Laws.** Participant acknowledges that, depending on his or her country of residence, Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect Participant's ability to acquire or sell shares of Stock or rights to shares of Stock (e.g., Performance Share Units) under the Plan during

such times as Participant is considered to have “inside information” regarding YUM! (as defined by the laws in Participant’s country). Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. Participant acknowledges that it is Participant’s responsibility to comply with any applicable restrictions, and Participant is advised to speak to his or her personal advisor on this matter.

17. **Governing Law and Forum.** This Agreement shall be governed by, and construed in accordance with, the laws of the State of North Carolina. For purposes of resolving any dispute that may arise directly or indirectly from this Agreement, the parties hereby agree that any such dispute that cannot be resolved by the parties shall be submitted to the Committee for resolution, and any decision by the Committee shall be final. For purposes of litigating any dispute that arises under this grant, Participant’s participation in the Plan or this Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Kentucky and agree that such litigation shall be conducted in the courts of Jefferson County, Kentucky, or the federal courts for the United States for the Western District of Kentucky, where this grant is made and/or to be performed.

18. **Addendum.** Notwithstanding any provisions in this Agreement, the Award of Performance Share Units (and related Dividend Equivalent Units) shall be subject to any special terms and conditions set forth in any Addendum to this Agreement for Participant’s country. Moreover, if Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to Participant, to the extent YUM! determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Agreement.

19. **Imposition of Other Requirements.** YUM! reserves the right to impose other requirements on Participant’s participation in the Plan, on the Performance Share Units and on any Stock acquired under the Plan, to the extent YUM! determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

20. **Waiver.** Participant acknowledges that a waiver by the company of breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach by Participant or any other Participant.

21. **Section 409A Provisions.** Notwithstanding anything in this Agreement (or the Plan) to the contrary:

(a) **Generally.** It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Code Section 409A so as not to subject Participant to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to Participant. Notwithstanding the foregoing or any other provision of this Agreement, neither YUM! nor any Subsidiary guarantees the tax treatment of the award evidenced by this Agreement (or other awards under the Plan).

(b) **Specified Employee.** If any payment hereunder (whether separately or together with any other payments) is subject to Code Section 409A, and if such payment or benefit is to be paid or provided on account of Participant's termination of employment (or other separation from service or termination of employment) (i) and if Participant is a specified employee (within the meaning of Code Section 409A) and if any such payment is required to be made or provided prior to the first day of the seventh month following Participant's separation from service or termination of employment, such payment shall be delayed until the first day of the seventh month following Participant's separation from service or termination of employment, and (ii) the determination as to whether Participant has had a termination of employment (or separation from service) shall be made in accordance with the provisions of Code Section 409A without application of any alternative levels of reductions of bona fide services permitted thereunder.

**By electronically accepting the grant of the YUM! Performance Share Units and participating in the Plan, Participant agrees to be bound by the terms and conditions in the Plan and this Agreement.**

**YUM! BRANDS, INC.**

By: \_\_\_\_\_  
Tracy Skeans  
YUM! Brands, Inc., Chief Operating Officer and Chief People Officer

**EXHIBIT A TO  
YUM! BRANDS, INC. LONG TERM INCENTIVE PLAN  
FORM OF GLOBAL PERFORMANCE SHARE UNIT AGREEMENT**

1. **Defined Terms; Incorporation.** Capitalized terms used in this Exhibit A shall have the same meaning as they have for purposes of the Agreement. This Exhibit A is incorporated into and forms a part of the Agreement. This Exhibit A is subject in all respects to the terms and conditions of the Agreement.

2. **Determination of Performance Target.** [ ]

3. **Determination of Performance.** The number of Target Performance Share Units that shall become Vested Units pursuant to the Award shall be based on satisfaction of the Performance Target as determined in accordance with the following: [ ]

4. **Determination of Number of Vested Units.** As soon as practicable following the end of the Performance Period, the Committee shall determine whether and the extent to which the Performance Target has been satisfied and the number of Participant's Target Performance Share Units to which Participant shall be entitled under the Award, subject to the terms and conditions of Section 2 and the other terms and conditions of the Agreement. The number of Target Performance Share Units that shall become Vested Units and to which the Participant shall be entitled shall be equal to the number of Target Performance Share Units granted pursuant to the Agreement multiplied by the applicable Performance Multiplier determined in accordance with Section 2 above. The Participant shall also be entitled to Dividend Equivalent Units with respect to the number of Vested Units determined in accordance with this Section 4 in a number equal to Dividend Equivalent Units credited to the Participant in accordance with the Agreement multiplied by the applicable Performance Multiplier applied to determine the number of Vested Units. In making its determination, the Committee may adjust the number of a Participant's Target Performance Share Units that shall become Vested Units as it determines in its sole discretion; provided, however, that in no event may the number of Vested Units exceed 200% of a Participant's Target Performance Share Units. In the event that a Participant's Vested Units are adjusted in accordance with the preceding sentence, corresponding Dividend Equivalent Units shall also be adjusted in the same manner.

**Acknowledgement of Independent Registered Public Accounting Firm**

Yum! Brands, Inc.  
Louisville, Kentucky

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated May 4, 2021 related to our review of interim financial information.

**Description**

<b>Form S-3</b>	<b>Registration Statement Number</b>
Debt Securities	333-248288
<b>Form S-8</b>	
Restaurant Deferred Compensation Program	333-36877, 333-32050
Executive Income Deferral Program	333-36955
SharePower Stock Option Plan	333-36961
YUM! Brands 401(k) Plan	333-36893, 333-32048, 333-109300
YUM! Brands, Inc. Restaurant General Manager Stock Option Plan	333-64547
YUM! Brands, Inc. Long-Term Incentive Plan	333-32052, 333-109299, 333-170929, 333-223152

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP

Louisville, Kentucky  
May 4, 2021

## CERTIFICATION

I, David W. Gibbs, certify that:

1. I have reviewed this report on Form 10-Q of YUM! Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2021

/s/ David W. Gibbs  
Chief Executive Officer

## CERTIFICATION

I, Chris Turner, certify that:

1. I have reviewed this report on Form 10-Q of YUM! Brands, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant, as of, and for, the periods presented in this report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2021

/s/ Chris Turner

Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of YUM! Brands, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, David W. Gibbs, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2021

/s/ David W. Gibbs  
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to YUM! Brands, Inc. and will be retained by YUM! Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of YUM! Brands, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, Chris Turner, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Periodic Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 4, 2021

/s/ Chris Turner  
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to YUM! Brands, Inc. and will be retained by YUM! Brands, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.