

## Yum Posts Higher 2nd Quarter Earnings

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Yum! Brands Inc. Reports Strong Second-Quarter 2007 EPS Growth of 15% or \$0.39 Per Share, Led by Consistent Growth in China and International Divisions

### **Raises Full-Year EPS Growth Forecast to 12% from 11%**

Yum! Brands Inc. (NYSE: YUM) today reported results for the second quarter ended June 16, 2007.

Highlights for the second quarter are...

œ Worldwide system-same-store sales grew by 2%, including 7% growth in mainland China, 5% growth in Yum! Restaurants International Division (YRI), and flat results in the U.S.

œ Strong double-digit system-sales growth from both our international businesses: China Division, +25%; YRI, +15%.

œ Mainland China restaurant unit growth of 19%.

œ YRI unit growth of 4%, the eighteenth consecutive quarter of at least 3% year-over-year unit growth, our ongoing growth target.

œ Double-digit operating-profit growth from our international divisions: China, +14%, and YRI, +15%.

œ Average diluted shares outstanding were reduced by 3%, the twelfth consecutive quarter with year-over-year share reduction as a result of substantial share buybacks.

œ An overall effective tax rate of 21.5%, which was 7.5 percentage points lower than last year's.

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Note: All preceding comparisons are versus the same period a year ago.

### **FULL-YEAR 2007 OUTLOOK**

We have raised our full-year EPS growth forecast to 12% from 11% based on the continued strong growth from our China and YRI divisions. The new full-year EPS forecast is \$1.63 per share. (Previously, our guidance, pre-split, was for full-year EPS of \$3.23. It is now 3 cents higher at \$3.26 on the "pre-split" basis. The two-for-one stock split was effective on June 26, 2007.)

#### CONSOLIDATED FINANCIAL HIGHLIGHTS

	Second Quarter			Year To Date		
	2007	2006	%Change	2007	2006	%Change
Traditional Restaurants	32,708	32,022	+2	32,708	32,022	+2
System-Sales Growth	+7%	+5%	NM	+6%	+5%	NM
Reported EPS	\$0.39	\$0.34	+15	\$0.74	\$0.64	+17

Note: YUM has 34,820 restaurant locations around the world, which include 2,112 license units.

David C. Novak, Chairman and CEO, said, "I am pleased to report that robust second-quarter sales in both our China and YRI divisions, coupled with a reduction in our tax rate, helped drive strong EPS growth of 15%. This quarter demonstrated once again the tremendous growth potential of our global portfolio. In fact, we are raising our full-year EPS growth rate, now +12% from +11%.

"Our mainland China business continues to generate strong top-line growth with same-store-sales growth of +7%, while we are well on our way to opening another 375 new restaurants for 2007. Furthermore, our YRI Division had one of its best quarterly performances ever, delivering system-sales growth of 11% and is on pace to open 800 new YRI restaurants in 2007. This global growth will contribute to Yum! Brands' seventh straight year of opening at least 1,000 new restaurants outside the U.S. Importantly, we anticipate this pace of development will be maintained into the future, reinforcing our position as the leading international retail developer.

"In the U.S., we are making steady progress toward a full recovery with improving sales results across our brands in the second quarter. We continue to expect to generate positive growth in our second-half results after a first-half decline in sales and profits. Overall for the U.S., we expect full-year operating profit growth to be slightly positive.

"There is no question that we are continuing to build our strong global brand positions and demonstrate our track record for consistency in spite of a challenging global environment from commodity inflation. In summary, this will be the sixth straight year that we demonstrate the strength of our global portfolio to beat our target of at least 10% EPS growth. We expect to continue generating substantial free cash flow in 2007, which allows us to return to our shareholders another \$1 billion through share buybacks, which will reduce our reported share count by at least 3%. We are also providing a meaningful dividend currently with a yield of nearly 2%. The key factor behind these consistent results is the undeniable strength of our global portfolio. Our shareholders should expect us to build on our strong global position by continuing to execute our four key strategies: (1) Build dominant restaurant brands in China; (2) Drive profitable international expansion; (3) Improve U.S. brand positioning and returns; and (4) Drive high ROIC and strong shareholder payout."

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