

Yum! Brands Inc. Reports First-Quarter 2008 EPS of \$0.50 per share, 19% Growth Excluding Special
Items
2008-04-23

Raises Full-Year EPS Growth Forecast to 11% from 10%, Excluding Special Items

Yum! Brands Inc. today reported results for the first quarter ended March 22, 2008.

First-quarter Earnings Per Share (EPS) of \$0.50 included the benefit of a one-time gain from the sale of our minority interest in KFC Japan, and charges related to our long-term plan for U.S. brands transformation, including refranchising losses and charges related to business restructuring. Excluding these special items, EPS was \$0.42 or 19% growth, which the company believes is a better indication of the underlying first-quarter performance.

FIRST-QUARTER HIGHLIGHTS

- Very strong system-sales growth of +40% in mainland China and +15% in Yum! Restaurants International (YRI), fueled by same-store-sales growth, strong unit development, and favorable foreign currency translation
- Worldwide same-store-sales growth of +4%, including +12% in mainland China, +5% in YRI, and +3% in the U.S. (all figures are system-wide)
- Operating profit growth of +33% in China Division and +18% in YRI. Worldwide operating profit growth of +13% excluding the benefit of special items
- A quarterly record of nearly \$1 billion in share buybacks
- EPS growth as outlined below:

| | First Quarter | | |
|-----------------------------|---------------|--------|----------|
| | 2008 | 2007 | % Change |
| | ----- | ----- | ----- |
| EPS | \$0.50 | \$0.35 | +43 |
| Less: Special Items(1) | \$0.08 | - | NM |
| EPS Excluding Special Items | \$0.42 | \$0.35 | +19 |

(1) Special items of \$0.08 include \$100 million pre-tax gain from the sale of minority interest in KFC Japan, \$26 million of U.S. refranchising pre-tax losses, and \$6 million of pre-tax charges related to U.S. restructuring.

FULL-YEAR OUTLOOK

The Company raised its full-year 2008 EPS forecast from \$1.85 to \$1.87 per share or 11% growth. This is prior to full-year net gains

from special items of up to \$0.06 per share as previously announced in the Company's full-year 2007 earnings release on February 4, 2008.

Full-year EPS is expected to total up to \$1.93, including all items.

David C. Novak, Chairman and CEO, said, "I am pleased to report a strong start to 2008 with first-quarter EPS growth of +19% excluding special items, led by outstanding operating-profit growth from our China and YRI businesses. The global growth we are achieving in China and YRI is among the best in the retail sector as we are driving robust same-store-sales growth, record-level new-unit development and excellent returns. In fact, we fully expect in 2008, for the eighth straight year, to open at least 1,000 new restaurants outside the U.S., reinforcing our position as the leading international retail developer. While our U.S. profits are being challenged by significant commodity pressure, we achieved 3% system same-store-sales growth, and we remain confident in the steps we are taking to position the U.S. brands for sustainable growth. Importantly, we continue to return significant cash to our shareholders. During the first quarter, we repurchased \$1 billion of our shares at a price we believe created significant shareholder value. Overall, this quarter again highlighted the power of our global portfolio, and on the strength of our first-quarter results, we are raising our full-year EPS forecast to 11% growth, or \$1.87 per share excluding special items.

"Shareholders should expect us to continue building consistent value by differentiating our portfolio of brands and driving profitable global expansion through our four key strategies that make us not your ordinary restaurant company: building leading brands in China in every significant category, driving aggressive international expansion and building strong brands everywhere, dramatically improving U.S. brand positions, consistency and returns, and driving industry-leading, long-term shareholder and franchisee value."

CHINA DIVISION

| (\$ million, except restaurant counts and percentages) | First Quarter | | % Change | |
|--|---------------|-------|----------|----------|
| | 2008 | 2007 | Reported | Excl F/x |
| Traditional Restaurants-Mainland China (MLC) | 2,640 | 2,202 | +20 | NA |
| KFC | 2,201 | 1,881 | +17 | NA |
| Pizza Hut Casual Dining | 362 | 273 | +33 | NA |
| Pizza Hut Home Service | 59 | 39 | +51 | NA |
| System-Sales Growth % | | | +38 | +28 |
| MLC system-sales growth % | | | +40 | +30 |
| MLC Same-Store-Sales Growth % | | | NA | +12 |
| Restaurant Margin % | 21.3 | 22.9 | (1.6) | (1.7) |
| Operating Profit | 101 | 76 | +33 | +23 |

CHINA DIVISION COMMENTS

-- Mainland China delivered an outstanding same-store-sales growth of 12%, lapping a strong 9% last year.

-- We opened 88 new units in mainland China, exceeding last year's development pace and further strengthening our leadership position in China's rapidly growing restaurant category.

-- Restaurant margin percentage declined due primarily to high food cost inflation. Commodity costs increased by approximately \$11 million versus last year.

-- Foreign currency conversion benefited operating profit by \$8 million.

YUM! RESTAURANTS INTERNATIONAL DIVISION (YRI)

(\$ million, except restaurant counts and percentages)

| | First Quarter | | % Change | | |
|---------------------------|---------------|--------|----------|------|-----|
| | 2008 | 2007 | Reported | Excl | F/x |
| Traditional Restaurants | 12,275 | 11,791 | +4 | NA | |
| System-Sales Growth % | | | +15 | +9 | |
| Same-Store-Sales Growth % | | | NA | +5 | |
| Franchise & License Fees | 145 | 121 | +20 | +14 | |
| Operating Margin % | 20.0 | 17.4 | +2.6 | +2.3 | |
| Operating Profit | 139 | 119 | +18 | +11 | |

YRI DIVISION COMMENTS

-- YRI achieved same-store-sales growth of 5%, lapping 7% from 2007.

-- We opened 158 new restaurants in our YRI Division, 96% of which were opened by our franchise partners. YRI continues to build an enviable development track record.

-- Franchise fees, a key driver of our high-return business, grew by 20% and is expected to reach approximately \$650 million for the full year.

-- The strength of foreign currencies versus the U.S. dollar benefited operating profit by \$7 million.

-- The loss of a VAT exemption in our Mexico business adversely impacted restaurant margin percentage by approximately 1 percentage point and operating profit by \$5 million during the first quarter. As previously communicated, this loss is expected to negatively impact restaurant margin percentage by 1.2 percentage points and operating profit by more than \$30 million for the full-year 2008.

UNITED STATES BUSINESS

| (\$ million, except restaurant counts and percentages) | First Quarter | | % Change |
|---|---------------|--------|----------|
| | 2008 | 2007 | |
| Traditional Restaurants | 17,919 | 18,050 | (1) |
| Same-Store-Sales Growth % | | | |
| System | +3 | (3) | NM |
| Company | +3 | (6) | NM |
| Franchisee Sales | 3,052 | 2,932 | +4 |
| Company Sales | 1,034 | 1,051 | (2) |
| Franchise & License Fees | 157 | 149 | +5 |
| Restaurant Margin % | 12.4 | 13.3 | (0.9) |
| Operating Margin % | 13.2 | 13.8 | (0.6) |
| Operating Profit | 157 | 165 | (5) |

U.S. BUSINESS COMMENTS

-- The U.S. business delivered same-store-sales growth of 3%, reversing last year's negative trend.

-- Restaurant margin percentage and operating profit declined due largely to significant commodity inflation (cheese, wheat and chicken costs). Overall, commodity costs increased \$25 million compared to prior year.

-- As part of our long-term plan to transform our U.S. business

-- which includes building permanent sales layers, investing in brand repositioning, refranchising and restructuring -- we previously guided that we are expanding our refranchising of U.S. company-owned restaurants, with company ownership to potentially reach below 10% by year-end 2010. We remain confident in our ability to achieve this goal, and expect subsequent quarters' activity in 2008 to be higher than the relatively low rate during the first quarter.

SHAREHOLDER PAYOUTS

During the first quarter of 2008, we purchased 27.7 million shares at an average price of \$35.39, or a total of \$981 million, a quarterly record.

For 2008, we expect to return over \$2 billion to shareholders through both dividends and significant share buybacks.

Q2 2008 UPDATE

-- We expect a special item loss in the range of \$0.01 to \$0.03 per share due to the continuation of our U.S. business transformation, including refranchising losses and restructuring charges.

-- Tax rate is likely to be significantly higher than the second-quarter 2007 tax rate of 21.5%

-- U.S. restaurant margin will be adversely impacted by continued higher commodity costs (at a level similar to first-quarter's

inflation) and dramatically higher insurance expenses.

YUM! ONGOING EARNINGS GROWTH MODEL

-- China Division operating-profit growth of 20%. This growth is driven largely by new-unit development in mainland China. Our key metric for mainland China is system-sales growth with an annual target of +20% driven by at least 425 new-restaurant openings.

-- YRI Division operating-profit growth of 10%. This growth is driven mainly by new-unit development, measured by system-sales growth of at least 5% (3% to 4% unit growth and 2% to 3% same-store-sales growth) including 750 new-restaurant openings.

-- U.S. operating-profit growth of 5% with same-store-sales growth of 2% to 3% and leverage of the G&A infrastructure.

-- EPS growth of at least 10%. This reflects additional benefit from reduction in shares outstanding due to substantial share buybacks.

| 2008 First-Quarter End Dates | | 2008 Second-Quarter End Dates | |
|------------------------------|-----------|-------------------------------|-----------|
| ----- | | ----- | |
| International Division | 2/25/2008 | International Division | 5/19/2008 |
| China Division | 2/29/2008 | China Division | 5/31/2008 |
| U.S. Business | 3/22/2008 | U.S. Business | 6/14/2008 |

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