

Yum! Brands Inc. Reports Third-Quarter 2008 EPS of \$0.58 per share, 16% Growth
2008-10-08

Confirms Full-Year EPS Growth Forecast of 12%, Excluding Special Items, and Announces Record International New Unit Development for 2008

Yum! Brands Inc. (NYSE: YUM) today reported results for the third quarter ended September 6, 2008.

THIRD-QUARTER HIGHLIGHTS

Worldwide system sales growth of 10%, driven by broad-based international new unit development, same-store-sales growth, and favorable foreign currency translation.

Mainland China unit growth of 21% including the opening of our 400th Pizza Hut, expanding our lead position in the western casual dining segment.

Worldwide same-store-sales growth of 3%, marking our 20th consecutive quarter of global same-store-sales growth: +5% in mainland China, +4% in YRI, and +3% in the U.S.

Worldwide operating profit growth of 2%.

Lower effective tax rate and a 10% reduction in average diluted shares outstanding versus prior year.

FULL-YEAR OUTLOOK

We expect to generate \$1.89 per share or 12% growth. This is prior to full-year net gains from special items of about \$0.03. Full-year reported EPS, including all items, is expected to total up to \$1.92, or 14% growth.

International development is on track to deliver at least 1,400 new units, exceeding the 2007 record of 1,358 (YRI 852, China Division 506) and our most recent guidance of 1,300.

David C. Novak, Chairman and CEO, said, 'I'm pleased to report 10% worldwide system-sales growth and 16% EPS growth for the third quarter in spite of all the bad news surrounding the financial markets and the economy. Even though our system-sales growth was solid for the third quarter, earnings benefited from a favorable tax rate and substantial share buybacks which more than offset our weak profit performance in the U.S. We are confidently reaffirming our full-year forecast for 12% EPS growth based on our year-to-date 17% EPS growth and our fourth-quarter outlook for both strong global system-sales growth and double-digit operating profit growth.

'Importantly, the global strength of our business in 2008 is widespread and best demonstrated by sales growth performance for each of our divisions, with the notable exception of the KFC U.S. business. This year's international expansion continues to be robust as we drive record new unit openings and profits in both China and Yum! Restaurants International (YRI). In the U.S., Taco Bell and Pizza Hut are both delivering solid same-store-sales and profit growth performance for the full year. Our KFC U.S. business continues to lag the rest of our global portfolio and is the driver of our underperforming profit in the U.S. business, along with unprecedented commodity inflation. We expect to turn around KFC performance in 2009 with the introduction of our successfully-tested Kentucky Grilled Chicken.

'It is noteworthy that each of our divisions generates positive cash flow even after allowing for capital spending to invest in our significant growth opportunities. In addition, our balance sheet and substantial worldwide cash flow are advantages going forward.

'Overall, the long-term fundamentals driving the growth of our global portfolio remain and continue to give us the unique ability to drive unparalleled new unit development and solid same-store-sales growth, while achieving industry leading return on invested capital. As a result, we remain confident in our business model and our ability to consistently deliver at least 10% EPS growth in 2009 and beyond.'

U.S. BUSINESS COMMENTS

The U.S. business delivered system same-store-sales growth of 3%. Company same-store-sales growth of 4% was led by strong performance at Taco Bell and Pizza Hut, partially offset by a 4% decline at KFC.

Restaurant margin declined largely due to significant commodity inflation. Overall, commodity costs increased \$32 million compared to prior year, driven by beef, chicken, and cheese. For the full-year, we now expect record commodity inflation of about \$120 million versus our initial guidance of \$55 million. Operating profit declined due to lower restaurant margin, as well as weak sales and profit results at KFC. We now expect U.S. profit to decline about 8% for the full year.

Year-to-date, we have completed the franchising of 421 units in the U.S. and as previously communicated, we expect to re franchise at least 500 units for the full year.

SHAREHOLDER PAYOUTS

During the third quarter of 2008, we purchased 14 million shares at an average price of \$35.17, or a total of \$508 million. Year-to-date, we have purchased 42 million shares at an average price of \$35.32, or a total of \$1.5 billion. As a result, average diluted shares outstanding were down 10% year-over-year in the third quarter.

For 2008, we expect to return over \$2 billion to shareholders through both dividends and significant share buybacks. Year-to-date, we have already returned \$1.7 billion toward our goal of \$2 billion.

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