

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 September 30, 2024

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)

13-3951308

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

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

40213
(Zip Code)

Registrant's telephone number, including area code:

(502) 874-8300

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 November 1, 2024, was 279,071,854 shares.

YUM! BRANDS, INC.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions, except per share data)

	Quarter ended		Year to date	
	9/30/2024	9/30/2023	9/30/2024	9/30/2023
Revenues				
Company sales	\$ 621	\$ 510	\$ 1,667	\$ 1,495
Franchise and property revenues	804	796	2,350	2,351
Franchise contributions for advertising and other services	401	402	1,170	1,194
Total revenues	<u>1,826</u>	<u>1,708</u>	<u>5,187</u>	<u>5,040</u>
Costs and Expenses, Net				
Company restaurant expenses	523	421	1,393	1,239
General and administrative expenses	263	267	830	840
Franchise and property expenses	36	27	90	95
Franchise advertising and other services expense	401	400	1,169	1,183
Refranchising (gain) loss	(12)	(19)	(31)	(40)
Other (income) expense	(4)	(1)	(10)	14
Total costs and expenses, net	<u>1,207</u>	<u>1,095</u>	<u>3,441</u>	<u>3,331</u>
Operating Profit	619	613	1,746	1,709
Investment (income) expense, net	(1)	(16)	21	(21)
Other pension (income) expense	(2)	(2)	(5)	(5)
Interest expense, net	120	126	358	381
Income Before Income Taxes	502	505	1,372	1,354
Income tax provision	120	89	309	220
Net Income	<u>\$ 382</u>	<u>\$ 416</u>	<u>\$ 1,063</u>	<u>\$ 1,134</u>
Basic Earnings Per Common Share	<u>\$ 1.36</u>	<u>\$ 1.48</u>	<u>\$ 3.77</u>	<u>\$ 4.03</u>
Diluted Earnings Per Common Share	<u>\$ 1.35</u>	<u>\$ 1.46</u>	<u>\$ 3.73</u>	<u>\$ 3.97</u>
Dividends Declared Per Common Share	<u>\$ 0.67</u>	<u>\$ 0.605</u>	<u>\$ 2.01</u>	<u>\$ 1.815</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Quarter ended		Year to date	
	9/30/2024	9/30/2023	9/30/2024	9/30/2023
Net Income	\$ 382	\$ 416	\$ 1,063	\$ 1,134
Other comprehensive income, 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	34	(20)	26	(8)
Reclassification of adjustments and (gains) losses into Net Income	—	—	—	60
	34	(20)	26	52
Tax (expense) benefit	—	—	—	—
	34	(20)	26	52
Changes in pension and post-retirement benefits				
Unrealized gains (losses) arising during the period	—	—	—	—
Reclassification of (gains) losses into Net Income	—	—	1	1
	—	—	1	1
Tax (expense) benefit	—	—	—	(2)
	—	—	1	(1)
Changes in derivative instruments				
Unrealized gains (losses) arising during the period	(4)	7	12	25
Reclassification of (gains) losses into Net Income	(9)	(9)	(25)	(20)
	(13)	(2)	(13)	5
Tax (expense) benefit	3	1	3	(1)
	(10)	(1)	(10)	4
Other comprehensive income (loss), net of tax	24	(21)	17	55
Comprehensive Income	\$ 406	\$ 395	\$ 1,080	\$ 1,189

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	Year to date	
	9/30/2024	9/30/2023
Cash Flows – Operating Activities		
Net Income	\$ 1,063	\$ 1,134
Depreciation and amortization	120	104
Refranchising (gain) loss	(31)	(40)
Investment (income) expense, net	21	(21)
Deferred income taxes	5	(93)
Share-based compensation expense	52	69
Changes in accounts and notes receivable	28	(13)
Changes in prepaid expenses and other current assets	(21)	(16)
Changes in accounts payable and other current liabilities	(46)	(52)
Changes in income taxes payable	(67)	(4)
Other, net	52	87
Net Cash Provided by Operating Activities	<u>1,176</u>	<u>1,155</u>
Cash Flows – Investing Activities		
Capital spending	(151)	(179)
Proceeds from sale of Devyani Investment	104	—
Proceeds from sale of KFC Russia	—	121
Acquisition of KFC U.K. and Ireland restaurants	(174)	—
Proceeds from refranchising of restaurants	48	57
Maturities (purchases) of Short term investments, net	(91)	—
Other, net	(28)	(3)
Net Cash Used in Investing Activities	<u>(292)</u>	<u>(4)</u>
Cash Flows – Financing Activities		
Proceeds from long-term debt	237	—
Repayments of long-term debt	(472)	(60)
Revolving credit facility, three months or less, net	205	(279)
Repurchase shares of Common Stock	(327)	(50)
Dividends paid on Common Stock	(565)	(508)
Other, net	(69)	(24)
Net Cash Used in Financing Activities	<u>(991)</u>	<u>(921)</u>
Effect of Exchange Rates on Cash and Cash Equivalents	<u>10</u>	<u>(2)</u>
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	<u>(97)</u>	<u>228</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - Beginning of Period	<u>724</u>	<u>647</u>
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents - End of Period	<u>\$ 627</u>	<u>\$ 875</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

(in millions)

	9/30/2024	12/31/2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 457	\$ 512
Accounts and notes receivable, net	708	737
Prepaid expenses and other current assets	460	360
Total Current Assets	1,625	1,609
Property, plant and equipment, net	1,300	1,197
Goodwill	735	642
Intangible assets, net	416	377
Other assets	1,352	1,361
Deferred income taxes	1,033	1,045
Total Assets	\$ 6,461	\$ 6,231
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities		
Accounts payable and other current liabilities	\$ 1,138	\$ 1,169
Income taxes payable	24	55
Short-term borrowings	24	53
Total Current Liabilities	1,186	1,277
Long-term debt	11,169	11,142
Other liabilities and deferred credits	1,780	1,670
Total Liabilities	14,135	14,089
Shareholders' Deficit		
Common Stock, no par value, 750 shares authorized; 280 shares issued in 2024 and 281 shares issued in 2023	—	60
Accumulated deficit	(7,389)	(7,616)
Accumulated other comprehensive loss	(285)	(302)
Total Shareholders' Deficit	(7,674)	(7,858)
Total Liabilities and Shareholders' Deficit	\$ 6,461	\$ 6,231

See accompanying Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT (Unaudited)

YUM! BRANDS, INC. AND SUBSIDIARIES

Quarters and years to date ended September 30, 2024 and 2023

(in millions)

	Yum! Brands, Inc.				
	Issued Common Stock		Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Deficit
	Shares	Amount			
Balance at June 30, 2024	281	\$ —	\$ (7,321)	\$ (309)	\$ (7,630)
Net Income			382		382
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature				34	34
Pension and post-retirement benefit plans				—	—
Net loss on derivative instruments (net of tax impact of \$3 million)				(10)	(10)
Comprehensive Income					406
Dividends declared			(188)		(188)
Repurchase of shares of Common Stock	(2)	(15)	(262)		(277)
Employee share-based award exercises	1	—			—
Share-based compensation events		15			15
Balance at September 30, 2024	280	\$ —	\$ (7,389)	\$ (285)	\$ (7,674)
Balance at December 31, 2023	281	\$ 60	\$ (7,616)	\$ (302)	\$ (7,858)
Net Income			1,063		1,063
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature				26	26
Pension and post-retirement benefit plans				1	1
Net loss on derivative instruments (net of tax impact of \$3 million)				(10)	(10)
Comprehensive Income					1,080
Dividends declared			(568)		(568)
Repurchase of shares of Common Stock	(2)	(59)	(268)		(327)
Employee share-based award exercises	1	(66)			(66)
Share-based compensation events		65			65
Balance at September 30, 2024	280	\$ —	\$ (7,389)	\$ (285)	\$ (7,674)
Balance at June 30, 2023	280	\$ 13	\$ (8,156)	\$ (293)	\$ (8,436)
Net Income			416		416
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature				(20)	(20)
Reclassification of translation adjustments into income				—	—
Pension and post-retirement benefit plans				—	—
Net loss on derivative instruments (net of tax impact of \$1 million)				(1)	(1)
Comprehensive Income					395
Dividends declared			(169)		(169)
Employee share-based award exercises	—	(4)			(4)
Share-based compensation events		24			24
Balance at September 30, 2023	280	\$ 33	\$ (7,909)	\$ (314)	\$ (8,190)
Balance at December 31, 2022	280	\$ —	\$ (8,507)	\$ (369)	\$ (8,876)
Net Income			1,134		1,134
Translation adjustments and gains (losses) from intra-entity transactions of a long-term investment nature				(8)	(8)
Reclassification of translation adjustments into income				60	60
Pension and post-retirement benefit plans (net of tax impact of \$2 million)				(1)	(1)
Net gain on derivative instruments (net of tax impact of \$1 million)				4	4
Comprehensive Income					1,189
Dividends declared			(510)		(510)
Repurchase of shares of Common Stock	—	(24)	(26)		(50)
Employee share-based award exercises	—	(24)			(24)
Share-based compensation events		81			81
Balance at September 30, 2023	280	\$ 33	\$ (7,909)	\$ (314)	\$ (8,190)

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, 2023 (“2023 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 60,000 restaurants in more than 155 countries and territories. As of September 30, 2024, 98% of these restaurants were owned and operated by franchisees. The Company’s KFC, Taco Bell and Pizza Hut brands are global leaders of the chicken, Mexican-style and pizza categories, respectively. The Habit Burger & Grill is a fast-casual restaurant concept specializing in made-to-order chargrilled burgers, sandwiches and more.

As of September 30, 2024, YUM consisted of four operating segments:

- The KFC Division which includes our worldwide operations of the KFC concept
- The Taco Bell Division which includes our worldwide operations of the Taco Bell concept
- The Pizza Hut Division which includes our worldwide operations of the Pizza Hut 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 consist 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. For subsidiaries that operate on this periodic weekly calendar, 2024 will include a 53rd week. Our remaining international subsidiaries operate on a monthly calendar similar to that on which YUM operates.

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 2023 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 - KFC United Kingdom ("U.K.") and Ireland Restaurant Acquisition

On April 29, 2024, we completed the acquisition of all of the issued shares of two franchisee entities that owned 216 KFC restaurants in the U.K. and Ireland. The acquisition creates a significant opportunity to accelerate KFC's growth strategy in the large and growing U.K. and Ireland chicken market. The purchase price to be allocated for accounting purposes of \$171 million consisted of cash, net of cash acquired, in the amount of \$174 million offset by the settlement of a liability of \$3 million related to our preexisting contractual relationship with the franchisee.

The acquisition was accounted for as a business combination using the acquisition method of accounting. The preliminary allocation of the purchase price is based on management's analysis, including preliminary work performed by third party valuation specialists, as of April 29, 2024.

During the quarter ended September 30, 2024, we adjusted our preliminary estimate of the fair value of net assets acquired. The components of the preliminary purchase price allocation, subsequent to the adjustments to the allocation in the quarter ended September 30, 2024, were as follows:

Total Current Assets	\$	2
Property, plant and equipment, net		85
Reacquired franchise rights (included in Intangible assets, net)		47
Operating lease right-of-use assets (included in Other assets)		109
Total Identifiable Assets		<u>243</u>
Total Current Liabilities		(18)
Operating lease liabilities (included in Other liabilities and deferred credits)		(102)
Other liabilities		(31)
Total Liabilities Assumed		<u>(151)</u>
Total identifiable net assets		92
Goodwill		79
Purchase price to be allocated	\$	<u><u>171</u></u>

The adjustments to the preliminary estimate of identifiable net assets acquired as recorded on June 30, 2024 resulted in a corresponding \$3 million increase in estimated goodwill due to the following changes to the preliminary purchase price allocation.

	Increase (Decrease) in Goodwill
Decrease in Property, plant and equipment, net	<u>\$ 3</u>
Total increase in Goodwill	<u><u>\$ 3</u></u>

We will continue to obtain information to assist in determining the fair value of net assets acquired during the remaining measurement period.

Reacquired franchise rights, which were valued based on after-royalty cash flows expected to be earned by the acquired restaurants over the remaining term of their then-existing franchise agreements, have an estimated weighted average useful life of 5 years. The excess of the purchase price over the preliminary estimated fair value of the net, identifiable assets acquired was recorded as goodwill. The goodwill recognized represents expected benefits of the acquisition that do not qualify for recognition as intangible assets. This includes value arising from cash flows expected to be earned in years subsequent to the expiration of the terms of franchise agreements existing upon acquisition. The goodwill is expected to be partially deductible for income tax purposes and has been allocated to our KFC U.K. reporting unit.

The financial results of the acquired restaurants have been included in our Condensed Consolidated Financial Statements since the date of the acquisition but did not significantly impact our results for the quarter or year to date ended September 30, 2024. The pro forma impact on our results of operations if the acquisition had been completed as of the beginning of 2023 would not have been material. The direct transaction costs associated with the acquisition were also not material and were expensed as incurred.

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

	Quarter ended		Year to date	
	2024	2023	2024	2023
Net Income	\$ 382	\$ 416	\$ 1,063	\$ 1,134
Weighted-average common shares outstanding (for basic calculation)	282	281	282	281
Effect of dilutive share-based employee compensation	3	5	3	5
Weighted-average common and dilutive potential common shares outstanding (for diluted calculation)	285	286	285	286
Basic EPS	\$ 1.36	\$ 1.48	\$ 3.77	\$ 4.03
Diluted EPS	\$ 1.35	\$ 1.46	\$ 3.73	\$ 3.97
Unexercised employee SARs, RSUs, PSUs and stock options (in millions) excluded from the diluted EPS computation ^(a)	1.7	1.7	1.8	1.7

(a) These unexercised employee stock appreciation rights (“SARs”), restricted stock units (“RSUs”), performance share units (“PSUs”) and stock options were not included in the computation of diluted EPS because to do so would have been antidilutive for the periods presented.

Note 4 - Shareholders' Deficit

Under the authority of our Board of Directors, we repurchased shares of our Common Stock during the years to date ended September 30, 2024 and 2023 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
	2024	2023	2024	2023	2024
September 2022	366	387	\$ 50	\$ 50	\$ —
May 2024	2,068	—	277	—	1,723
Total	2,434	387	\$ 327	\$ 50	\$ 1,723

In May 2024, our Board of Directors authorized share repurchases of up to \$2 billion (excluding applicable transaction fees) of our outstanding Common Stock through December 31, 2026. The new authorization took effect on July 1, 2024 upon the expiration of a prior authorization approved in September 2022. As of September 30, 2024, we have remaining capacity to repurchase up to \$1.7 billion of Common Stock under the May 2024 authorization.

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 June 30, 2024, net of tax	\$ (209)	\$ (103)	\$ 3	\$ (309)
OCI, net of tax				
Gains (losses) arising during the period classified into AOCI, net of tax	34	—	(3)	31
(Gains) losses reclassified from AOCI, net of tax	—	—	(7)	(7)
	<u>34</u>	<u>—</u>	<u>(10)</u>	<u>24</u>
Balance at September 30, 2024, net of tax	<u>\$ (175)</u>	<u>\$ (103)</u>	<u>\$ (7)</u>	<u>\$ (285)</u>
Balance at December 31, 2023, net of tax	\$ (201)	\$ (104)	\$ 3	\$ (302)
OCI, net of tax				
Gains (losses) arising during the period classified into AOCI, net of tax	26	—	9	35
(Gains) losses reclassified from AOCI, net of tax	—	1	(19)	(18)
	<u>26</u>	<u>1</u>	<u>(10)</u>	<u>17</u>
Balance at September 30, 2024, net of tax	<u>\$ (175)</u>	<u>\$ (103)</u>	<u>\$ (7)</u>	<u>\$ (285)</u>

Note 5 - Other (Income) Expense

	Quarter ended		Year to date	
	9/30/2024	9/30/2023	9/30/2024	9/30/2023
Foreign exchange net (gain) loss	\$ (3)	\$ 4	\$ 2	\$ 8
Impairment and closure expense	2	1	2	2
Other	(3)	(6)	(14)	4
Other (income) expense	<u>\$ (4)</u>	<u>\$ (1)</u>	<u>\$ (10)</u>	<u>\$ 14</u>

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.

	9/30/2024	12/31/2023
Accounts and notes receivable, gross	\$ 762	\$ 776
Allowance for doubtful accounts	(54)	(39)
Accounts and notes receivable, net	<u>\$ 708</u>	<u>\$ 737</u>

Prepaid Expenses and Other Current Assets

	9/30/2024	12/31/2023
Income tax receivable	\$ 55	\$ 20
Restricted cash	135	177
Short term investments	91	—
Other prepaid expenses and current assets	179	163
Prepaid expenses and other current assets	<u>\$ 460</u>	<u>\$ 360</u>

Property, Plant and Equipment, net

	9/30/2024	12/31/2023
Property, plant and equipment, gross	\$ 2,694	\$ 2,529
Accumulated depreciation and amortization	(1,394)	(1,332)
Property, plant and equipment, net	<u>\$ 1,300</u>	<u>\$ 1,197</u>

Other Assets

	9/30/2024	12/31/2023
Operating lease right-of-use assets ^(a)	\$ 890	\$ 764
Franchise incentives	166	175
Investment in Devyani International Limited (See Note 13)	—	124
Other	296	298
Other assets	<u>\$ 1,352</u>	<u>\$ 1,361</u>

- (a) Non-current operating lease liabilities of \$868 million and \$757 million as of September 30, 2024 and December 31, 2023, 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

	9/30/2024	12/31/2023
Cash and cash equivalents as presented in Condensed Consolidated Balance Sheets	\$ 457	\$ 512
Restricted cash included in Prepaid expenses and other current assets ^(a)	135	177
Restricted cash and restricted cash equivalents included in Other assets ^(b)	35	35
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents as presented in Condensed Consolidated Statements of Cash Flows	<u>\$ 627</u>	<u>\$ 724</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 cash held in reserve for Taco Bell Securitization interest payments.

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

Note 7 - Income Taxes

	Quarter ended		Year to date	
	2024	2023	2024	2023
Income tax provision	\$ 120	\$ 89	\$ 309	\$ 220
Effective tax rate	23.8 %	17.7 %	22.5 %	16.3 %

Our estimated effective tax rate on income for the full fiscal year is expected to be higher than the U.S. federal statutory rate of 21%, primarily due to state income taxes and U.S. taxes on foreign earnings partially offset by taxes on income earned in foreign jurisdictions with statutory tax rates below 21%.

Our third quarter and year to date effective tax rate is higher than the prior year primarily due to higher taxes paid in foreign jurisdictions where our intellectual property rights are domiciled, higher U.S. current tax expense on foreign earnings, and tax expense recognized in the quarter ended September 30, 2024 as compared to tax benefit recognized in the quarter ended September 30, 2023 associated with adjustments related to prior year taxes. In addition, our year to date effective tax rate is higher than the prior year due to the lapping of higher foreign tax benefits associated with the favorable resolutions of tax audits and the establishment of additional net operating loss carryforward deferred tax assets in foreign jurisdictions in the quarter ended June 30, 2023.

Note 8 - Revenue RecognitionDisaggregation 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 9/30/2024				
	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Total
U.S.					
Company sales	\$ 17	\$ 267	\$ 1	\$ 133	\$ 418
Franchise revenues	44	211	66	2	323
Property revenues	4	8	1	1	14
Franchise contributions for advertising and other services	10	161	71	1	243
China					
Franchise revenues	70	—	17	—	87
Other					
Company sales	203	—	—	—	203
Franchise revenues	288	15	66	—	369
Property revenues	11	—	—	—	11
Franchise contributions for advertising and other services	138	4	16	—	158
	<u>\$ 785</u>	<u>\$ 666</u>	<u>\$ 238</u>	<u>\$ 137</u>	<u>\$ 1,826</u>

Quarter ended 9/30/2023

	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Total
U.S.					
Company sales	\$ 15	\$ 256	\$ 2	\$ 135	\$ 408
Franchise revenues	48	196	64	1	309
Property revenues	4	9	1	1	15
Franchise contributions for advertising and other services	9	152	72	—	233
China					
Franchise revenues	66	—	18	—	84
Other					
Company sales	102	—	—	—	102
Franchise revenues	296	13	67	—	376
Property revenues	12	—	—	—	12
Franchise contributions for advertising and other services	148	3	18	—	169
	<u>\$ 700</u>	<u>\$ 629</u>	<u>\$ 242</u>	<u>\$ 137</u>	<u>\$ 1,708</u>

Year to date 9/30/2024

	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Total
U.S.					
Company sales	\$ 45	\$ 775	\$ 5	\$ 399	\$ 1,224
Franchise revenues	134	608	200	5	947
Property revenues	10	27	3	2	42
Franchise contributions for advertising and other services	30	468	217	2	717
China					
Franchise revenues	200	—	51	—	251
Other					
Company sales	443	—	—	—	443
Franchise revenues	842	43	191	—	1,076
Property revenues	33	—	1	—	34
Franchise contributions for advertising and other services	397	9	47	—	453
	<u>\$ 2,134</u>	<u>\$ 1,930</u>	<u>\$ 715</u>	<u>\$ 408</u>	<u>\$ 5,187</u>

	Year to date 9/30/2023				
	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Total
U.S.					
Company sales	\$ 48	\$ 738	\$ 11	\$ 404	\$ 1,201
Franchise revenues	143	568	200	4	915
Property revenues	10	29	3	2	44
Franchise contributions for advertising and other services	25	440	224	1	690
China					
Franchise revenues	193	—	52	—	245
Other					
Company sales	294	—	—	—	294
Franchise revenues	870	40	198	—	1,108
Property revenues	38	—	1	—	39
Franchise contributions for advertising and other services	448	7	49	—	504
	<u>\$ 2,069</u>	<u>\$ 1,822</u>	<u>\$ 738</u>	<u>\$ 411</u>	<u>\$ 5,040</u>

Contract Liabilities

Our contract liabilities are comprised of unamortized upfront fees received from franchisees and are presented within Accounts payable and other current liabilities and Other liabilities and deferred credits in our Condensed Consolidated Balance Sheets. A summary of significant changes to the contract liability balance during 2024 is presented below.

	<u>Deferred Franchise Fees</u>
Balance at December 31, 2023	\$ 444
Revenue recognized that was included in unamortized upfront fees received from franchisees at the beginning of the period	(63)
Increase for upfront fees associated with contracts that became effective during the period, net of amounts recognized as revenue during the period	49
Other ^(a)	(1)
Balance at September 30, 2024	<u>\$ 429</u>

(a) Primarily includes the settlement of a preexisting contractual relationship related to the KFC U.K. and Ireland restaurant acquisition (see Note 2) and the 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	\$ 72
1 - 2 years	65
2 - 3 years	58
3 - 4 years	51
4 - 5 years	43
Thereafter	140
Total	<u>\$ 429</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:

	Quarter ended		Year to date	
	2024	2023	2024	2023
Revenues				
KFC Division	\$ 785	\$ 700	\$ 2,134	\$ 2,069
Taco Bell Division	666	629	1,930	1,822
Pizza Hut Division	238	242	715	738
Habit Burger & Grill Division	137	137	408	411
	<u>\$ 1,826</u>	<u>\$ 1,708</u>	<u>\$ 5,187</u>	<u>\$ 5,040</u>

	Quarter ended		Year to date	
	2024	2023	2024	2023
Operating Profit				
KFC Division	\$ 339	\$ 344	\$ 986	\$ 975
Taco Bell Division	251	226	709	658
Pizza Hut Division	91	97	278	292
Habit Burger & Grill Division	1	(2)	(2)	(4)
Corporate and unallocated G&A expenses	(74)	(68)	(249)	(238)
Unallocated Company restaurant expenses ^(a)	(3)	—	(4)	—
Unallocated Franchise and property income (expenses)	—	1	—	(1)
Unallocated Refranchising gain (loss)	12	19	31	40
Unallocated Other income (expense)	2	(4)	(3)	(13)
Operating Profit	<u>\$ 619</u>	<u>\$ 613</u>	<u>\$ 1,746</u>	<u>\$ 1,709</u>
Investment income (expense), net ^(b)	1	16	(21)	21
Other pension income (expense)	2	2	5	5
Interest expense, net	(120)	(126)	(358)	(381)
Income before income taxes	<u>\$ 502</u>	<u>\$ 505</u>	<u>\$ 1,372</u>	<u>\$ 1,354</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) Unallocated Company restaurant expenses include amortization of reacquired franchise rights (see Note 2).

(b) Includes changes in the value of our investment in Devyani International Limited (see Note 13).

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. plans as benefits are paid. Our two significant U.S. plans, including the Plan and a supplemental plan, were previously amended such that any salaried employee hired or rehired by YUM after September 30, 2001, is not eligible to participate in those plans. Additionally, these two plans in the U.S. are currently closed to new hourly participants.

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

	Quarter ended		Year to date	
	2024	2023	2024	2023
Service cost	\$ 1	\$ 1	\$ 3	\$ 3
Interest cost	10	10	31	31
Expected return on plan assets	(12)	(12)	(38)	(37)
Amortization of net (gain) / loss	—	—	1	(1)
Amortization of prior service cost	—	—	1	1
Net periodic benefit cost (income)	\$ (1)	\$ (1)	\$ (2)	\$ (3)

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

Short-term Borrowings

	9/30/2024	12/31/2023
Current maturities of long-term debt	\$ 26	\$ 56
Less current portion of debt issuance costs and discounts	(2)	(3)
Short-term borrowings	\$ 24	\$ 53

Long-term Debt

Securitization Notes	\$ 3,743	\$ 3,743
Subsidiary Senior Unsecured Notes	750	750
Revolving Facility	210	—
Term Loan A Facility	500	717
Term Loan B Facility	1,448	1,459
YUM Senior Unsecured Notes	4,550	4,550
Finance lease obligations	67	50
	\$ 11,268	\$ 11,269
Less long-term portion of debt issuance costs and discounts	(73)	(71)
Less current maturities of long-term debt	(26)	(56)
Long-term debt	\$ 11,169	\$ 11,142

Details of our Short-term borrowings and Long-term debt as of December 31, 2023 can be found within our 2023 Form 10-K.

On April 26, 2024, 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 outstanding \$713 million under the term loan A facility and \$1.25 billion capacity under the revolving facility through the issuance of a new \$500 million term loan A facility (the "Term Loan A Facility") and a \$1.5 billion revolving facility (the "Revolving Facility") pursuant to an amendment to the Credit Agreement (as defined in our 2023 Form 10-K). The transaction did not add any additional net new debt to the Company's Balance Sheet. The Term Loan A Facility and the Revolving Facility will mature on the earliest of (i) April 26, 2029, (ii) the date that is 91 days prior to the March 15, 2028 maturity of the Borrowers' existing Term Loan B Facility if more than \$250 million of such Term Loan B remains outstanding as of such date or (iii) the date that is 91 days prior to the June 1, 2027 maturity of the Borrowers' existing Subsidiary Senior Unsecured Notes if more than \$250 million of such Subsidiary Senior Unsecured Notes remains outstanding as of such date. The amendment also removed the excess cash flow mandatory prepayment requirement with respect to the Term Loan A Facility.

The refinanced Term Loan A Facility is subject to quarterly amortization payments in an amount equal to 0.625% of the principal amount of the facility as of the refinance date now beginning with the third quarter of 2025. 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 third quarter of 2027. All other material provisions of the Credit Agreement remain unchanged.

As a result of this refinancing, \$8 million of fees were capitalized as debt issuance costs, \$6 million of which were paid directly to lenders. During the year to date ended September 30, 2024, previously recorded unamortized debt issuance costs of

\$1 million were written off and recognized within Interest expense, net due to this refinancing.

Cash paid for interest during the year to date ended September 30, 2024 and 2023, was \$356 million and \$367 million, respectively.

Note 12 - Derivative Instruments

We use derivative instruments to manage certain of our market risks related to fluctuations in interest rates, equity prices and foreign currency exchange rates. Our use of foreign currency contracts to manage foreign currency exchange rates associated with certain foreign currency denominated intercompany receivables and payables is currently not significant.

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 September 30, 2024 and December 31, 2023, we had interest rate swaps expiring in March 2025 with notional amounts of \$1.5 billion. These interest rate swaps have been 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 September 30, 2024 or December 31, 2023.

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 September 30, 2024, the swaps were highly effective cash flow hedges.

Gains and losses on these interest rate swaps recognized in OCI and reclassifications from AOCI into Net Income were as follows:

	Quarter ended				Year to date			
	Gains/(Losses) Recognized in OCI		(Gains)/Losses Reclassified from AOCI into Net Income		Gains/(Losses) Recognized in OCI		(Gains)/Losses Reclassified from AOCI into Net Income	
	2024	2023	2024	2023	2024	2023	2024	2023
Interest rate swaps	\$ (5)	\$ 6	\$ (9)	\$ (8)	\$ 9	\$ 23	\$ (26)	\$ (20)
Income tax benefit/(expense)	1	(1)	2	2	(3)	(6)	6	5

As of September 30, 2024, the estimated net gain included in AOCI related to our cash flow hedges that will be reclassified into earnings in the next 12 months is \$9 million, based on current Secured Overnight Financing Rate ("SOFR") 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. The fair value associated with the total return swaps as of both September 30, 2024 and December 31, 2023, was not significant.

As a result of the use of derivative instruments, 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 September 30, 2024, all of the counterparties to our derivative instruments had investment grade ratings according to the three major ratings agencies. To date, all counterparties have performed in accordance with their contractual obligations.

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

Note 13 - Fair Value Disclosures

As of September 30, 2024, the carrying values of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, short-term borrowings, accounts payable and borrowings under our Revolving Facility approximated their fair values because of the short-term nature of these instruments. The fair value of our 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:

	9/30/2024		12/31/2023	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
Securitization Notes ^(a)	\$ 3,743	\$ 3,509	\$ 3,743	\$ 3,391
Subsidiary Senior Unsecured Notes ^(b)	750	757	750	742
Term Loan A Facility ^(b)	500	495	717	716
Term Loan B Facility ^(b)	1,448	1,456	1,459	1,466
YUM Senior Unsecured Notes ^(b)	4,550	4,520	4,550	4,439

(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 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	
			9/30/2024	12/31/2023
Assets				
Investments	Other assets	1	\$ 1	\$ 125
Investments	Other assets	3	8	7
Interest Rate Swaps	Prepaid expenses and other current assets	2	9	24
Interest Rate Swaps	Other assets	2	—	2

The fair value of the Company's interest rate swaps 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.

Investments as of December 31, 2023, primarily included our approximate 5% minority interest in Devyani International Limited ("Devyani"), a franchise entity that operates KFC and Pizza Hut restaurants in India, with a fair value of \$124 million. During the quarter ended March 31, 2024, we sold our ownership interest in Devyani for net proceeds of \$104 million and recognized pre-tax investment losses of \$20 million related to changes in fair value prior to the date of sale.

Note 14 - Contingencies

Internal Revenue Service Proposed Adjustment

As a result of an audit by the Internal Revenue Service ("IRS") for fiscal years 2013 through 2015, in August 2022, we received a Revenue Agent's Report ("RAR") from the IRS asserting an underpayment of tax of \$2.1 billion plus \$418 million in penalties for the 2014 fiscal year. Additionally, interest on the underpayment is estimated to be approximately \$1.3 billion

through the third quarter of 2024. The proposed underpayment relates primarily to a series of reorganizations we undertook during that year in connection with the business realignment of our corporate and management reporting structure along brand lines. The IRS asserts that these transactions resulted in taxable distributions of approximately \$6.0 billion.

We disagree with the IRS's position as asserted in the RAR and intend to contest that position vigorously. In September 2022, we filed a Protest with the IRS Examination Division disputing on multiple grounds the proposed underpayment of tax and penalties. In March 2023, we received the IRS Examination Division's Rebuttal to our Protest and the matter is proceeding with the IRS Office of Appeals.

The Company does not expect resolution of this matter within twelve months and cannot predict with certainty the timing of such resolution. The Company believes that it is more likely than not the Company's tax position will be sustained; therefore, no reserve is recorded with respect to this matter.

An unfavorable resolution of this matter could have a material, adverse impact on our Condensed Consolidated Financial Statements in future periods.

Lease Guarantees

As a result of having assigned our interest in obligations under real estate leases as a condition to the franchising 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 September 30, 2024, the potential amount of undiscounted payments we could be required to make in the event of non-payment by the primary lessee was approximately \$350 million. The present value of these potential payments discounted at our pre-tax cost of debt at September 30, 2024, was approximately \$300 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 September 30, 2024, 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.

India Regulatory Matter

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 \$130 million. Of this amount, \$125 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. In November 2022, YRIPL was notified that an administrative tribunal bench had been constituted to hear an appeal by DOE of certain findings of the January 2020 order, including claims that certain charges had been wrongly dropped and that an insufficient amount of penalty had been imposed. A hearing with the administrative tribunal that had been scheduled for October 8, 2024 has been rescheduled to January 21, 2025. A hearing held on October 16, 2024, before the Delhi

High Court has been continued to February 4, 2025, and the stay order remains in effect. 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.

Other Matters

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, 2023, (“2023 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 60,000 restaurants in more than 155 countries and territories, primarily under the concepts of KFC, Taco Bell, Pizza Hut and The Habit Burger & Grill (collectively, the “Concepts”). The Company’s KFC, Taco Bell and Pizza Hut brands are global leaders of the chicken, Mexican-style and pizza categories, respectively. The Habit Burger & Grill, is a fast-casual restaurant concept specializing in made-to-order chargrilled burgers, sandwiches and more. Of the over 60,000 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 Taco Bell Division which includes our worldwide operations of the Taco Bell concept
- The Pizza Hut Division which includes our worldwide operations of the Pizza Hut concept
- The Habit Burger & Grill Division which includes our worldwide operations of the Habit Burger & Grill concept

Through our Good Growth Strategy 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 global citizenship and sustainability strategy is reflected in our Good agenda, which includes our priorities for social responsibility, risk management and sustainable stewardship of our people, food and planet.

Our Growth agenda 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 unit expansion with strong economics and value

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, 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, boycotts, social or civil unrest or other issues. 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). Same-store sales growth excludes, for subsidiaries operating on a monthly calendar, the extra day resulting from a leap year and excludes, for subsidiaries operating on a weekly periodic calendar, the last week of the year in fiscal years with 53rd weeks. 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.
- Gross unit openings reflects new openings by us and our franchisees. Net new unit growth reflects gross 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 gross unit openings and net new unit growth are useful to investors because we depend on new units for a significant portion of our growth. Additionally, gross unit openings and net new unit growth are 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 new 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. Further, while we generally include depreciation and amortization of restaurant-level assets within Divisional Company restaurant expenses used to derive Divisional Company restaurant profit, we record amortization of reacquired franchise rights arising from acquisition accounting within Corporate and Unallocated Company restaurant expenses as such amortization is not believed to be indicative of ongoing Divisional results as well as to enhance comparability of acquired stores' margins with those of existing restaurants. 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.

Quarterly Financial Highlights:

	% Change				
	System Sales, ex FX	Same-Store Sales	Units	GAAP Operating Profit	Core Operating Profit
KFC Division	+1	(4)	+7	(2)	(1)
Taco Bell Division	+5	+4	+2	+11	+11
Pizza Hut Division	(1)	(4)	+2	(6)	(5)
YUM	+1	(2)	+5	+1	+3

Year to date Financial Highlights:

	% Change				
	System Sales, ex FX	Same-Store Sales	Units	GAAP Operating Profit	Core Operating Profit
KFC Division	+2	(3)	+7	+1	+3
Taco Bell Division	+5	+3	+2	+8	+8
Pizza Hut Division	(2)	(5)	+2	(5)	(3)
YUM	+2	(2)	+5	+2	+6

Additionally:

- Foreign currency translation unfavorably impacted Divisional Operating Profit by \$3 million and \$26 million for the quarter and year to date ended September 30, 2024, respectively.

	Third Quarter			Year to date		
	2024	2023	% Change	2024	2023	% Change
GAAP EPS	\$1.35	\$1.46	(8)	\$3.73	\$3.97	(6)
Less Special Items EPS	\$(0.02)	\$0.02	NM	\$(0.14)	\$0.06	NM
EPS Excluding Special Items	\$1.37	\$1.44	(5)	\$3.87	\$3.91	(1)

- On a year-over-year basis, our diluted EPS, excluding Special Items, reflects a \$0.14 and \$0.32 negative impact for the quarter and year to date ended September 30, 2024, respectively, from a higher current year tax rate and unfavorability in after-tax investment gains and losses. Foreign currency translation negatively impacted our diluted EPS, excluding Special Items, by approximately \$0.01 and \$0.07 for the quarter and year to date ended September 30, 2024, respectively.
- Gross unit openings for the quarter were 1,029 units resulting in 547 net new units. Gross unit openings for the year to date were 2,731 units resulting in 1,456 net new units.

Worldwide

GAAP Results

	Quarter ended			Year to date		
	2024	2023	% B/(W)	2024	2023	% B/(W)
Company sales	\$ 621	\$ 510	22	\$ 1,667	\$ 1,495	12
Franchise and property revenues	804	796	1	2,350	2,351	Even
Franchise contributions for advertising and other services	401	402	Even	1,170	1,194	(2)
Total revenues	<u>1,826</u>	<u>1,708</u>	7	<u>5,187</u>	<u>5,040</u>	3
Company restaurant expenses	523	421	(24)	1,393	1,239	(12)
G&A expenses	263	267	2	830	840	1
Franchise and property expenses	36	27	(41)	90	95	5
Franchise advertising and other services expense	401	400	Even	1,169	1,183	1
Refranchising (gain) loss	(12)	(19)	NM	(31)	(40)	NM
Other (income) expense	(4)	(1)	NM	(10)	14	NM
Total costs and expenses, net	<u>1,207</u>	<u>1,095</u>	(10)	<u>3,441</u>	<u>3,331</u>	(3)
Operating Profit	619	613	1	1,746	1,709	2
Investment (income) expense, net	(1)	(16)	NM	21	(21)	NM
Other pension (income) expense	(2)	(2)	NM	(5)	(5)	NM
Interest expense, net	120	126	5	358	381	6
Income before income taxes	502	505	(1)	1,372	1,354	1
Income tax provision (benefit)	120	89	(34)	309	220	(40)
Net Income	<u>\$ 382</u>	<u>\$ 416</u>	(8)	<u>\$ 1,063</u>	<u>\$ 1,134</u>	(6)
Diluted EPS ^(a)	<u>\$ 1.35</u>	<u>\$ 1.46</u>	(8)	<u>\$ 3.73</u>	<u>\$ 3.97</u>	(6)
Effective tax rate	23.8 %	17.7 %	(6.1) ppts.	22.5 %	16.3 %	(6.2) ppts.

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

Performance Metrics

<u>Unit Count</u>	9/30/2024	9/30/2023	% Increase (Decrease)
Franchise	58,775	56,269	4
Company-owned	1,270	1,005	26
Total	<u>60,045</u>	<u>57,274</u>	5

	Quarter ended		Year to date	
	2024	2023	2024	2023
Same-store Sales Growth (Decline) %	(2)	6	(2)	7
System Sales Growth %, reported	1	9	1	9
System Sales Growth %, excluding FX	1	10	2	11

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

	Quarter ended		Year to date	
	2024	2023	2024	2023
<u>Consolidated</u>				
Company sales ^(a)	\$ 621	\$ 510	\$ 1,667	\$ 1,495
Franchise sales	15,401	15,320	44,952	44,777
System sales	16,022	15,830	46,619	46,272
Negative (Positive) Foreign Currency Impact ^(b)	32	N/A	588	N/A
System sales, excluding FX	\$ 16,054	\$ 15,830	\$ 47,207	\$ 46,272
<u>KFC Division</u>				
Company sales ^(a)	\$ 220	\$ 117	\$ 488	\$ 342
Franchise sales	8,449	8,503	24,535	24,633
System sales	8,669	8,620	25,023	24,975
Negative (Positive) Foreign Currency Impact ^(b)	21	N/A	480	N/A
System sales, excluding FX	\$ 8,690	\$ 8,620	\$ 25,503	\$ 24,975
<u>Taco Bell Division</u>				
Company sales ^(a)	\$ 267	\$ 256	\$ 775	\$ 738
Franchise sales	3,741	3,548	10,847	10,290
System sales	4,008	3,804	11,622	11,028
Negative (Positive) Foreign Currency Impact ^(b)	(1)	N/A	(1)	N/A
System sales, excluding FX	\$ 4,007	\$ 3,804	\$ 11,621	\$ 11,028
<u>Pizza Hut Division</u>				
Company sales ^(a)	\$ 1	\$ 2	\$ 5	\$ 11
Franchise sales	3,183	3,241	9,486	9,769
System sales	3,184	3,243	9,491	9,780
Negative (Positive) Foreign Currency Impact ^(b)	12	N/A	109	N/A
System sales, excluding FX	\$ 3,196	\$ 3,243	\$ 9,600	\$ 9,780
<u>Habit Burger & Grill Division</u>				
Company sales ^(a)	\$ 133	\$ 135	\$ 399	\$ 404
Franchise sales	28	28	84	85
System sales	161	163	483	489
Negative (Positive) Foreign Currency Impact ^(b)	—	N/A	—	N/A
System sales, excluding FX	\$ 161	\$ 163	\$ 483	\$ 489

(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		Year to date	
	2024	2023	2024	2023
Core Operating Profit Growth %	3	16	6	13
Diluted EPS Growth (Decline) %, excluding Special Items	(5)	32	(1)	22
Effective Tax Rate excluding Special Items	23.9 %	18.6 %	22.9 %	18.7 %

	Quarter ended		Year to date	
	2024	2023	2024	2023
Company restaurant profit	\$ 98	\$ 89	\$ 274	\$ 256
Company restaurant margin %	15.8 %	17.3 %	16.4 %	17.1 %

Reconciliation of GAAP Operating Profit to Core Operating Profit

	Quarter ended		Year to date	
	2024	2023	2024	2023
<u>Consolidated</u>				
GAAP Operating Profit	\$ 619	\$ 613	\$ 1,746	\$ 1,709
<i>Detail of Special Items:</i>				
(Gain) loss associated with market-wide franchisings ^(a)	(1)	(2)	3	(7)
Operating (profit) loss impact from decision to exit Russia ^(b)	—	(2)	—	10
Charges associated with Resource Optimization ^(c)	12	3	58	13
Other Special Items Expense	—	2	—	3
Special Items Expense - Operating Profit	11	1	61	19
Negative Foreign Currency Impact on Division Operating Profit	3	N/A	26	N/A
Core Operating Profit	\$ 633	\$ 614	\$ 1,833	\$ 1,728

Special Items as shown above were recorded to the financial statement line items identified below.

Condensed Consolidated Statements of Income Line Item

General and administrative expenses	\$ 11	\$ 4	\$ 57	\$ 19
Franchise and property expenses	—	(1)	—	1
Refranchising (gain) loss	(1)	(2)	3	(7)
Other (income) expense	1	—	1	6
Special Items Expense - Operating Profit	\$ 11	\$ 1	\$ 61	\$ 19

KFC Division

GAAP Operating Profit	\$ 339	\$ 344	\$ 986	\$ 975
Negative (Positive) Foreign Currency Impact	1	N/A	21	N/A
Core Operating Profit	\$ 340	\$ 344	\$ 1,007	\$ 975

Taco Bell Division

GAAP Operating Profit	\$ 251	\$ 226	\$ 709	\$ 658
Negative (Positive) Foreign Currency Impact	—	N/A	—	N/A
Core Operating Profit	\$ 251	\$ 226	\$ 709	\$ 658

Pizza Hut Division

GAAP Operating Profit	\$ 91	\$ 97	\$ 278	\$ 292
Negative (Positive) Foreign Currency Impact	2	N/A	5	N/A
Core Operating Profit	\$ 93	\$ 97	\$ 283	\$ 292

Habit Burger & Grill Division

GAAP Operating Profit (Loss)	\$ 1	\$ (2)	\$ (2)	\$ (4)
Negative (Positive) Foreign Currency Impact	—	N/A	—	N/A
Core Operating Profit (Loss)	\$ 1	\$ (2)	\$ (2)	\$ (4)

Reconciliation of GAAP Net Income to Net Income excluding Special Items

GAAP Net Income	\$ 382	\$ 416	\$ 1,063	\$ 1,134
Special Items Expense - Operating Profit	11	1	61	19
Special Items Tax Benefit ^(d)	(2)	(4)	(19)	(36)
Net Income excluding Special Items	\$ 391	\$ 413	\$ 1,105	\$ 1,117

Reconciliation of Diluted EPS to Diluted EPS excluding Special Items

Diluted EPS	\$ 1.35	\$ 1.46	\$ 3.73	\$ 3.97
Less Special Items Diluted EPS	(0.02)	0.02	(0.14)	0.06
Diluted EPS excluding Special Items	<u>\$ 1.37</u>	<u>\$ 1.44</u>	<u>\$ 3.87</u>	<u>\$ 3.91</u>

Reconciliation of GAAP Effective Tax Rate to Effective Tax Rate excluding Special Items

GAAP Effective Tax Rate	23.8 %	17.7 %	22.5 %	16.3 %
Impact on Tax Rate as a result of Special Items	(0.1)%	(0.9)%	(0.4)%	(2.4)%
Effective Tax Rate excluding Special Items	<u>23.9 %</u>	<u>18.6 %</u>	<u>22.9 %</u>	<u>18.7 %</u>

- (a) Due to their size and volatility, we have reflected as Special Items those refranchising gains and losses that were recorded in connection with market-wide refranchisings. During the quarters ended September 30, 2024 and 2023, we recorded net refranchising gains of \$1 million and \$2 million, respectively, that have been reflected as Special Items. During the years to date ended September 30, 2024 and 2023, we recorded net refranchising losses of \$3 million and net refranchising gains of \$7 million, respectively, that have been reflected as Special Items.

Additionally, we recorded net refranchising gains of \$11 million and \$17 million during quarters ended September 30, 2024 and 2023, respectively, that have not been reflected as Special Items. During the years to date ended September 30, 2024 and 2023, we recorded net refranchising gains of \$34 million and \$33 million, respectively, that have not been reflected as Special Items. These net refranchising gains relate to refranchising of restaurants unrelated to market-wide refranchisings that we believe are indicative of our expected ongoing refranchising activity.

- (b) In April 2023, we completed our exit from the Russia market by selling the KFC business in Russia to Smart Service Ltd. Our GAAP operating results presented herein for the quarter and year to date ended June 30, 2023, reflect revenues from and expenses to support the Russian operations for KFC prior to the date of sale, within their historical financial statement line items and operating segments. However, given our decision to exit Russia and our pledge to direct any future net profits attributable to Russia subsequent to the date of invasion to humanitarian efforts, we reclassified such net operating profits or losses from the KFC Division segment results to Unallocated Other income (expense). Additionally, we incurred certain expenses related to the dispositions of the businesses and other one-time costs related to our exit from Russia which we recorded within Corporate and unallocated G&A and Unallocated Franchise and property expenses. The resulting net Operating Profit of \$2 million and net Operating Loss of \$10 million for the quarter and year to date ended September 30, 2023, respectively, have been reflected as a Special Items.
- (c) We recorded charges of \$11 million and \$57 million during the quarter and year to date ended September 30, 2024, respectively, and \$3 million and \$13 million during the quarter and year to date ended September 30, 2023, respectively, to General and administrative expenses and charges of \$1 million during both the quarter and year to date ended September 30, 2024 to Other (income) expense related to a resource optimization program. This program has allowed us to reallocate significant resources to accelerate our digital, technology and innovation capabilities to deliver a modern, world-class team member and customer experience and improve unit economics. We recently expanded the program to identify further opportunities to optimize the Company's spending and identify additional, critical areas in which to potentially reallocate resources, both with a goal to enable the acceleration of the Company's growth rate. Costs incurred to date related to the program primarily include severance associated with positions that have been eliminated or relocated and consultant fees. Due to their scope and size, these charges have been reflected as Special Items.
- (d) The below table includes the detail of Special Items Tax Benefit:

	Quarter ended		Year to date	
	9/30/2024	9/30/2023	9/30/2024	9/30/2023
Tax Benefit on Special Items Operating Profit	\$ (2)	\$ —	\$ (15)	\$ (2)
Tax Benefit - Income tax impacts from decision to exit Russia	—	(4)	—	(12)
Tax Benefit - Other Income tax impacts recorded as Special	—	—	(4)	(22)
Special Items Tax Benefit	<u>\$ (2)</u>	<u>\$ (4)</u>	<u>\$ (19)</u>	<u>\$ (36)</u>

Tax Benefit on Special Items Operating Profit was determined by assessing the tax impact of each individual component within Special Items based upon the nature of the item and jurisdictional tax law.

Other Income Tax impacts recorded as Special in the years to date ended September 30, 2024 and 2023 include benefits related to the reversal of reserves due to the favorable resolution of tax audits in foreign jurisdictions. Such reserves were established in prior years related to income tax liabilities and deferred tax assets originally recorded as Special Items as part of intercompany restructurings of intellectual property. Other Income Tax impacts recorded as Special in the year to date ended September 30, 2023 also include the release of valuation allowances associated with a jurisdiction in which a marketwide refranchising event occurred.

Reconciliation of GAAP Operating Profit to Company Restaurant Profit

	Quarter ended 9/30/2024					
	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Corporate and Unallocated	Consolidated
GAAP Operating Profit (Loss)	\$ 339	\$ 251	\$ 91	\$ 1	\$ (63)	\$ 619
Less:						
Franchise and property revenues	417	234	150	3	—	804
Franchise contributions for advertising and other services	148	165	87	1	—	401
Add:						
General and administrative expenses	86	41	51	11	74	263
Franchise and property expenses	20	6	9	1	—	36
Franchise advertising and other services expense	148	163	89	1	—	401
Refranchising (gain) loss	—	—	—	—	(12)	(12)
Other (income) expense	—	—	(3)	1	(2)	(4)
Company restaurant profit (loss)	\$ 28	\$ 62	\$ —	\$ 11	\$ (3)	\$ 98
Company sales	\$ 220	\$ 267	\$ 1	\$ 133	\$ —	\$ 621
Company restaurant margin %	12.5 %	23.4 %	(6.1)%	8.3 %	N/A	15.8 %

	Quarter ended 9/30/2023					
	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Corporate and Unallocated	Consolidated
GAAP Operating Profit (Loss)	\$ 344	\$ 226	\$ 97	\$ (2)	\$ (52)	\$ 613
Less:						
Franchise and property revenues	426	218	150	2	—	796
Franchise contributions for advertising and other services	157	155	90	—	—	402
Add:						
General and administrative expenses	86	47	51	15	68	267
Franchise and property expenses	15	7	5	1	(1)	27
Franchise advertising and other services expense	156	153	91	—	—	400
Refranchising (gain) loss	—	—	—	—	(19)	(19)
Other (income) expense	(1)	1	(4)	(1)	4	(1)
Company restaurant profit	\$ 17	\$ 61	\$ —	\$ 11	\$ —	\$ 89
Company sales	\$ 117	\$ 256	\$ 2	\$ 135	\$ —	\$ 510
Company restaurant margin %	14.3 %	23.8 %	(9.0)%	7.8 %	N/A	17.3 %

	Year to date 9/30/2024					
	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Corporate and Unallocated	Consolidated
GAAP Operating Profit (Loss)	\$ 986	\$ 709	\$ 278	\$ (2)	\$ (225)	\$ 1,746
Less:						
Franchise and property revenues	1,219	678	446	7	—	2,350
Franchise contributions for advertising and other services	427	477	264	2	—	1,170
Add:						
General and administrative expenses	253	137	153	38	249	830
Franchise and property expenses	46	22	19	3	—	90
Franchise advertising and other services expense	424	473	270	2	—	1,169
Refranchising (gain) loss	—	—	—	—	(31)	(31)
Other (income) expense	(3)	(1)	(10)	1	3	(10)
Company restaurant profit (loss)	\$ 60	\$ 185	\$ —	\$ 33	\$ (4)	\$ 274
Company sales	\$ 488	\$ 775	\$ 5	\$ 399	\$ —	\$ 1,667
Company restaurant margin %	12.2 %	23.9 %	(1.9)%	8.2 %	N/A	16.4 %

	Year to date 9/30/2023					
	KFC Division	Taco Bell Division	Pizza Hut Division	Habit Burger & Grill Division	Corporate and Unallocated	Consolidated
GAAP Operating Profit (Loss)	\$ 975	\$ 658	\$ 292	\$ (4)	\$ (212)	\$ 1,709
Less:						
Franchise and property revenues	1,254	637	454	6	—	2,351
Franchise contributions for advertising and other services	473	447	273	1	—	1,194
Add:						
General and administrative expenses	265	141	155	41	238	840
Franchise and property expenses	57	21	14	2	1	95
Franchise advertising and other services expense	470	439	273	1	—	1,183
Refranchising (gain) loss	—	—	—	—	(40)	(40)
Other (income) expense	7	2	(7)	(1)	13	14
Company restaurant profit	\$ 47	\$ 177	\$ —	\$ 32	\$ —	\$ 256
Company sales	\$ 342	\$ 738	\$ 11	\$ 404	\$ —	\$ 1,495
Company restaurant margin %	13.6 %	23.9 %	1.2 %	8.0 %	N/A	17.1 %

Items Impacting Reported Results and Reasonably Likely to Impact Future Results

The following items impacted reported results in 2024 and/or 2023 and/or are reasonably likely to impact future results. See also the Detail of Special Items in this MD&A for other items similarly impacting results.

Middle East Conflict

During the fourth quarter of 2023, certain of our markets, principally in our KFC and Pizza Hut Divisions, began being impacted by a military conflict in the Middle East region. Our sales continue to be impacted significantly in markets across the Middle East, Malaysia and Indonesia. The impact in these markets represented a low single-digit headwind to YUM's overall same-store sales growth in both the quarter and year to date ended September 30, 2024. Additionally, we believe we have experienced conflict-related impacts in a broader set of markets, though such amounts are difficult to precisely quantify.

In a few isolated cases, the scale and duration of these sales' impacts are affecting the financial health of our less scaled or less well-capitalized franchisees, particularly those whose restaurants have been most heavily impacted. We have experienced an increase in restaurant closures in those markets most heavily impacted by the Middle East conflict during the first three quarters of 2024. We have approximately 275 restaurants in these markets that are currently temporarily closed as of September 30, 2024. Subsequent to the end of the third quarter, we defaulted a franchisee who operates a market in the Middle East under the terms of their franchise agreement. The number of units impacted by this default comprise less than 1% of our global store count.

We are working closely with our franchisees in markets who have been most heavily impacted by the Middle East conflict to improve their profitability and position their businesses for healthy growth in the future. Additionally, we are working with the franchisee who we defaulted subsequent to the quarter end in an attempt to help them cure their default and/or transition their franchise agreement to another party. There is risk that we experience further permanent closures in these markets in the fourth quarter of 2024, which would have a negative impact on our unit growth rate and result in the write-off of cash incentives we have previously provided in connection with these units. Given the lower volume nature of the units most at risk for potential closure, we do not currently anticipate that any ongoing financial impact would be material. The Middle East conflict is ongoing, and its dynamic nature makes it difficult to forecast any impacts on the Company's balance of year 2024 revenues, operating profit, including the impacts of any bad debt expense, and unit count with any certainty.

Impact of Foreign Currency Translation on Operating Profit

Changes in foreign currency exchange rates negatively impacted the translation of our foreign currency denominated Divisional Operating Profit by \$3 million and \$26 million for the quarter and year to date ended September 30, 2024, respectively. This included a negative impact to our KFC Division Operating Profit of \$1 million and \$21 million for the quarter and year to date ended September 30, 2024, respectively. We currently expect changes in foreign currency to negatively impact Divisional Operating Profit by approximately \$20 to \$30 million on a full-year basis.

Investment in Devyani

During the quarter ended March 31, 2024, we sold our approximate 5% minority investment in Devyani International Limited ("Devyani"), a franchise entity that operates KFC and Pizza Hut restaurants in India, for pre-tax proceeds of \$104 million. Changes in the fair value of our ownership interest in Devyani prior to the date of sale resulted in pre-tax investment losses of \$20 million in the year to date ended September 30, 2024 and pre-tax gains of \$16 million and \$21 million in the quarter and year to date ended September 30, 2023, respectively.

KFC Division

The KFC Division has 31,143 units, 88% of which are located outside the U.S. Additionally, 99% of the KFC Division units were operated by franchisees as of September 30, 2024.

	Quarter ended				Year to date			
	2024	2023	% B/(W)		2024	2023	% B/(W)	
			Reported	Ex FX			Reported	Ex FX
System Sales	\$ 8,669	\$ 8,620	1	1	\$ 25,023	\$ 24,975	Even	2
Same-Store Sales Growth (Decline) %	(4)	6	N/A	N/A	(3)	9	N/A	N/A
Company sales	\$ 220	\$ 117	88	87	\$ 488	\$ 342	43	42
Franchise and property revenues	417	426	(2)	(2)	1,219	1,254	(3)	(1)
Franchise contributions for advertising and other services	148	157	(5)	(6)	427	473	(10)	(9)
Total revenues	<u>\$ 785</u>	<u>\$ 700</u>	12	12	<u>\$ 2,134</u>	<u>\$ 2,069</u>	3	4
Company restaurant profit	\$ 28	\$ 17	65	63	\$ 60	\$ 47	29	29
Company restaurant margin %	12.5 %	14.3 %	(1.8) ppts.	(1.8) ppts.	12.2 %	13.6 %	(1.4) ppts.	(1.3) ppts.
G&A expenses	\$ 86	\$ 86	(1)	Even	\$ 253	\$ 265	4	5
Franchise and property expenses	20	15	(38)	(42)	46	57	19	18
Franchise advertising and other services expense	148	156	5	6	424	470	10	10
Operating Profit	\$ 339	\$ 344	(2)	(1)	\$ 986	\$ 975	1	3

<u>Unit Count</u>	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>% Increase (Decrease)</u>
Franchise	30,684	28,833	6
Company-owned	459	218	111
Total	<u>31,143</u>	<u>29,051</u>	7

Company sales and Company restaurant margin %

The quarterly and year to date increases in Company sales, excluding the impact of foreign currency translation, were driven by the KFC U.K. and Ireland restaurant acquisition (see Note 2) in the second quarter of 2024, partially offset by Company same-store sales declines of 4%.

The quarterly and year to date decreases in Company restaurant margin percentage were driven by higher restaurant operating and labor costs and Company same-store sales declines.

Franchise and property revenues

The quarterly decrease in Franchise and property revenues, excluding the impact of foreign currency translation, was driven by a franchise same-store sales decline of 3% and a 2% negative impact from the KFC U.K. and Ireland restaurant acquisition, partially offset by unit growth.

The year to date decrease in Franchise and property revenues, excluding the impact of foreign currency translation, was driven by a franchise same-store sales decline of 3% and a 1% negative impact from the sale of our KFC Russia business, partially offset by unit growth.

G&A

G&A, excluding the impact of foreign currency translation, was flat during the quarter as higher professional fees and higher salaries and benefits were offset by lower expenses related to our annual incentive compensation programs.

The year to date decrease in G&A, excluding the impact of foreign currency translation, was driven by lower expenses related to our annual incentive compensation programs, refranchising, the impact of the sale of our KFC Russia business and lower travel related costs, partially offset by higher professional fees and higher salaries and benefits.

Operating Profit

The quarterly decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by a same-store sales decline and higher bad debt expense, partially offset by unit growth.

The year to date increase in Operating Profit, excluding the impact of foreign currency translation, was driven by unit growth and lower G&A, partially offset by a same-store sales decline.

Taco Bell Division

The Taco Bell Division has 8,594 units, 87% of which are in the U.S. The Company owned 7% of the Taco Bell units in the U.S. as of September 30, 2024.

	Quarter ended				Year to date			
	2024	2023	% B/(W)		2024	2023	% B/(W)	
			Reported	Ex FX			Reported	Ex FX
System Sales	\$ 4,008	\$ 3,804	5	5	\$ 11,622	\$ 11,028	5	5
Same-Store Sales Growth %	4	8	N/A	N/A	3	7	N/A	N/A
Company sales	\$ 267	\$ 256	4	4	\$ 775	\$ 738	5	5
Franchise and property revenues	234	218	7	7	678	637	6	6
Franchise contributions for advertising and other services	165	155	6	6	477	447	7	7
Total revenues	<u>\$ 666</u>	<u>\$ 629</u>	6	6	<u>\$ 1,930</u>	<u>\$ 1,822</u>	6	6
Company restaurant profit	\$ 62	\$ 61	3	3	\$ 185	\$ 177	5	5
Company restaurant margin %	23.4 %	23.8 %	(0.4)	(0.4)	23.9 %	23.9 %	Even	Even
G&A expenses	\$ 41	\$ 47	11	12	\$ 137	\$ 141	3	3
Franchise and property expenses	6	7	14	14	22	21	(5)	(5)
Franchise advertising and other services expense	163	153	(6)	(6)	473	439	(8)	(8)
Operating Profit	\$ 251	\$ 226	11	11	\$ 709	\$ 658	8	8

<u>Unit Count</u>	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>% Increase (Decrease)</u>
Franchise	8,103	7,908	2
Company-owned	491	477	3
Total	<u>8,594</u>	<u>8,385</u>	2

Company sales and Company restaurant margin %

The quarterly and year to date increases in Company sales were driven by Company same-store sales growth of 2% and unit growth.

The quarterly decrease in Company restaurant margin percentage was driven by higher labor and other restaurant operating costs partially offset by same-store sales growth.

Company restaurant margin percentage was flat for the year to date as Company same-store sales growth was offset by higher labor and other restaurant operating costs.

Franchise and property revenues

The quarterly and year to date increases in Franchise and property revenues were driven by franchise same-store sales growth of 4% and 3% for the quarter and year to date, respectively, and unit growth.

G&A

The quarterly decrease in G&A was driven by lower expenses related to our annual incentive compensation programs and lower share-based compensation, partially offset by higher digital and technology expenses.

The year to date decrease in G&A was driven by lower share-based compensation and lower expenses related to our annual incentive compensation programs, partially offset by higher digital and technology expenses, and higher headcount and salaries.

Operating Profit

The quarterly and year to date increases in Operating Profit were driven by same-store sales growth, unit growth and lower G&A partially offset by higher restaurant operating costs.

Pizza Hut Division

The Pizza Hut Division has 19,927 units, 67% 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 September 30, 2024.

	Quarter ended				Year to date			
	2024	2023	% B/(W)		2024	2023	% B/(W)	
			Reported	Ex FX			Reported	Ex FX
System Sales	\$ 3,184	\$ 3,243	(2)	(1)	\$ 9,491	\$ 9,780	(3)	(2)
Same-Store Sales Growth (Decline) %	(4)	1	N/A	N/A	(5)	4	N/A	N/A
Company sales	\$ 1	\$ 2	(31)	(31)	\$ 5	\$ 11	(57)	(57)
Franchise and property revenues	150	150	Even	1	446	454	(2)	(1)
Franchise contributions for advertising and other services	87	90	(3)	(3)	264	273	(3)	(3)
Total revenues	<u>\$ 238</u>	<u>\$ 242</u>	(1)	(1)	<u>\$ 715</u>	<u>\$ 738</u>	(3)	(2)
Company restaurant profit	\$ —	\$ —	NM	NM	\$ —	\$ —	NM	NM
Company restaurant margin %	(6.1)%	(9.0)%	2.9 ppts.	2.9 ppts.	(1.9)%	1.2 %	(3.1) ppts.	(3.1) ppts.
G&A expenses	\$ 51	\$ 51	2	2	\$ 153	\$ 155	1	2
Franchise and property expenses	9	5	(113)	(107)	19	14	(45)	(45)
Franchise advertising and other services expense	89	91	2	2	270	273	1	1
Operating Profit	\$ 91	\$ 97	(6)	(5)	\$ 278	\$ 292	(5)	(3)

<u>Unit Count</u>	<u>9/30/2024</u>	<u>9/30/2023</u>	<u>% Increase (Decrease)</u>
Franchise	19,920	19,461	2
Company-owned	7	8	(13)
Total	<u>19,927</u>	<u>19,469</u>	2

Franchise and property revenues

The quarterly increase in Franchise and property revenues, excluding the impact of foreign currency translation, was driven by unit growth offset by a franchise same-store sales decline of 4%.

The year to date decrease in Franchise and property revenues, excluding the impact of foreign currency translation, was driven by a franchise same-store sales decline of 5% partially offset by unit growth.

G&A

The quarterly and year to date decreases in G&A, excluding the impact of foreign currency translation, were driven by lower expenses related to our annual incentive compensation programs.

Operating Profit

The quarterly decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by higher current year bad debt expense and a same-store sales decline, partially offset by unit growth.

The year to date decrease in Operating Profit, excluding the impact of foreign currency translation, was driven by a same-store sales decline and higher current year bad debt expense, partially offset by unit growth.

Habit Burger & Grill Division

The Habit Burger & Grill Division has 381 units, the vast majority of which are in the U.S. The Company owned 84% of the Habit Burger & Grill units in the U.S. as of September 30, 2024.

	Quarter ended				Year to date			
	2024	2023	% B/(W)		2024	2023	% B/(W)	
			Reported	Ex FX			Reported	Ex FX
System Sales	\$ 161	\$ 163	(1)	(1)	\$ 483	\$ 489	(1)	(1)
Same-Store Sales Growth %	(5)	(5)	N/A	N/A	(6)	(2)	N/A	N/A
Total revenues	\$ 137	\$ 137	(1)	(1)	\$ 408	\$ 411	(1)	(1)
Operating Profit (Loss)	\$ 1	\$ (2)	122	\$ 122	\$ (2)	\$ (4)	44	44

<u>Unit Count</u>	9/30/2024	9/30/2023	% Increase (Decrease)
Franchise	68	67	1
Company-owned	313	302	4
Total	381	369	3

Corporate & Unallocated

(Expense) / Income	Quarter ended			Year to date		
	2024	2023	% B/(W)	2024	2023	% B/(W)
Corporate and unallocated G&A	\$ (74)	\$ (68)	(5)	\$ (249)	\$ (238)	(4)
Unallocated Company restaurant expenses (See Note 9)	(3)	—	NM	(4)	—	NM
Unallocated Franchise and property expenses	—	1	NM	—	(1)	NM
Unallocated Refranchising gain (loss)	12	19	NM	31	40	NM
Unallocated Other income (expense)	2	(4)	NM	(3)	(13)	NM
Investment income (expense), net (See Note 9)	1	16	NM	(21)	21	NM
Other pension income (expense) (See Note 10)	2	2	NM	5	5	NM
Interest expense, net	(120)	(126)	5	(358)	(381)	6
Income tax benefit (provision) (See Note 7)	(120)	(89)	(34)	(309)	(220)	(40)
Effective tax rate (See Note 7)	23.8 %	17.7 %	(6.1) pts.	22.5 %	16.3 %	(6.2) pts.

Corporate and unallocated G&A

The quarterly increase in Corporate and Unallocated G&A expense was driven by higher costs associated with our resource optimization program, lapping net insurance recoveries associated with the prior year ransomware attack and higher meeting costs, partially offset by lower current year expenses related to our annual incentive compensation programs and lower share based compensation expense.

The year to date increase in Corporate and Unallocated G&A expense was driven by higher costs associated with our resource optimization program, partially offset by lower current year expenses related to our annual incentive compensation programs, lower share based compensation expense and lapping net costs associated with the prior year ransomware attack.

Interest expense, net

The quarterly decrease in Interest expense, net was primarily driven by lower borrowings.

The year to date decrease in Interest expense, net was primarily driven by lower borrowings and higher interest income.

Consolidated Cash Flows

Net cash provided by operating activities was \$1,176 million in 2024 versus \$1,155 million in 2023. The increase was primarily driven by an increase in Operating Profit before Special Items, a decrease in interest payments and timing of accounts receivable collections, partially offset by higher income tax payments and an increase in payments related to our resource optimization program.

Net cash used in investing activities was \$292 million in 2024 versus \$4 million in 2023. The change was primarily driven by outflows in the current year related to the KFC U.K. and Ireland restaurant acquisition, lapping proceeds from the prior year sale of KFC Russia and higher current year purchases of short-term investments, partially offset by current year proceeds arising from the sale of our approximate 5% minority investment in Devyani.

Net cash used in financing activities was \$991 million in 2024 versus \$921 million in 2023. The change was primarily driven by higher current year share repurchases offset by lower current year net debt repayments.

Liquidity and Capital Resources

We have historically generated substantial cash flows from our extensive franchise operations, which require a limited YUM investment, and from the operations of our Company-owned stores. Our annual operating cash flows have been in excess of \$1.3 billion in each of the past five years and we expect that to continue to be the case in 2024. It is our intent to use these operating cash flows to continue to invest in growing our business and pay a competitive dividend, with any remaining excess then returned to shareholders through share repurchases. To the extent operating cash flows plus other sources of cash do not cover our anticipated cash needs, we maintain a \$1.5 billion Revolving Facility under our Credit Agreement which had \$210 million outstanding as of September 30, 2024. We believe that our ongoing cash from operations, cash on hand, which was approximately \$460 million at September 30, 2024, and availability under our Revolving Facility will be sufficient to fund our cash requirements over the next twelve months.

There have been no material changes to the disclosures made in Item 7 of the Company's 2023 Form 10-K regarding our material cash requirements. Due to the ongoing significance of our debt obligations, we are providing the update below.

Debt Instruments

As of September 30, 2024, approximately 96%, including the impact of interest rate swaps, of our \$11 billion of total debt outstanding, excluding the Revolving Facility balance, finance leases and debt issuance costs and discounts, is fixed with an effective overall interest rate of approximately 4.5%. We ended the quarter with a consolidated net leverage ratio of 4.1x EBITDA. We continually reassess our optimal leverage ratio to maximize shareholder returns. We target a capital structure 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).

The following table summarizes the future maturities of our outstanding long-term debt, excluding finance leases and debt issuance costs and discounts, as of September 30, 2024.

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2037	2043	Total
Securitization Notes			\$ 938	\$ 884	\$ 595	\$ 589		\$ 737				\$ 3,743
Credit Agreement	\$ 5	\$ 21	27	34	1,424	437						1,948
Revolving Facility						210						210
Subsidiary Senior Unsecured Notes				750								750
YUM Senior Unsecured Notes							\$ 800	1,050	\$ 2,100	\$ 325	\$ 275	4,550
Total	\$ 5	\$ 21	\$ 965	\$ 1,668	\$ 2,019	\$ 1,236	\$ 800	\$ 1,787	\$ 2,100	\$ 325	\$ 275	\$ 11,201

See Note 11 for details on the Securitization Notes, the Credit Agreement, Revolving Facility, Subsidiary Senior Unsecured Notes and YUM Senior Unsecured Notes, including a refinancing of the Credit Agreement that took place in April 2024.

New Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which updates reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. The standard is effective for the Company's Annual Report on Form 10-K for fiscal 2024, and subsequent interim periods, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. We do not anticipate the impact of the standard will result in significant new disclosures for the Company.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which updates income tax disclosure requirements related to the income tax rate reconciliation and requires disclosure of income taxes paid by jurisdiction. The standard is effective for the Company's Annual Report on Form 10-K for fiscal 2025 with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is permitted. We are currently evaluating the impact of the standard on our disclosures.

In November 2024, the FASB issued ASU 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40), which requires new financial statement disclosures disaggregating prescribed expense categories within relevant income statement expense captions. The standard is effective for the Company's Annual Report on Form 10-K for fiscal 2027, and subsequent interim periods, with early adoption permitted. The amendments should be applied prospectively; however, retrospective application is permitted. We are currently evaluating the impact of the standard on our disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Except as disclosed below, there were no material changes during the year to date ended September 30, 2024, to the disclosures made in Item 7A of the Company's 2023 Form 10-K.

Equity Investment Risk

During the quarter ended March 31, 2024, the Company sold its equity ownership interest in Devyani International Limited for pre-tax proceeds of \$104 million. As a result, we are no longer exposed to material equity investment risk as of September 30, 2024.

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 September 30, 2024.

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, 2023, 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, 2023. 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 September 30, 2024, the related condensed consolidated statements of income, comprehensive income, and shareholders' deficit for the three-month and nine-month periods ended September 30, 2024 and 2023, the related condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2024 and 2023, 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, 2023, and the related consolidated statements of income, comprehensive income, cash flows and shareholders' deficit for the year then ended (not presented herein); and in our report dated February 20, 2024, 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, 2023 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
November 7, 2024

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, 2023.

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

The following tables provides information as of September 30, 2024, with respect to shares of Common Stock repurchased by the Company during the quarter then ended:

Fiscal Periods	Total number of shares purchased (thousands)	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (thousands)	Approximate dollar value of shares that may yet be purchased under the plans or programs (millions)
7/1/24-7/31/24	336	\$128.74	336	\$1,957
8/1/24-8/31/24	764	\$136.55	764	\$1,852
9/1/24-9/30/24	968	\$133.28	968	\$1,723
Total	2,068	\$133.75	2,068	\$1,723

In May 2024, our Board of Directors authorized share repurchases of up to \$2 billion (excluding applicable transaction fees) of our outstanding Common Stock through December 31, 2026. As of September 30, 2024, we have remaining capacity to repurchase up to \$1.7 billion of Common Stock under the May 2024 authorization.

Item 5. Other Information

Securities Trading Plans

During the three months ended September 30, 2024, none of the Company’s directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408 (c) of Regulation S-K.

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

Exhibit No.	Exhibit Description
15	<u>Letter from KPMG LLP regarding Unaudited Interim Financial Information (Acknowledgement of Independent Registered Public Accounting Firm).</u>
31.1	<u>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.</u>
31.2	<u>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.</u>
32.1	<u>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.</u>
32.2	<u>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.</u>
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
†	Indicates a management contract or compensatory plan.

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.

(Registrant)

Date: November 7, 2024

/s/ David Russell

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

November 7, 2024

Yum! Brands, Inc.
Louisville, Kentucky

Re: Registration Statements (No. 333-36877, 333-32050, 333-36955, 333-36961, 333-36893, 333-32048, 333-109300, 333-64547, 333-32052, 333-109299, 333-170929, and 333-223152) on Form S-8.

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated November 7, 2024 related to our review of interim financial information.

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

CERTIFICATION

I, David 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: November 7, 2024

/s/ David 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: November 7, 2024

/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 September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Periodic Report"), I, David 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: November 7, 2024

/s/ David 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 September 30, 2024, 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: November 7, 2024

/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.