INITIATION OF COVERAGE

YUM! BRANDS (NYSE: YUM)

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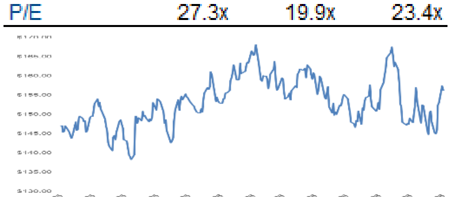
Market Statistics in USD	
Price	$ 156.27
52 week Range	$137.33 - $170.14
Daily Vol (3-mo. average)	2,597,836
Market Cap (M)	$ 42,646
Enterprise Value (M)	$ 54,247
Shares Outstanding: (M)	272.9
Float (M)	272.1

Financial Summary in USD	
Cash (M)	$ 674
Cash/Share	$ 2.47
Debt (M)	$ 12,275
Equity (M)	$ (7,107)
Equity/Share	$ (26.03)

Valuation in USD	
Valuation Range	$155.72 - $194.12
Price Target	$ 173.40

FYE: Dec	2025	2026E	2027E
(all figures in M, except per share information)			
Rev	$8,214.0	$8,770.7	$8,701.2
Chng%	9%	7%	-1%
Adj. EBITDA	$2,902.0	$2,990.9	$3,060.0
Net Income	$1,562.0	$2,163.5	$1,771.8
EPS	$ 5.55	$ 7.86	$ 6.69
EV/Revenue	6.5x	6.2x	6.2x
EV/EBITDA	18.4x	18.1x	17.7x
P/E	27.3x	19.9x	23.4x



Company Description

Yum! Brands, Inc. is a quick-service restaurant company that develops, franchises, and operates consumer brands, including KFC, Taco Bell, and Habit Burger & Grill, while completing the divestiture of Pizza Hut. The Company generates earnings through franchise fees and royalties, supported by a predominantly franchised restaurant base spanning markets worldwide. Yum!'s growth strategy centers on same-store sales expansion, new unit development, franchisee returns, and broader adoption of its proprietary Byte by Yum! technology platform. KFC provides the Company's largest international footprint, while Taco Bell remains its strongest U.S. growth engine. Supported by its asset-light franchise model, global scale, and increasingly focused portfolio, Yum! is positioned to generate long-term earnings growth through continued restaurant development and expanding royalty income.

Yum!'s 2Q26 provides evidence that the post-Pizza Hut earnings model is becoming increasingly centered on Taco Bell's U.S. growth and KFC's international development runway. Ex-Pizza Hut, system sales increased 7%, units 6%, same-store sales 4%, and Core Operating Profit 8%. The July food-safety issue creates a near-term Taco Bell interruption, but we view the impact as temporary. Sales trends have improved from the July 18 low, online sentiment has returned to pre-issue levels, and brand-love measures remain intact. The quarter also reinforces the broader operating model, with stronger restaurant-level performance supporting franchisee returns, faster unit development, and growth in Yum!'s recurring royalty base.

Quarterly Results: Adjusted EPS of $1.62 exceeded $1.56 consensus, while revenue of $2.17B was modestly below $2.18B consensus. Worldwide system sales increased 5% ex-FX and Core Operating Profit grew 5%; excluding Pizza Hut, Core Operating Profit increased 8% despite an approximately three-point drag from refranchising-gain timing and Habit closure costs. Digital sales approached $9B ex-Pizza Hut and reached a 61% mix, expanding the installed base for loyalty, targeted promotions, and Byte improvements.

Taco Bell: Taco Bell continues to justify its role as Yum!'s domestic earnings engine. Same-store sales increased 7%, U.S. system sales rose 9%, and U.S. equity restaurant margins reached 26.2%, up 170 bps y/y, while digital mix increased five points to 47%. U.S. new-store registrations are above last year's pace, while international system sales increased 13% ex-FX as the brand adds scale across India, the U.K., Canada, and Sweden. QTD U.S. comps fell to (2%) through July 27 and management expects 3Q equity margins of 19–21%.

KFC / Development: KFC is providing visible proof that attractive franchise economics can translate into faster unit growth. The division opened 660 gross restaurants across 55 markets and grew units 7%, with management expecting its best development year on record. The Middle East reached 1,500 KFC restaurants, supported by 2.5–3.0-year paybacks and approximately $1.5M AUVs, while there is an estimated 20,000-unit whitespace opportunity. Management is also targeting higher AUVs and same-store sales, with early traction in the U.K., Korea, Japan, and Brazil alongside deployment of beverages, sauces, loyalty, and Byte.

Outlook / Capital Allocation: Ex-Pizza Hut results met or exceeded every element of Yum!'s long-term algorithm in 1H26, and management entered 3Q highly confident in achieving or exceeding each element for FY26 before the Taco Bell disruption. Following the disruption, management did not provide a comparable full-year statement. Pizza Hut is expected to close in August, with the two transactions generating approximately $2.3B of combined net proceeds, with revolver repayment followed by share repurchases. Taco Bell's recovery, KFC development, and continued conversion of digital engagement into stronger restaurant economics remain the key markers into 2H26.

Valuation: We use a combination of a DCF analysis as well as a comp analysis to guide our valuation range for YUM. For the comp analysis we rely on EV/EBITDA, P/E, and FCF/EV yield comparisons. Combining these valuation methods results in a valuation range from $155.72 to $194.12 with a price target of $173.40.

Valuation

We use a combination of DCF, EV/EBITDA, P/E, and FCF/EV yield analyses to help frame our valuation of YUM. We believe multiple approaches are particularly useful given the Pizza Hut divestiture, which changes the Company's earnings profile and reduces the usefulness of historical trading multiples as a standalone valuation anchor. Across our relative valuation methodologies, we primarily use FY27 estimates to provide a cleaner view of the continuing KFC, Taco Bell, and Habit businesses. Combining our four valuation approaches results in a valuation range of $155.72 to $194.12 per share, with a price target of $173.40.

DCF Analysis

We use a DCF analysis to help frame the value of YUM's continuing portfolio following the Pizza Hut divestiture. Our forecast reflects continued growth led primarily by KFC unit development and Taco Bell, with growth moderating over the longer-term forecast period.

Using a 2.0% terminal growth rate and an 8.75% discount rate, our DCF produces an estimated value of $165.32 per share. Using discount rates of 8.50% to 9.00% and terminal growth rates of 1.0% to 3.0% produces a valuation range of $142.48 to $198.23 per share.

To guide this valuation, we use a discount-rate range of 8.50% to 9.00%, with a midpoint of 8.75%. YUM benefits from a relatively inexpensive debt structure, with a modeled cost of debt of approximately 4.2%, as well as the recurring and relatively asset-light economics of its predominantly franchised business. At the same time, we believe YUM's recent five-year beta of approximately 0.55 produces an unusually low implied cost of equity and does not fully capture normalized risk. The Company's longer-term beta is closer to 0.8, while leverage, international exposure, consumer sensitivity, and the ongoing portfolio transition provide additional reasons not to rely solely on the lower observed beta. We believe the selected range appropriately balances YUM's stable franchise economics and low cost of debt against these considerations.

Yum! Brands, Inc.
Discounted Cash Flow Model
(in $M, except per share)

Estimates:	2024	2025	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	Terminal Value
Revenue	7,549	8,214	8,771	8,701	9,397	10,337	11,474	12,622	13,757	14,858	16,010	17,210	18,415	
Operating Income	2,403	2,576	2,694	2,800	3,054	3,360	3,729	4,165	4,540	4,940	5,323	5,851	6,261	
Less: Taxes (benefit)	414	517	26	529	577	635	705	787	858	934	1,006	1,106	1,183	
NOPAT	1,989	2,059	2,668	2,271	2,477	2,725	3,024	3,378	3,682	4,007	4,317	4,746	5,078	
Plus: Depreciation & Amortization	175	206	229	220	238	261	290	284	289	297	288	293	276	
Plus: Changes in WC	4	156	110	87	47	-	(57)	(63)	(69)	(74)	(80)	(86)	(92)	
Less: Capex	(285)	(465)	(263)	(239)	(244)	(258)	(252)	(252)	(241)	(223)	(240)	(258)	(276)	
Free Cash Flow	1,883	1,956	2,743	2,339	2,517	2,727	3,005	3,346	3,661	4,007	4,285	4,694	4,986	75,338.2
Discount period - months			6	18	30	42	54	66	78	90	102	114	126	
Discount period - years			0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	10.5	
Discount factor			0.96	0.88	0.81	0.75	0.69	0.63	0.58	0.53	0.49	0.45	0.41	
PV of FCF			2,630.6	2,062.0	2,040.9	2,033.6	2,059.9	2,109.6	2,122.4	2,135.7	2,100.4	2,115.7	2,066.4	31,225.4
Growth rate assumptions:														
Revenue		8.8%	6.8%	-0.8%	8.0%	10.0%	11.0%	10.0%	9.0%	8.0%	7.8%	7.5%	7.0%	
Operating Income		7.2%	4.6%	3.9%	9.1%	10.0%	11.0%	11.7%	9.0%	8.8%	7.7%	9.9%	7.0%	
EBITDA		7.9%	5.1%	3.3%	9.0%	10.0%	11.0%	10.7%	8.5%	8.5%	7.1%	9.5%	6.4%	
Free Cash Flow		3.9%	40.3%	-14.8%	7.6%	8.4%	10.2%	11.4%	9.4%	9.4%	7.0%	9.5%	6.2%	
Margin assumptions:														
Operating Income	31.8%	31.4%	30.7%	32.2%	32.5%	32.5%	32.5%	33.0%	33.0%	33.3%	33.3%	34.0%	34.0%	
D&A as a % of sales	2.3%	2.5%	2.6%	2.5%	2.5%	2.5%	2.5%	2.3%	2.1%	2.0%	1.8%	1.7%	1.5%	
EBITDA	34.2%	33.9%	33.3%	34.7%	35.0%	35.0%	35.0%	35.3%	35.1%	35.3%	35.1%	35.7%	35.5%	
Taxes	17.2%	20.1%	1.0%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	18.9%	
Changes in WC	0.1%	1.9%	1.3%	1.0%	0.5%	0.0%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%	
Capex as a % of sales	-3.8%	-5.7%	-3.0%	-2.8%	-2.6%	-2.5%	-2.2%	-2.0%	-1.8%	-1.5%	-1.5%	-1.5%	-1.5%	

Valuation:

Pro Forma Shares outstanding	264.8
PV of FCF	23,477
PV of Terminal Value	31,225
Enterprise Value	54,703
less: Pro Forma Net Debt	10,931
Estimated Total Value:	43,772
Est Equity Value/share:	**$165.32**
Price	$156.27

Sensitivity Analysis:

		Terminal Growth Rates				
		0%	1%	2%	3%	4%
Discount rate	8.25%	$148.92	$163.75	$183.32	$210.34	$250.08
	8.50%	$142.56	$156.17	$173.97	$198.23	$233.28
	8.75%	$136.58	$149.10	$165.32	$187.19	$218.26
	9.00%	$130.95	$142.48	$157.31	$177.08	$204.76
	9.25%	$125.63	$136.28	$149.86	$167.79	$192.56

Source: Company Reports; Stonegate Capital Partners

Comp Analysis

We use a restaurant-focused peer group to help frame YUM's relative valuation, with McDonald's representing the closest public comparison given its global scale, franchise-heavy operating model, and mature brand portfolio. The broader peer set provides additional context across QSR and restaurant operators with varying growth profiles, ownership structures, and geographic exposure.

Following the Pizza Hut divestiture, we believe YUM's historical trading multiples are somewhat less useful as a standalone valuation anchor given the change in the Company's business mix. However, we continue to consider YUM's historical trading range alongside current peer multiples when selecting our valuation assumptions, particularly for P/E. The remaining portfolio will be increasingly concentrated around KFC and Taco Bell, with continued unit development and same-store sales growth expected to support the earnings profile following the transaction.

YUM currently trades at a premium to the broader restaurant peer group on most forward measures. We believe this is reasonable given the Company's franchise-heavy model, expected growth from KFC and Taco Bell, and increasingly asset-light earnings profile following the Pizza Hut divestiture. Rather than assuming a fixed premium to any individual peer, we use a range of outcomes across our EV/EBITDA, P/E, and FCF yield analyses.

EV/EBITDA			
2027E	**16.00x**	**18.00x**	**20.00x**
Adj EBITDA	3,060	3,060	3,060
TEV	48,961	55,081	61,201
Cash	674	674	674
PF Debt	11,605	11,605	11,605
Mrkt Cap	38,030	44,150	50,270
PF S/O	264.8	264.8	264.8
Price	**$ 143.63**	**$ 166.75**	**$ 189.86**

P/E			
2027E	**23.50x**	**25.00x**	**26.50x**
Earnings	6.69	6.69	6.69
Price	**$ 157.26**	**$ 167.30**	**$ 177.33**

EV FCF Yield			
2027E	**4.00%**	**3.75%**	**3.50%**
FCF	2,338.5	2,338.5	2,338.5
TEV	58,463.2	62,360.8	66,815.1
Cash	674.0	674.0	674.0
Debt	11,605.0	11,605.0	11,605.0
Mrkt Cap	47,532.2	51,429.8	55,884.1
S/O	264.8	264.8	264.8
Price	**$ 179.52**	**$ 194.24**	**$ 211.07**

					EV/Revenue (2, 3)			EV/EBITDA (2, 3)			P/E (2, 3)			EV FCF Yield (2, 3)		
Company Name	**Symbol**	**Price (1)**	**Mrkt Cap**	**EV**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**	**2025**	**2026E**	**2027E**
The Cheesecake Factory Incorporated	CAKE	$113.49	$ 5,647.1	$ 7,532.9	1.19x	1.88x	1.75x	13.4x	20.1x	18.1x	15.9x	25.1x	22.9x	3.5%	2.0%	2.6%
Chipotle Mexican Grill, Inc.	CMG	$ 37.43	$ 47,364.6	$ 52,105.9	4.40x	4.00x	3.61x	22.0x	22.7x	19.6x	32.2x	32.6x	27.3x	2.8%	3.1%	3.2%
Domino's Pizza, Inc.	DPZ	$349.91	$ 11,575.6	$ 16,533.6	3.85x	3.19x	3.12x	18.8x	14.9x	14.4x	23.6x	18.4x	16.8x	3.5%	3.9%	4.4%
Darden Restaurants, Inc.	DRI	$220.41	$ 25,025.7	$ 32,852.7	2.33x	2.43x	2.33x	14.7x	14.8x	14.0x	19.1x	20.1x	18.8x	3.6%	3.2%	2.8%
Brinker International, Inc.	EAT	$248.70	$ 10,387.0	$ 12,033.0	1.44x	2.01x	1.88x	9.9x	13.6x	12.2x	14.0x	21.2x	17.7x	5.1%	4.5%	5.1%
Jack in the Box Inc.	JACK	$ 16.70	$ 320.3	$ 2,755.6	2.38x	2.46x	2.47x	14.2x	11.9x	12.4x	N/A	5.1x	5.5x	1.4%	1.4%	2.5%
McDonald's Corporation	MCD	$268.10	$189,718.7	$ 243,500.7	10.33x	8.63x	8.21x	18.6x	15.6x	14.7x	25.5x	20.7x	19.2x	2.7%	3.0%	3.5%
Restaurant Brands International Inc.	QSR	$ 81.56	$ 28,444.7	$ 44,538.7	4.11x	4.53x	4.50x	13.9x	14.1x	13.2x	28.9x	20.1x	18.4x	3.7%	4.0%	4.5%
Starbucks Corporation	SBUX	$105.76	$120,545.2	$ 139,395.2	3.35x	3.70x	3.55x	22.4x	22.9x	20.0x	69.9x	37.7x	32.0x	2.1%	2.3%	2.8%
Texas Roadhouse, Inc.	TXRH	$203.28	$ 13,343.5	$ 14,249.9	2.01x	2.18x	1.99x	17.3x	19.0x	16.6x	27.1x	30.8x	26.1x	2.9%	2.8%	3.4%
The Wendy's Company	WEN	$ 9.12	$ 1,738.9	$ 5,470.2	2.49x	2.48x	2.49x	11.0x	12.3x	12.3x	9.8x	17.8x	16.9x	4.5%	2.8%	3.1%
				Average	**3.4x**	**3.4x**	**3.3x**	**16.0x**	**16.5x**	**15.2x**	**26.6x**	**22.7x**	**20.1x**	**3.2%**	**3.0%**	**3.4%**
				Median	**2.5x**	**2.5x**	**2.5x**	**14.7x**	**14.9x**	**14.4x**	**24.5x**	**20.7x**	**18.8x**	**3.5%**	**3.0%**	**3.2%**
Yum! Brands, Inc.	YUM	$156.27	$ 42,646.3	$ 54,247.3	6.5x	6.2x	6.2x	18.4x	18.1x	17.7x	27.3x	19.9x	23.4x	3.7%	5.1%	4.3%

(1) Previous day's closing price
(2) Estimates are from Capital IQ
(3) Forward estimates as of calendar year
Source: Company reports, CapitalIQ, Stonegate Capital Partners

We use an EV/EBITDA framework to help frame YUM's relative valuation. YUM currently trades at 17.7x FY27E EV/EBITDA, compared with the peer-group average of 15.2x, median of 14.4x, and McDonald's at 14.7x. We believe McDonald's provides the most relevant individual comparison given its scale, global footprint, and franchise-heavy operating model. We apply a 16.0x to 20.0x FY27E EV/EBITDA range, with a midpoint of 18.0x, to our FY27E adjusted EBITDA estimate of $3,060M. We believe a premium to the broader peer group is supported by the variables mentioned above. This results in a valuation range of $143.63 to $189.86 per share, with a midpoint of $166.75.

We also use a P/E framework to help inform valuation. YUM currently trades at 23.4x FY27E earnings, compared with the peer-group average of 20.1x, median of 18.8x, and McDonald's at 19.2x. We apply a 23.5x to 26.5x FY27E P/E range, with a midpoint of 25.0x, to our FY27E diluted EPS estimate of $6.69. While the selected range represents a premium to the broader peer group, we believe it is reasonable when considering YUM's historical trading range as well as the other variables mentioned above. This results in a valuation range of $157.26 to $177.33 per share, with a midpoint of $167.30.

Lastly, we use FCF/EV yield as an additional valuation reference. YUM currently trades at a 4.3% FY27E FCF/EV yield, compared with the peer-group average of 3.4% and median of 3.2%. We believe FCF/EV yield is useful for YUM given the cash-generative nature of its franchise model and the Company's history of returning capital to shareholders. We apply an FY27E FCF/EV yield range of 3.50% to 4.00% to our FY27E free cash flow estimate of $2,338.5M. This results in a valuation range of $179.52 to $211.07 per share, with a midpoint of $194.24.

Company Overview

Company History

Yum! Brands, Inc. ("Yum!" or the "Company") was created in 1997 through the spin-off of PepsiCo.'s restaurant division, which consisted of Pizza Hut, Taco Bell, and KFC. PepsiCo. had acquired Pizza Hut in 1977, Taco Bell in 1978, and KFC in 1986, creating one of the world's largest quick-service restaurant (QSR) portfolios. Following the separation, the business operated as Tricon Global Restaurants before adopting the Yum! Brands name in 2002 after acquiring Yorkshire Global Restaurants, then the parent company of A&W Restaurants and Long John Silver's. Although the businesses became independent, Yum! continues to maintain a long-term beverage supply agreement with PepsiCo., under which Yum's restaurants continue serving Pepsi products.

Following the spin-off, Yum! focused on expanding its portfolio through a franchise model rather than operating restaurants directly. Each of its core brands had already developed proven franchising systems before joining PepsiCo., providing a scalable foundation for international expansion. Management supported franchisees through brand development, marketing, menu innovation, and operating systems while maintaining centralized control over strategy and capital allocation.

Exhibit 1: Rebranding of 2002

Source: Business Casual

Following its formation, Yum! periodically adjusted its brand portfolio to support long-term growth. Yum! acquired A&W Restaurants and Long John Silver's in 2002, although both chains were later divested in 2011. In 2012, Yum! acquired Little Sheep to strengthen its presence in China, but the growing scale and unique operating characteristics of its Chinese business ultimately led to the 2016 spin-off of Yum! China. Under the separation agreement, Yum! retained a perpetual royalty stream based on Yum! China's system sales, allowing both companies to pursue independent strategies while maintaining an economic relationship. More recently, Yum! acquired Habit Burger & Grill in 2020 for approximately $375 million, adding a fast-casual burger concept that provides long-term franchising potential alongside its established QSR brands.

In June 2026, Yum! announced the sale of its Pizza Hut business, marking the most significant change to the Company's portfolio since the 2016 separation of Yum! China. The Pizza Hut divestiture involves two buyers, with Yum! completing the $1.2 billion sale of the China operations to Yum China on August 7, 2026, while LongRange Capital is expected to acquire the remaining global operations for approximately $1.5 billion later in August, subject to customary closing conditions. The two transactions have an aggregate value of approximately $2.7 billion. Upon completion of the remaining transaction, Yum! will become a predominantly two-brand franchisor centered on KFC and Taco Bell, with Habit Burger & Grill providing a smaller, emerging growth platform. The divestiture is expected to simplify the Company's portfolio and shift its earnings mix toward its strongest-performing franchise businesses, positioning management to focus capital allocation and operational resources on its highest-return opportunities.

Business Model

Building on the established franchise systems of its core brands, Yum! continued expanding through that low-capital-intensity model. At the time of its separation from PepsiCo. in 1997, the Company operated approximately 30,000 restaurants across more than 100 countries. By 2Q26, prior to the Pizza Hut divestitures, Yum! had grown its global footprint to over 64,000 restaurants in 157 countries and territories. Over the same period, the business transitioned from roughly 50% franchised to approximately 97% franchised, reinforcing its operating model and increasing the proportion of recurring royalty-based earnings.

Through this model, franchisees operate individual restaurants, while master franchisees and licensees develop and operate larger territories. These partners provide the capital to develop and operate restaurants, while Yum! retains ownership of its brands and operating systems and supports them through marketing, technology, training, and operational expertise. In return, franchisees pay recurring royalties based on restaurant sales, as well as franchise and licensing fees. This asset-light structure allows Yum! to expand its global restaurant network with limited corporate investment while generating a high margin. Because franchisees bear most store-level operating risk, the long-term success of the model depends on attractive restaurant-level economics. Consequently, Yum! invests in menu innovation, digital capabilities, advertising, and operational improvements to strengthen franchisee profitability, encouraging new unit development and expanding its royalty base.

Corporate Structure

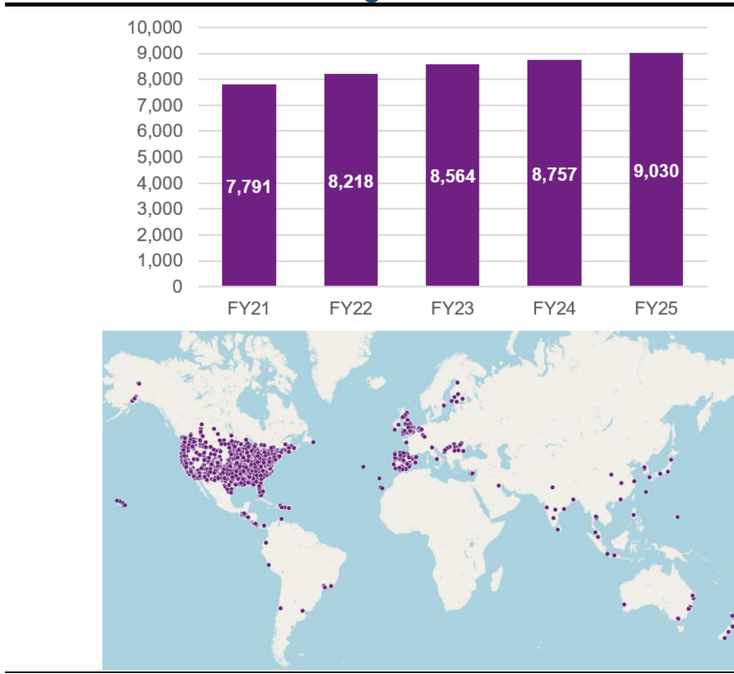
Yum! Brands currently uses a brand-based reporting structure consisting of four operating segments: the KFC Division, Taco Bell Division, Pizza Hut Division, and Habit Burger & Grill Division. Following completion of the pending Pizza Hut ex-China divestiture, the Company will no longer report Pizza Hut as a separate division. Each segment includes the worldwide operations of its respective restaurant concept and maintains separate financial information, allowing management to assess the performance of each brand independently. The Chief Executive Officer serves as the chief operating decision maker and evaluates each segment primarily through Divisional Operating Profit when assessing performance and allocating resources. Corporate expenses and other items that cannot be assigned directly to a particular brand are reported separately as corporate and unallocated amounts. This structure gives each brand operational focus while allowing Yum! Brands to manage capital allocation, technology, human resources, and overall strategy at the corporate level.

Yum! Brands

Taco Bell

Founded in 1962 by Glen Bell, Taco Bell pioneered the Mexican-inspired quick-service restaurant category in the United States. The brand differentiates itself through a combination of proprietary products, including the Crunchwrap Supreme and Chalupa, and an efficient menu architecture that relies on shared ingredients across tacos, burritos, and quesadillas. This simplifies operations while supporting menu innovation and attractive restaurant-level margins.

Exhibit 2: Taco Bell Ending Units and Restaurant Footprint



Source: Stonegate Research

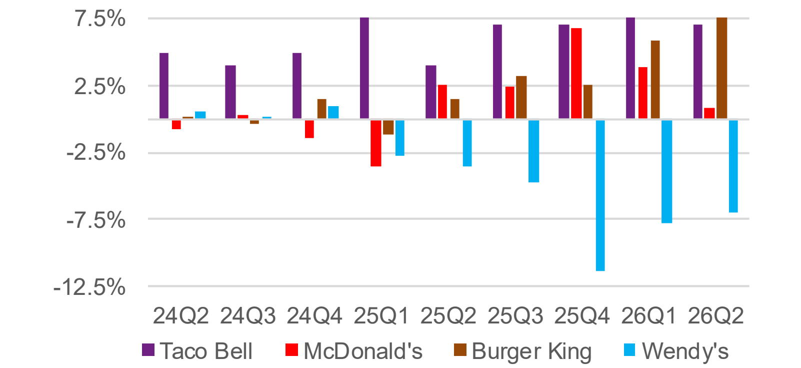
Taco Bell's value proposition extends beyond low prices. A broad value menu drives customer frequency, while limited-time offers, premium Cantina products, and customizable meal bundles encourage trading up and sustain consumer engagement. The brand has consistently maintained one of the strongest value perceptions in the QSR industry, allowing it to attract budget-conscious consumers while preserving pricing flexibility. This position has historically proven resilient during periods of weaker consumer spending, when customers increasingly prioritize affordability without sacrificing convenience.

While Taco Bell has established itself as one of the strongest restaurant brands in the U.S., its international business remains comparatively underpenetrated. Unlike KFC, which already operates at significant global scale, Taco Bell is still in the early stages, providing a long runway for unit growth. Management has outlined a goal of exceeding 3,000 international restaurants by 2030, leveraging Yum!'s established franchise relationships, market knowledge, and development infrastructure to accelerate expansion. The international opportunity is less about proving the concept than replicating a business model that has already demonstrated success domestically.
Domestically, Taco Bell has consistently generated industry-leading same-store sales, reflecting a combination of product innovation, value leadership, and effective marketing. Sustained comparable sales growth not only supports royalty revenue for Yum! Brands but also strengthens franchise economics by increasing restaurant-

level profitability and shortening payback periods for new units. As a result, Taco Bell remains one of the most attractive development concepts within U.S. quick-service restaurants.

Strong restaurant economics ultimately underpin Taco Bell's long-term growth potential. Higher average unit volumes create operating leverage, allowing incremental sales to translate into disproportionately higher restaurant profits. Because the overwhelming majority of Taco Bell locations are franchised, stronger unit economics improve franchisee returns and increase incentives to reinvest in new restaurant development. This creates a virtuous cycle in which improving restaurant profitability supports faster unit expansion, while Yum! benefits from recurring, high-margin royalty income without significant capital investment.

Exhibit 3: U.S. Same-Store Sales: Taco Bell vs. QSR Comps



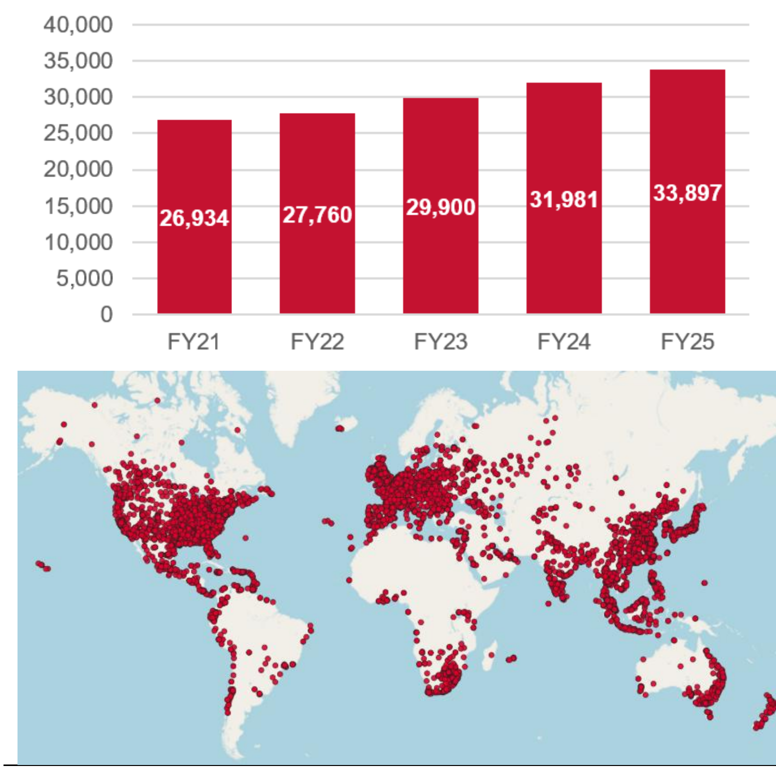
Source: Stonegate Research

KFC

Founded by Colonel Harland Sanders and built around its proprietary blend of 11 herbs and spices, KFC transformed fried chicken into one of the world's most recognizable restaurant concepts. Its menu architecture extends the same core chicken platform across bone-in meals, buckets, tenders, sandwiches, and wraps, allowing the brand to serve both individual and group occasions while maintaining operational consistency.

KFC's defining strength lies in its international business. With most of its restaurants located outside the United States, it has built one of the largest and most diversified global restaurant networks in the industry. This scale enables KFC to adapt a globally recognized brand to local tastes, formats, and price points while leveraging Yum!'s franchise relationships, supply chain capabilities, and development expertise. Geographic diversification also reduces dependence on any single market, allowing strength in faster-growing regions to offset periods of weakness elsewhere.

Exhibit 4: KFC Ending Units and Restaurant Footprint



Source: Stonegate Research

International development remains KFC's primary growth engine. Unlike many mature restaurant concepts that rely predominantly on same-store sales growth, KFC continues to expand through new restaurant openings across both developed and emerging markets. The brand's highly franchised model allows local operators to fund expansion while Yum! earns recurring, capital-light royalty income, making international development both scalable and financially attractive. Management continues to view white-space expansion across international markets as one of the company's largest long-term growth opportunities.

While KFC's international business remains a clear competitive advantage, its U.S. operations represent its largest opportunity for improvement. Despite strong consumer demand for chicken, the domestic market has become increasingly competitive as both established chains and newer entrants have expanded aggressively. As a result, KFC's traditional bone-in positioning has become less differentiated than it is internationally. Improving the brand's relevance in its home market through menu innovation, value, and operational execution would provide a meaningful incremental earnings opportunity without changing the broader international growth story.

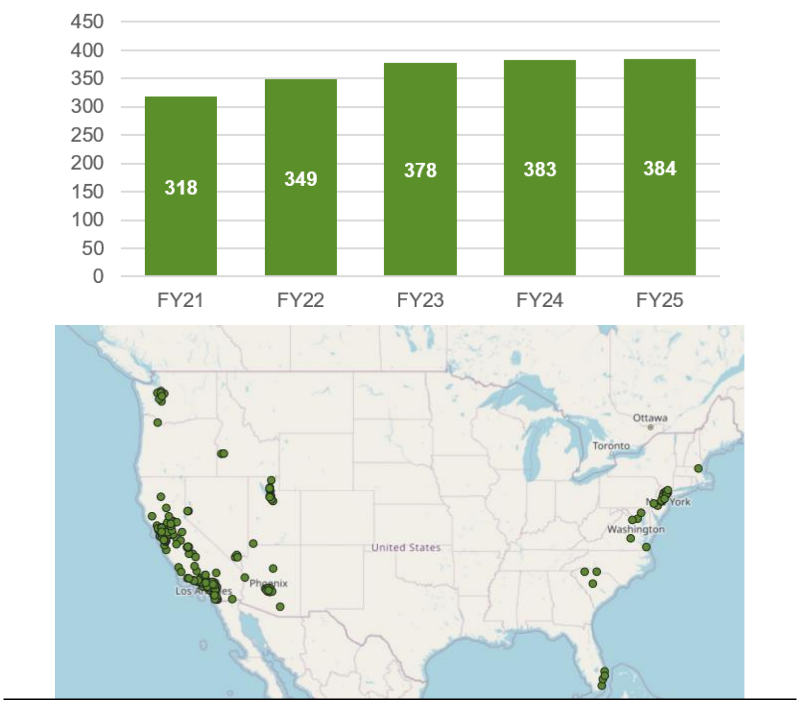
KFC's long-term investment case therefore rests on two complementary drivers. The first is sustained international unit expansion, while the second is execution of a broader global growth strategy aimed at modernizing the brand and accelerating same-store sales. Continued development supports steady royalty growth through Yum!'s capital-light franchise model, while stronger comps and higher AUVs should improve restaurant economics and create additional runway for long-term earnings growth.

Habit Burger & Grill

Habit Burger & Grill represents a small portion of Yum! Brands' business and differs fundamentally from the company's mature, highly franchised brands. Acquired in 2020, Habit operates in the fast-casual burger segment with a differentiated menu centered on freshly prepared, cooked-to-order products such as the Charburger and Tempura Green Beans. The acquisition expands Yum!'s exposure beyond chicken, pizza, and Mexican-inspired cuisine while providing a platform in one of the largest restaurant categories.

Unlike KFC and Taco Bell, Habit remains in the early stages of development. The brand continues to operate a significant company-owned restaurant base, giving management greater control over menu innovation, operations, and unit economics before pursuing broader franchise expansion. While this makes the business more capital intensive than Yum!'s core brands, it also provides flexibility to refine the concept before transitioning toward a more asset-light model.

Exhibit 5: Habit Burger & Grill Restaurant Footprint and Ending Units



Source: Stonegate Research

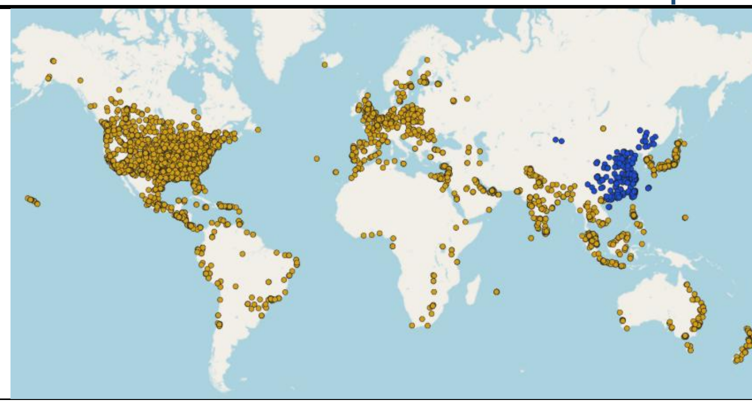
Management's long-term objective appears to be replicating the franchise-led growth strategy that has proven successful across the rest of the portfolio. As restaurant economics improve and franchise interest expands, Habit has the potential to shift toward a predominantly franchised system, reducing capital requirements while increasing the contribution of recurring, high-margin royalty income. Although the brand remains small relative to Yum!'s larger concepts, it offers meaningful white-space opportunity should management successfully scale the franchise model.

Habit also benefits from capabilities already established across Yum!'s global platform, including purchasing scale, franchise relationships, digital ordering infrastructure, loyalty programs, and the Byte technology ecosystem. These shared capabilities lower execution risk and provide operational advantages that would be difficult for an independent concept to replicate. While Habit is unlikely to become a material earnings contributor in the near term, it represents a valuable long-term growth option that complements Yum!'s established portfolio.

Pizza Hut Sale

Following a strategic review announced in November 2025, Yum! agreed in June 2026 to divest Pizza Hut after management concluded that the brand required disproportionate operational attention and capital while offering lower long-term growth and franchise returns than Taco Bell and KFC. The decision reflects Yum!'s strategy of simplifying its portfolio and concentrating resources behind its highest-return franchise businesses.

Exhibit 6: Global v. China Pizza Hut Restaurant Footprint



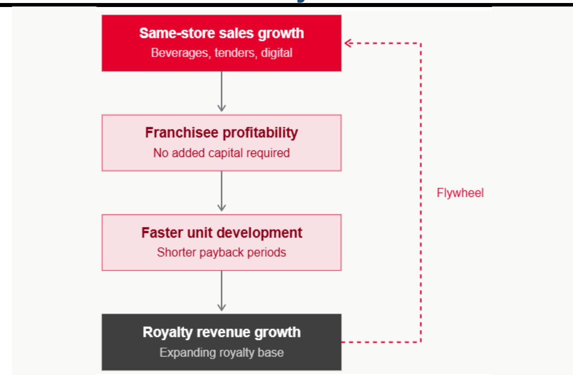
Source: Stonegate Research

The transactions value Pizza Hut at approximately $2.7 billion in aggregate. On August 7, 2026, Yum! completed the $1.2 billion sale of Pizza Hut China to Yum China, while LongRange Capital is expected to acquire the remaining global business for approximately $1.5 billion later in August, subject to customary closing conditions. Across the two transactions, Yum! expects to receive approximately $2.3 billion of net proceeds after taxes and transaction-related adjustments. Management intends to deploy the proceeds through its broader capital allocation framework, including support for the Company's newly authorized $4.0 billion share repurchase program, while continuing to provide limited transition and technology services during the separation process. Going forward, the divestiture represents an important inflection point for reported financial results, which will increasingly reflect a more focused portfolio centered on Taco Bell, KFC and Habit Burger & Grill.

Investment Thesis

Yum!'s predominantly franchised business model is the foundation of the investment case. Franchisees fund the construction and operation of new restaurants, while Yum! collects recurring royalties based on restaurant sales. As a result, incremental system sales translate into high margin royalty revenue with limited corporate capital investment. This structure also means that long term earnings growth depends less on Company owned restaurant performance and more on the willingness of franchisees to continue opening new locations. Restaurant level returns are therefore one of the most important drivers of future royalty growth. Management has stated that approximately 80% of KFC markets currently achieve payback periods of four years or less, illustrating the attractive economics of the franchise model. It also identified higher sales, lower operating costs through technology and supply chain initiatives, and lower development costs as the primary levers to further improve franchisee returns. As restaurant payback periods decline, franchisees have a stronger incentive to reinvest in additional locations, supporting continued unit expansion and long term royalty revenue growth.

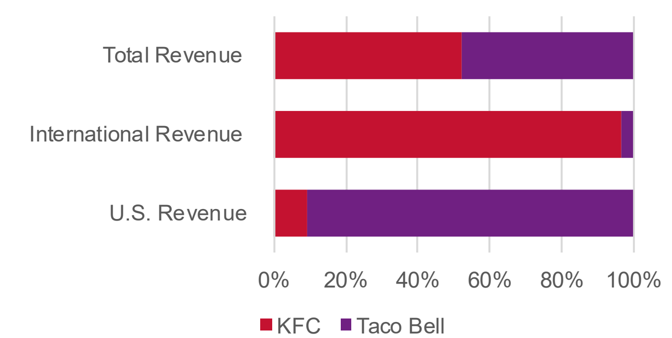
Exhibit 7: Same-Store Flywheel



Source: Company filings

Taco Bell and KFC provide complementary sources of growth. Taco Bell is the primary domestic growth and innovation engine, supported by strong restaurant economics, product development and market share gains in the United States. KFC provides international scale and access to markets where restaurant penetration remains lower. KFC has historically relied more heavily on unit development, but management is seeking to add stronger same store sales growth through beverages, sauces, tenders, loyalty, digital engagement and improved marketing execution. Faster comparable sales would raise restaurant profitability without requiring additional construction capital, making same store sales an input into future development rather than only a measure of current demand.

Exhibit 8: U.S. vs. International Revenue Mix between KFC and Taco Bell



Source: Stonegate Research

Technology is part of the same economic argument. Self-order kiosks provide an early example of how technology can change restaurant productivity. Their value did not come solely from removing labor. They shifted employees away from transaction processing and toward preparation and service, with the return appearing through higher throughput and average check sizes. AI applies that model to the back of house. KFC is targeting tasks such as scheduling, inventory ordering and product flow planning that absorb restaurant managers' time but do not directly serve customers. Automating part of this work can redirect experienced managers toward crew supervision and guest execution while reducing the administrative burden attached to the role.

Byte by Yum! is the operating system intended to distribute these capabilities across the franchise network. The platform connects digital ordering, point of sale, kitchen display systems and back of house functions through a common technology layer built for Yum!'s scale. Management is introducing the platform through separate test markets, with Australia leading digital ordering and the United Kingdom leading SmartOps and back of house deployment. This phased rollout is intended to identify operating issues and establish a repeatable implementation process before broader international adoption.

The investment case is not based on technology spending by itself. It depends on whether Byte, AI, digital ordering and loyalty produce higher sales, fewer ordering failures, lower stockouts, better labor allocation and simpler restaurant operations. Ex-Pizza Hut, digital sales reached a 61% mix in 2Q26, giving Yum! a large installed base on which to build loyalty and customer identification. Loyalty allows the brands to direct offers toward identified customers rather than discounting broadly, which can support frequency while protecting price. If these investments improve restaurant-level cash flow and shorten payback periods, franchisees should have a stronger reason to open additional units.

Exhibit 9: Byte and its implementation

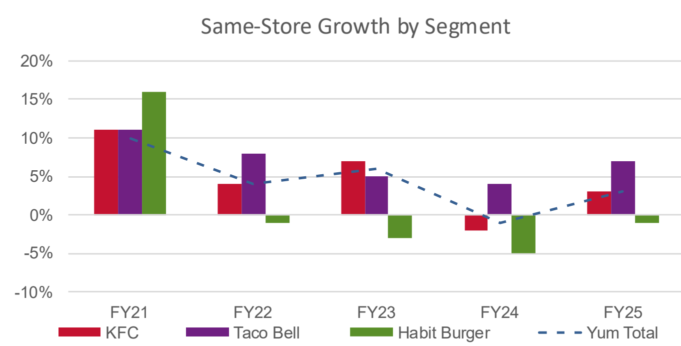
Source: Company website

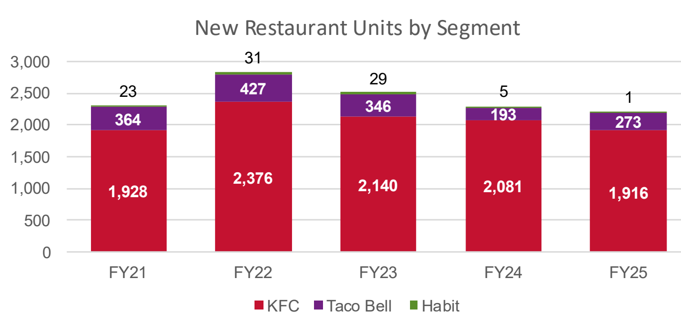
Looking ahead, we believe Yum!'s investment case will be driven by the execution of three operating priorities. The first is a sustained acceleration in same-store sales, particularly at KFC, where management's initiatives around beverages, loyalty, digital ordering and operational improvements are intended to improve restaurant productivity and franchisee returns. Higher comparable sales increase restaurant-level profitability without requiring incremental capital investment, strengthening the incentive for franchisees to continue expanding the system.

The second catalyst is continued international restaurant development. While Taco Bell remains the Company's strongest domestic growth engine, KFC continues to offer one of the largest international development opportunities in global quick-service restaurants. Management has consistently emphasized that future royalty growth depends on expanding the restaurant base across underpenetrated markets where franchise economics remain attractive. Continued unit development would demonstrate that franchisees remain willing to invest despite a more challenging consumer environment.

Finally, Franchise & Property Revenue is the clearest measure of whether Yum!'s asset-light model continues to translate system growth into recurring, high-margin earnings. While investments in Byte by Yum!, AI-enabled restaurant operations and digital capabilities are important enablers, their success should ultimately be measured through stronger restaurant economics, faster development activity and growing royalty revenue. We believe continued progress across these operating metrics provides the clearest path to long-term earnings growth and shareholder value creation.

Exhibit 10: Select Yum! KPIs

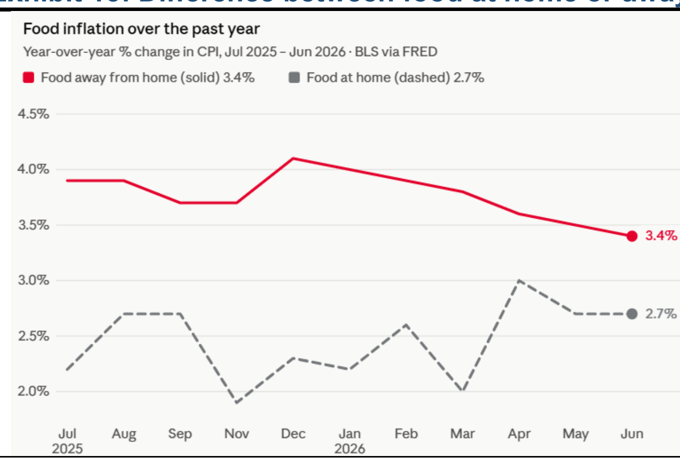




Source: Stonegate Research (ex Pizza Hut)

Market Overview

Exhibit 13: Difference between food at home or away



Source: FRED

The restaurant industry enters 2026 with better numbers than sentiment. 2025 was a year of recalibration, as operators absorbed cost inflation they could no longer pass through, tightened cost structures, and shifted from broad expansion to defending store-level profitability, and that reset has largely held into this year. The National Restaurant Association projects U.S. sales of $1.55 trillion in 2026, real growth of 0.8%, and roughly 100,000 net jobs added to take employment to 15.8 million, while Technomic's mid-year update is less generous at 0.7% net real growth, with the fastest limited-service expansion in coffee, chicken and beverage/snack concepts. The gap between the two is largely a question of how much of the growth is price rather than volume, and on either estimate demand remains the binding constraint. The consumer pullback that began with lower-income households worsened among middle-income cohorts through the second half of 2025, and it is no longer confined to the bottom of the income distribution, with Technomic finding 46% of consumers visiting restaurants less often because of fuel costs and only 11% of households earning above $100,000 describing themselves as unconcerned about the economy. The category is also first in line when budgets tighten, as EY-Parthenon's consumer survey identifies restaurants, takeout and delivery as the category consumers are most likely to cut, ahead of entertainment, travel and home maintenance. With consumers eating out less frequently, they become more selective and demanding, putting more pressure on QSRs. The condition to underwrite is stabilization rather than recovery, since costs are no longer accelerating and pricing has largely reset, but nothing in the data suggests traffic returns on its own, which makes 2026 a share-shift year.

The backdrop has made value the competitive axis, though what consumers mean by value has moved in a way that matters for margin. Value is no longer limited to lowest price, guests now judge it through weighing food quality, order accuracy, speed and reliability alongside the price on the board. This means the winning construct is a bundle the customer judges worth the money rather than the cheapest item available. That distinction matters commercially because a brand competing purely on price has no defense when a competitor undercuts it, while a brand competing on bundle has room to hold margin. Taco Bell's execution is the clearest illustration. When competitors converged on a $5 price point, Taco Bell moved the other way with a $7 and $9 lunch box in addition to the $5 one, on the logic that a customer will pay a modest premium to get what they actually wanted rather than accept a cost-engineered compromise, which is value expressed through menu construction rather than discounting. KFC is running a version of the same playbook through product range rather than price architecture, with bigger and crispier tenders, an expanded sauce lineup, and a shift toward boneless in markets where the consumer has already moved. The willingness to fund these value options reveals their strategic benefit, with McDonald's openly contributing corporate dollars to keep franchisees whole on national value offers because maintaining its value position outweighs the forgone margin.

Exhibit 14: Taco Bell Luxe Boxes proposed value

Source: Company website

If value is delivered through bundle and execution rather than price, the cost of that execution has to come down somewhere, making technology a structural requirement. The near-term case for AI rests on reducing labor dependence across both front and back of house. The QSR industry has run this play before with self-order kiosks, now standard equipment and still its fastest-growing ordering channel at 35% growth in PAR's 2026 index, where the gain came from reallocation rather than replacement, moving staff off transaction processing and into preparation and service so the return showed up in throughput and check rather than headcount. AI extends that logic from the counter into management. KFC's approach targets restaurant general managers, who currently spend much of their time on scheduling, inventory ordering and product-flow planning, none of it customer-facing and all of it automatable, and the return is the same reallocation, redirecting the most experienced person in the building toward guests and crew while making the role easier to fill in a category where turnover is a standing cost. As consumers demand more channels, more customization and more flavors, that complexity lands in the back of house, and absent a change in how the back of house operates a brand cannot serve the demand it has created without degrading the execution that value now depends on.

The same infrastructure feeds loyalty, which is where the category is putting its growth capital. Loyalty transactions across the sector rose 28.5% last year while anonymous transactions declined. This shift highlights that brands that do not identify customers can only discount everybody, which is expensive and erodes price integrity, while a brand that can identify them discounts selectively, driving targeted consumption. Loyalty is less a marketing program than the mechanism that makes a value platform affordable to run, and the payoff comes through frequency rather than basket size. That reframing has turned loyalty penetration into a competitive variable, and on that measure KFC has ground to make up, with over half its top 20 markets lacking a program when the current division CEO stepped in and all 20 expected to have one by year-end. The response runs through Byte by Yum!, the technology stack Yum! built in-house on the view that no third-party platform could scale across a system of this size, which gives the group a common layer across markets and brands and is being deployed to KFC through lighthouse markets, Australia for e-commerce and the U.K. for back-of-house operations, before broader rollout. Ex-Pizza Hut, digital sales reached a 61% mix in 2Q26, providing the installed base on which loyalty can be built.

Conditions have been difficult and are improving at the margin, and the franchised model is why Yum! is positioned to benefit. Unit economics are the binding constraint on growth in a franchised system, and the company works them on three fronts, sales leverage first, then cost through a newly centralized global supply chain function, then build capex. What is harder for a competitor to replicate is the franchise base itself. Yum's development advantage rests less on brand recognition than on having secured the best local operating partners in each market decades ago, and management is explicit that capital is the easy part of that equation while capability is the scarce one. Approximately 80% of KFC markets have payback periods of less than four years which indicates the model still funds itself, which matters more than usual in a year when sector development is forecast at roughly 0.5% and a large share of operators are running unprofitable stores. That gap is the market overview's conclusion, since development capital in this environment flows to the systems where franchisees can still underwrite a return, and few systems can make that case as broadly across geographies.

Risks

Franchisee Health and Development – Yum!'s restaurants are operated by franchisees, making system growth dependent on their financial health and willingness to invest. Higher food, labor, construction and financing costs could pressure restaurant returns, slow remodels and technology adoption, or reduce new-unit development. Financial distress at a large operator could also affect royalties and leave Yum! exposed under certain lease guarantees.

International and Geopolitical Exposure – Yum! operates across more than 150 countries and territories, with KFC particularly dependent on international markets. Political instability, military conflict, sanctions, tariffs, foreign-exchange volatility, boycotts and anti-American sentiment could weigh on sales, development and royalty collection. Yum! also has meaningful exposure to mainland China through Yum! China, its largest franchisee, which pays a 3% royalty on KFC and Taco Bell restaurant sales in Mainland China.

Brand and Consumer Execution - Following the Pizza Hut separation, Yum!'s earnings profile will become increasingly dependent on Taco Bell and KFC. A slowdown in Taco Bell's U.S. same-store sales, weaker franchisee returns, or softer KFC development overseas would have a greater impact on consolidated results. Changing consumer preferences, weaker discretionary spending and more aggressive competition could also pressure traffic, pricing and market share.

Byte, Digital and Cybersecurity - Byte is central to Yum!'s strategy to improve restaurant operations and franchisee economics, but technology rollouts across a large global franchise system carry execution risk. Delays, system outages, weak franchisee adoption or lower-than-expected productivity benefits could limit the return on these investments. Greater reliance on digital ordering, customer data and third-party platforms also increases cybersecurity, privacy and operational exposure.

Cost Inflation and Supply Chain – Yum! and its franchisees are exposed to volatility in food, labor, packaging, transportation and occupancy costs. If franchisees cannot offset higher expenses through pricing or productivity, restaurant margins and development returns could deteriorate. Supply disruptions, food-safety incidents or shortages of key products, particularly poultry, could also interrupt operations and damage brand perception.

Leverage and Legal Exposure – Yum! carried approximately $12 billion of debt at year-end 2025, which requires substantial interest payments and could reduce flexibility if operating trends weaken or refinancing costs rise. The Company is also contesting an IRS claim related to its 2014 restructuring involving approximately $2.1 billion of tax, $418 million of penalties and accrued interest. An unfavorable outcome could have a material impact on Yum!'s financial position.

BALANCE SHEET

Yum! Brands, Inc.
Consolidated Balance Sheets ($M)
Fiscal Year End: December

ASSETS	FY 2021	FY 2022	FY 2023	FY 2024	Q1 Mar-25	Q2 Jun-25	Q3 Sep-25	Q4 Dec-25	FY 2025	Q1 Mar-26	Q2 Jun-26
Cash and cash equivalents	486	367	512	616	607	677	1,045	709	709	689	674
Accounts and notes receivable	596	648	737	775	712	756	744	841	841	828	623
Prepaid expenses and other current assets	450	594	360	480	408	394	415	490	490	513	498
Assets Held for Sale	-	-	-	-	-	-	-	-	-	-	746
Total Current Assets	**1,532**	**1,609**	**1,609**	**1,871**	**1,727**	**1,827**	**2,204**	**2,040**	**2,040**	**2,030**	**2,541**
Property, plant and equipment, net of accumul	1,207	1,171	1,197	1,304	1,338	1,383	1,422	1,605	1,605	1,622	1,614
Goodwill	657	638	642	736	746	792	779	969	969	971	716
Intangible assets, net	359	354	377	416	418	454	462	909	909	899	807
Other assets	1,487	1,324	1,361	1,329	1,366	1,400	1,428	1,708	1,708	1,738	1,629
Deferred income taxes	724	750	1,045	1,071	1,065	1,061	898	965	965	952	1,373
Total Assets	**5,966**	**5,846**	**6,231**	**6,727**	**6,659**	**6,917**	**7,192**	**8,197**	**8,197**	**8,212**	**8,682**
LIABILITIES AND SHAREHOLDERS' EQUITY											
Accounts payable and other current liabilities	1,334	1,251	1,169	1,211	1,179	1,223	1,217	1,433	1,433	1,342	1,191
Income taxes payable	13	16	55	31	21	34	36	46	46	35	26
Short-term borrowings	68	398	53	27	30	971	48	38	38	1,741	2,813
Liabilities Held for Sale	-	-	-	-	-	-	-	-	-	-	262
Total Current Liabilities	**1,415**	**1,665**	**1,277**	**1,269**	**1,230**	**2,228**	**1,301**	**1,517**	**1,517**	**3,118**	**4,292**
Long-term debt	11,178	11,453	11,142	11,306	11,327	10,418	11,506	11,872	11,872	10,213	9,462
Other liabilities and deferred credits	1,746	1,604	1,670	1,800	1,906	1,951	1,890	2,133	2,133	2,164	2,035
Other liabilities	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	**14,339**	**14,722**	**14,089**	**14,375**	**14,463**	**14,597**	**14,697**	**15,522**	**15,522**	**15,495**	**15,789**
Common Stock	-	-	60	-	-	-	-	-	-	-	-
Accumulated deficit	(8,048)	(8,507)	(7,616)	(7,256)	(7,434)	(7,361)	(7,183)	(7,014)	(7,014)	(6,971)	(6,809)
Accumulated other comprehensive loss	(325)	(369)	(302)	(392)	(371)	(319)	(322)	(311)	(311)	(312)	(298)
Other Shareholders' Equity	-	-	-	-	-	-	-	-	-	-	-
Total Consolidated Equity	**(8,373)**	**(8,876)**	**(7,858)**	**(7,648)**	**(7,805)**	**(7,680)**	**(7,505)**	**(7,325)**	**(7,325)**	**(7,283)**	**(7,107)**
Total Liabilities and Shareholders' Equity	**5,966**	**5,846**	**6,231**	**6,727**	**6,659**	**6,917**	**7,192**	**8,197**	**8,197**	**8,212**	**8,682**
Liquidity											
Current Ratio	1.1x	1.0x	1.3x	1.5x	1.4x	0.8x	1.7x	1.3x	1.3x	0.7x	0.6x
Cash Ratio	0.3x	0.2x	0.4x	0.5x	0.5x	0.3x	0.8x	0.5x	0.5x	0.2x	0.2x
Net Working Capital	117	(56)	332	602	497	(401)	903	523	523	(1,088)	(1,751)
Operating Working Capital	(738)	(603)	(432)	(436)	(467)	(467)	(473)	(592)	(592)	(514)	(568)

Source: Company Reports, Stonegate Capital Partners

INCOME STATEMENT

Yum! Brands, Inc.
Consolidated Statements of Income (in USD$ M, except per share amounts)
Fiscal Year End: December

	FY 2022	FY 2023	FY 2024	Q1 Mar-25	Q2 Jun-25	Q3 Sep-25	Q4 Dec-25	FY 2025	Q1 Mar-26	Q2 Jun-26	Q3 E Sep-26	Q4 E Dec-26	FY 2026	Q1 E Mar-27	Q2 E Jun-27	Q3 E Sep-27	Q4 E Dec-27	FY 2027
Company sales	2,072	2,142	2,552	607	669	697	971	2,944	785	837	815	1,024	3,461	766	824	860	1,079	3,528
Franchise and property revenues	3,096	3,247	3,295	785	835	857	997	3,474	856	895	862	955	3,569	789	829	861	1,027	3,506
Franchise contributions for advertising and other s	1,674	1,687	1,702	395	428	426	547	1,796	418	438	400	484	1,740	368	386	400	513	1,666
Total Revenues	**6,842**	**7,076**	**7,549**	**1,787**	**1,932**	**1,980**	**2,515**	**8,214**	**2,059**	**2,170**	**2,078**	**2,464**	**8,771**	**1,923**	**2,040**	**2,121**	**2,618**	**8,701**
Operating Expenses:																		
Company restaurant expenses	1,745	1,774	2,120	520	560	587	815	2,482	677	700	690	850	2,917	632	681	712	890	2,915
Franchise and property expenses	123	123	134	34	39	35	33	141	43	41	36	37	157	31	33	34	40	138
Franchise advertising and other services expense	1,667	1,683	1,711	396	428	427	547	1,798	419	444	400	479	1,742	363	381	395	508	1,646
Gross Profit	**3,307**	**3,496**	**3,584**	**837**	**905**	**931**	**1,120**	**3,793**	**920**	**985**	**952**	**1,097**	**3,954**	**897**	**945**	**980**	**1,181**	**4,002**
General and administrative expenses	1,140	1,193	1,181	302	302	282	377	1,263	322	324	308	347	1,301	279	284	291	350	1,202
Refranchising (gain) loss	(27)	(29)	(34)	(5)	(11)	(17)	(15)	(48)	(1)	(1)	-	-	(2)	-	-	-	-	-
Other (income) expense	7	14	34	(8)	(7)	(1)	18	2	(45)	6	-	-	(39)	-	-	-	-	-
Total Operating Expenses	1,120	1,178	1,181	289	284	264	380	1,217	276	329	308	347	1,260	279	284	291	350	1,202
Operating Income	**2,187**	**2,318**	**2,403**	**548**	**621**	**667**	**740**	**2,576**	**644**	**656**	**644**	**750**	**2,694**	**618**	**661**	**690**	**832**	**2,800**
Investment (income) expense, net	(11)	(7)	21	(1)	-	-	-	(1)	-	(6)	-	-	(6)	-	-	-	-	-
Other pension (income) expense	9	(6)	(7)	-	(1)	1	(2)	(2)	-	-	-	-	-	-	-	-	-	-
Interest expense, net	527	513	489	120	123	124	(2)	500	128	128	129	125	510	125	125	125	125	499
Profit Before Taxes	**1,662**	**1,818**	**1,900**	**429**	**499**	**542**	**609**	**2,079**	**516**	**534**	**515**	**624**	**2,190**	**493**	**536**	**565**	**707**	**2,301**
Provision for Income Tax	337	221	414	176	125	144	72	517	84	(320)	118	144	26	113	123	130	163	529
Net Income	**1,325**	**1,597**	**1,486**	**253**	**374**	**398**	**537**	**1,562**	**432**	**854**	**397**	**481**	**2,163**	**380**	**413**	**435**	**544**	**1,772**
Basic EPS	**4.63**	**5.68**	**5.28**	**0.90**	**1.34**	**1.43**	**1.93**	**5.59**	**1.56**	**3.11**	**1.46**	**1.78**	**7.91**	**1.42**	**1.56**	**1.66**	**2.10**	**6.74**
Diluted EPS	**4.57**	**5.59**	**5.22**	**0.90**	**1.33**	**1.42**	**1.92**	**5.55**	**1.55**	**3.08**	**1.45**	**1.77**	**7.86**	**1.41**	**1.55**	**1.65**	**2.09**	**6.69**
WTD Shares Out - Basic	286	281	281	280	279	278	278	279	277	275	272	270	273	267	264	262	259	263
WTD Shares Out - Diluted	290	286	285	282	281	281	280	281	279	277	274	271	275	269	266	263	261	265
EBITDA	**2,333**	**2,471**	**2,578**	**593**	**665**	**717**	**807**	**2,782**	**704**	**715**	**699**	**805**	**2,923**	**673**	**716**	**745**	**887**	**3,020**
Adjusted EBITDA	**2,318**	**2,559**	**2,719**	**620**	**694**	**734**	**854**	**2,902**	**698**	**759**	**719**	**815**	**2,991**	**683**	**726**	**755**	**897**	**3,060**
Margin Analysis																		
Gross Margin	48.3%	49.4%	47.5%	46.8%	46.8%	47.0%	44.5%	46.2%	44.7%	45.4%	45.8%	44.5%	45.1%	46.6%	46.3%	46.2%	45.1%	46.0%
Operating Margin	32.0%	32.8%	31.8%	30.7%	32.1%	33.7%	29.4%	31.4%	31.3%	30.2%	31.0%	30.4%	30.7%	32.1%	32.4%	32.5%	31.8%	32.2%
EBITDA Margin	33.9%	36.2%	36.0%	34.7%	35.9%	37.1%	34.0%	35.3%	33.9%	35.0%	34.6%	33.1%	34.1%	35.5%	35.6%	35.6%	34.2%	35.2%
Pre-Tax Margin	24.3%	25.7%	25.2%	24.0%	25.8%	27.4%	24.2%	25.3%	25.1%	24.6%	24.8%	25.3%	25.0%	25.6%	26.3%	26.6%	27.0%	26.4%
Net Income Margin	19.4%	22.6%	19.7%	14.2%	19.4%	20.1%	21.4%	19.0%	21.0%	39.4%	19.1%	19.5%	24.7%	19.7%	20.2%	20.5%	20.8%	20.4%
Tax Rate	20.3%	12.2%	21.8%	41.0%	25.1%	26.6%	11.8%	24.9%	16.3%	-59.9%	23.0%	23.0%	1.2%	23.0%	23.0%	23.0%	23.0%	23.0%
Growth Rate Y/Y																		
Total Revenue	3.9%	3.4%	6.7%	11.8%	9.6%	8.4%	6.5%	8.8%	15.2%	12.3%	5.0%	-2.0%	6.8%	-6.6%	-6.0%	2.1%	6.3%	-0.8%
Total cost of revenues	9.1%	5.2%	0.3%	3.2%	8.4%	6.9%	-3.1%	3.0%	-4.5%	15.8%	16.5%	-8.6%	3.5%	1.0%	-13.8%	-5.5%	0.6%	-4.6%
Operating Income	2.2%	6.0%	3.7%	5.4%	2.3%	7.8%	12.6%	7.2%	17.5%	5.6%	-3.4%	1.3%	4.6%	-4.1%	0.8%	7.1%	10.9%	3.9%
Pre-Tax Income	-0.7%	9.4%	4.5%	12.0%	2.5%	8.0%	15.3%	9.4%	20.3%	7.0%	-5.0%	2.5%	5.3%	-4.4%	0.4%	9.6%	13.2%	5.1%
Net Income	-15.9%	20.5%	-7.0%	-19.4%	1.9%	4.2%	27.0%	5.1%	70.8%	128.3%	-0.3%	-10.5%	38.5%	-12.1%	-51.6%	9.6%	13.2%	-18.1%

Source: Company Reports, Stonegate Capital Partners estimates

CASH FLOW STATEMENT

Yum! Brands, Inc.
Consolidated Cash Flow Statements ($M)
Fiscal Year End: December

CASH FLOW	FY 2021	FY 2022	FY 2023	Q1 Mar-24	Q2 Jun-24	Q3 Sep-24	Q4 Dec-24	FY 2024	Q1 Mar-25	Q2 Jun-25	Q3 Sep-25	Q4 Dec-25	FY 2025	Q1 Mar-26	Q2 Jun-26
Operating Activities															
Profit of the year	1,575	1,325	1,597	314	367	382	423	1,486	253	375	396	535	1,559	432	853
Depreciation and amortization	164	146	153	35	41	44	55	175	45	44	50	67	206	60	59
Refranchising (gain) loss	(35)	(27)	(29)	(5)	(14)	(12)	(3)	(34)	(5)	(11)	(17)	(15)	(48)	(1)	(1)
Deferred income taxes	(200)	(55)	(290)	21	(9)	(7)	(35)	(30)	8	4	163	(68)	107	13	(424)
Share-based compensation expense	75	84	95	23	15	14	17	69	21	16	17	16	70	24	11
Other, net before working capital changes	(67)	(1)	6	22	-	(1)	12	33	-	(1)	-	22	21	-	-
Cash Flow from operating activities before working capital changes	**1,512**	**1,472**	**1,532**	**410**	**400**	**420**	**469**	**1,699**	**322**	**427**	**609**	**557**	**1,915**	**528**	**498**
Changes in accounts and notes receivable	(46)	(84)	(89)	44	(29)	13	(81)	(53)	71	(37)	17	(96)	(45)	28	(12)
Changes in prepaid expenses and other current assets	(33)	1	(15)	(32)	(4)	15	9	(12)	(57)	10	39	(10)	(18)	(24)	(19)
Changes in accounts payable and other current liabilities	122	(39)	(30)	(66)	(12)	32	54	8	(32)	(10)	-	136	94	(75)	4
Changes in income taxes payable	(41)	17	43	(26)	(20)	(21)	38	(29)	3	18	(52)	(17)	(48)	(19)	2
Other, net	192	60	162	33	7	12	24	76	97	38	(70)	47	112	(22)	34
Cash flow generated/(absorbed) from operating Activities	**1,706**	**1,427**	**1,603**	**363**	**342**	**471**	**513**	**1,689**	**404**	**446**	**543**	**617**	**2,010**	**416**	**507**
Investing Activities															
Capital spending	(230)	(279)	(285)	(49)	(50)	(52)	(106)	(257)	(71)	(71)	(94)	(135)	(371)	(75)	(100)
Acquisition of franchise restaurants	-	-	-	-	(174)	(31)	(3)	(208)	(16)	(82)	(2)	(698)	(798)	(5)	-
Proceeds from refranchising of restaurants	85	73	60	11	19	18	1	49	15	17	21	25	78	-	1
Maturities (purchases) of Short term investments, net	-	-	-	-	(116)	25	-	(91)	90	1	-	-	91	-	-
Other, net	(28)	4	118	83	23	1	(22)	85	(16)	3	(3)	13	(3)	-	10
Cash flow generated by Investing Activities	**(173)**	**(202)**	**(107)**	**45**	**(298)**	**(39)**	**(130)**	**(422)**	**2**	**(132)**	**(78)**	**(795)**	**(1,003)**	**(80)**	**(89)**
Financing Activities															
Repayments of long-term debt	(3,657)	(699)	(397)	(10)	(453)	(9)	(7)	(479)	(5)	(7)	(945)	(9)	(966)	(8)	(6)
Revolving credit facilities, three months or less, net	-	279	(279)	-	175	30	140	345	24	26	(400)	300	(50)	50	325
Repurchase shares of Common Stock	(1,591)	(1,200)	(50)	-	(50)	(277)	(114)	(441)	(229)	(109)	(36)	(178)	(552)	(185)	(489)
Dividends paid on Common Stock	(592)	(649)	(678)	(189)	(188)	(188)	(187)	(752)	(198)	(197)	(197)	(197)	(789)	(207)	(206)
Other, net	4,073	946	(25)	(48)	216	-	(4)	164	(35)	(11)	1,497	(18)	1,433	(25)	(6)
Cash flow generated/(absorbed) by financing Activities	**(1,767)**	**(1,323)**	**(1,429)**	**(247)**	**(300)**	**(444)**	**(172)**	**(1,163)**	**(443)**	**(298)**	**(81)**	**(102)**	**(924)**	**(375)**	**(382)**
Effect of Exchange Rate on Cash and Cash Equivalents	(19)	(26)	10	(7)	1	16	(31)	(21)	10	21	(2)	3	32	5	(41)
Net Cash flow in the year*	**(253)**	**(124)**	**77**	**154**	**(255)**	**4**	**180**	**83**	**(25)**	**36**	**382**	**(277)**	**116**	**(34)**	**(5)**
Cash, Cash Equivalents, and Restricted Cash															
Beginning Cash balance	1,024	771	647	724	878	623	627	724	807	782	818	1,200	807	923	889
Ending Cash balance	771	647	724	878	623	627	807	807	782	818	1,200	923	923	889	884

**Net Cash Flow may not match totals due to rounding*
Source: Company Reports, Stonegate Capital Partners

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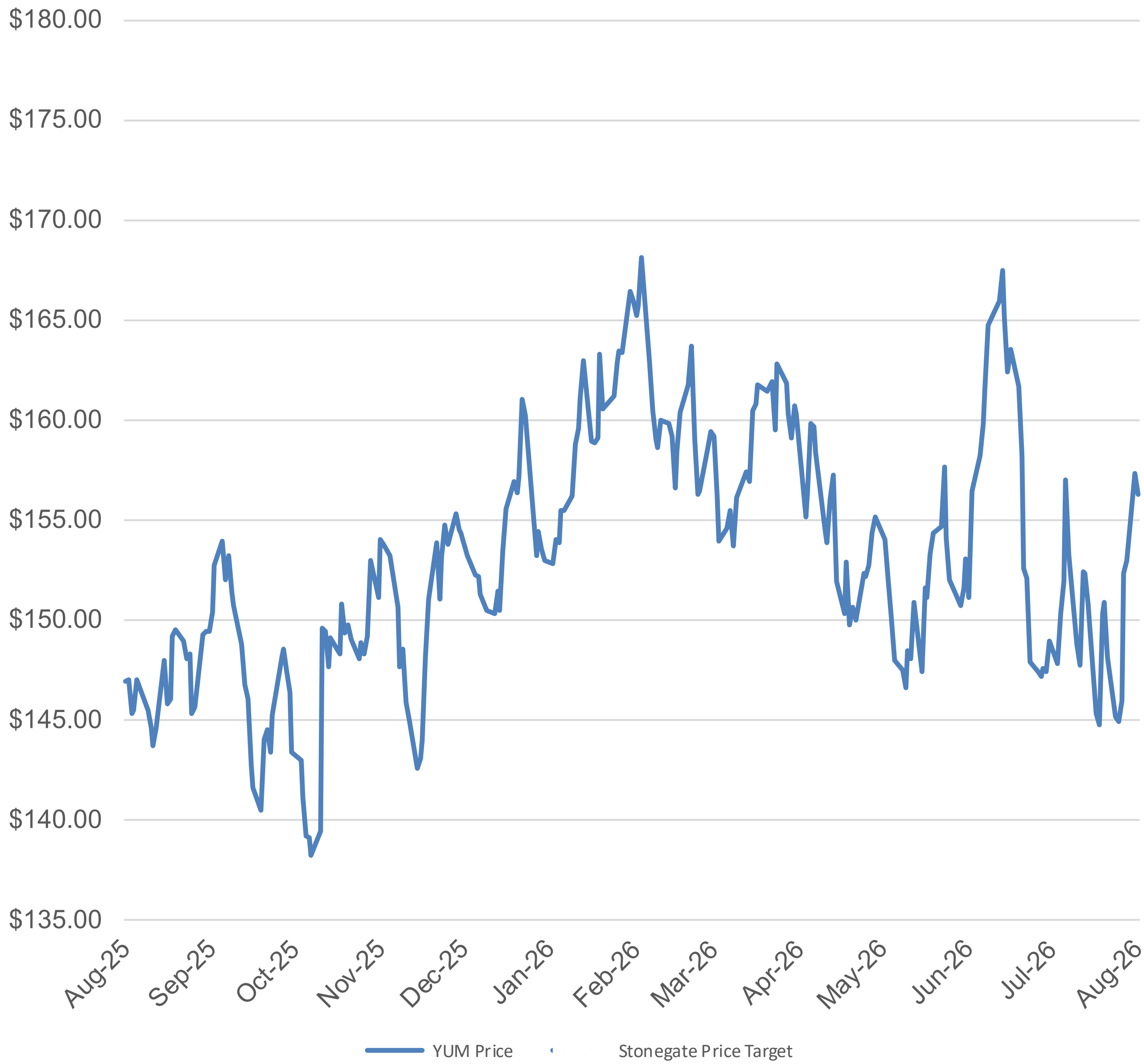

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