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YUM BRANDS INC

Form 10-Q

October 11, 2016

false--12-31Q320162016-09-030001041061YesLarge Accelerated FilerYUM BRANDS
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yum:DecreasetoPrepaidExpenseOtherCurrentAssetsandShortTermBorrowingsfromRestatementduetoASU201503Member
2015-12-26 0001041061 yum:ImpactofIndiaIntegrationintoOtherBrandDivisionsMember
yum:TacoBellGlobalDivisionMember 2015-12-27 2016-09-03 0001041061
yum:ImpactofIndiaIntegrationintoOtherBrandDivisionsMember yum:PizzaHutGlobalDivisionMember 2016-06-12
2016-09-03 0001041061 yum:ImpactofIndiaIntegrationintoOtherBrandDivisionsMember
yum:TacoBellGlobalDivisionMember 2016-06-12 2016-09-03 0001041061
yum:ImpactofIndiaIntegrationintoOtherBrandDivisionsMember yum:KFCGlobalDivisionMember 2016-06-12
2016-09-03 0001041061 yum:ImpactofIndiaIntegrationintoOtherBrandDivisionsMember
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us-gaap:AccountingStandardsUpdate201503Member
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2015-12-27 2016-09-03 0001041061 country:CN us-gaap:SubsequentEventMember 2016-09-04 2016-12-31
0001041061 us-gaap:AccumulatedDefinedBenefitPlansAdjustmentMember 2015-12-27 2016-09-03 0001041061
us-gaap:ParentMember 2015-12-27 2016-09-03 0001041061
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us-gaap:AccumulatedNetGainLossFromDesignatedOrQualifyingCashFlowHedgesMember 2015-12-27 2016-09-03
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us-gaap:ParentMember 2015-12-26 0001041061 yum:March2016Member 2016-09-03 0001041061
yum:November2013Member 2014-12-28 2015-09-05 0001041061 yum:May2016Member 2016-09-03 0001041061
yum:March2016Member 2014-12-28 2015-09-05 0001041061 yum:December2015Member 2015-12-27 2016-09-03
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2015-09-05 0001041061 yum:KFCGlobalDivisionMember yum:A2018DomainMember yum:AdvertisingDomain

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2015-12-27 2016-09-03 0001041061 yum:KFCGlobalDivisionMember yum:A2016Domain yum:AdvertisingDomain
2015-12-27 2016-09-03 0001041061 us-gaap:GeneralAndAdministrativeExpenseMember country:CN 2015-12-27
2016-09-03 0001041061 yum:A2018DomainMember 2016-09-03 0001041061
yum:GainlossondispositionofassetsMember 2015-12-27 2016-09-03 0001041061
us-gaap:GeneralAndAdministrativeExpenseMember us-gaap:CorporateAndOtherMember 2016-06-12 2016-09-03
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yum:FranchiseandlicenseexpensesMember yum:UnallocatedandGeneralandadministrativeexpensesDomain
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2014-12-28 2015-09-05 0001041061 country:MX 2015-06-14 2015-09-05 0001041061
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yum:PizzaHutGlobalDivisionMember country:KR 2015-06-14 2015-09-05 0001041061
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yum:UnallocatedOtherincomeexpenseamountstosegmentMemberDomain 2015-06-14 2015-09-05 0001041061

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2016-10-11 0001041061 us-gaap:UnitedStatesPensionPlansOfUSEntityDefinedBenefitMember 2015-12-27
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yum:DebtServiceCoverageRatioCashTrapReserveAccountMember 2016-06-12 2016-09-03 0001041061
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2016-06-12 2016-09-03 0001041061 yum:ClassA2IIINotesMember us-gaap:SecuredDebtMember 2016-09-03
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2015-06-14 2015-09-05 0001041061 us-gaap:ForeignExchangeContractMember us-gaap:CashFlowHedgingMember
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us-gaap:FairValueInputsLevel3Member us-gaap:FairValueMeasurementsNonrecurringMember

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yum:ClosuresandimpairmentincomeexpensesMember 2015-06-14 2015-09-05 0001041061
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yum:ClassA2NotesMember us-gaap:SecuredDebtMember 2016-09-03 0001041061
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yum:TermLoanAFacilityMember us-gaap:FairValueInputsLevel2Member us-gaap:SecuredDebtMember 2016-09-03
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us-gaap:ForeignExchangeForwardMember us-gaap:FairValueInputsLevel2Member
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us-gaap:FairValueInputsLevel1Member us-gaap:FairValueMeasurementsRecurringMember 2015-12-26 0001041061
us-gaap:PerformanceGuaranteeMember 2016-09-03 0001041061 us-gaap:PropertyLeaseGuaranteeMember
2016-09-03 0001041061 us-gaap:PropertyLeaseGuaranteeMember 2015-12-27 2016-09-03 yum:days yum:Years
yum:restaurants xbrli:shares yum:Months yum:operating_segments xbrli:pure yum:weeks iso4217:USD iso4217:USD
xbrli:shares utreg:Rate yum:claims yum:Classes

**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 3, 2016

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)

<u>North Carolina</u>	<u>13-3951308</u>
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1441 Gardiner Lane, Louisville, Kentucky	40213
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (502) 874-8300

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer: Accelerated filer: Non-accelerated filer: Smaller reporting company:

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 October 7, 2016 was 367,005,511 million 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	
	9/3/2016	9/5/2015	9/3/2016	9/5/2015
Revenues				
Company sales	\$2,841	\$2,968	\$7,560	\$7,806
Franchise and license fees and income	475	459	1,383	1,348
Total revenues	3,316	3,427	8,943	9,154
Costs and Expenses, Net				
Company restaurant expenses				
Food and paper	817	933	2,230	2,462
Payroll and employee benefits	638	625	1,727	1,720
Occupancy and other operating expenses	816	871	2,192	2,292
Company restaurant expenses	2,271	2,429	6,149	6,474
General and administrative expenses	377	328	1,028	976
Franchise and license expenses	47	65	145	146
Closures and impairment (income) expenses	7	3	47	30
Refranchising (gain) loss	(25) 2	(85) 60
Other (income) expense	(15) (3) (50) (12
Total costs and expenses, net	2,662	2,824	7,234	7,674
Operating Profit	654	603	1,709	1,480
Interest expense, net	87	32	164	99
Income Before Income Taxes	567	571	1,545	1,381
Income tax (benefit) provision	(65) 145	183	358
Net income – including noncontrolling interests	632	426	1,362	1,023
Net income – noncontrolling interests	10	5	10	5
Net Income – YUM! Brands, Inc.	\$622	\$421	\$1,352	\$1,018
Basic Earnings Per Common Share	\$1.59	\$0.97	\$3.33	\$2.33
Diluted Earnings Per Common Share	\$1.56	\$0.95	\$3.28	\$2.29
Dividends Declared Per Common Share	\$—	\$—	\$0.92	\$0.82

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	
	9/3/2016	6/5/2015	9/3/2016	9/5/2015
Net Income - including noncontrolling interests	\$632	\$ 426	\$1,362	\$1,023
Other comprehensive income (loss), 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	(61)	(122)	(97)	(174)
Reclassification of adjustments and (gains) losses into Net Income	—	12	—	80
	(61)	(110)	(97)	(94)
Tax (expense) benefit	—	1	4	1
	(61)	(109)	(93)	(93)
Changes in pension and post-retirement benefits				
Unrealized gains (losses) arising during the period	—	(3)	—	(1)
Reclassification of (gains) losses into Net Income	2	11	8	34
	2	8	8	33
Tax (expense) benefit	(1)	(3)	(3)	(12)
	1			