

MULTIBRANDING GREAT BRANDS

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Changing the Development Game in the U.S.A.

MULTIBRAND GREAT BRANDS



More excitement for the consumer



Higher average unit volumes for YUM!



Extends development opportunities

- High-cost markets and trade areas
 - Small towns



Keeps YUM! in the development game

- Land, construction inflation



The Dynasty Model — Focus

Our *Passion*

Customer Mania . . .
act as **ONE SYSTEM** to put a YUM
on customers' faces
around the world

Our Formula for *Success*

People Capability first . . .
satisfied customers and profitability follow

How We *Lead*

1. Be a Customer Maniac
2. Know and Drive the Business
3. Build and Align Teams

How We *Win*



How We *Work Together*

Our HWWT Leadership Principles
Our Franchise Partnership Pact



The Customer Says . . .

Multibranding

Prefer a multibrand restaurant over a single brand . . . 6 to 1



They love branded variety: "What took you so long?"



Sales at multibrand restaurants are consistently higher than single brands
. . . at least +\$250,000 per year



Same-store-sales growth in multibrand restaurants
outperforms single-brand restaurants

Undeniable Consumer Facts

Yum!

Multibrand Innovation & Development

2004 Progress

- ❑ **KFC/Taco Bell remains solid performer**
 - *Solid SSS growth and YUM! margin parity*
- ❑ **Taco Bell/Long John Silver's**
 - *Highest volume concept to date*
 - *YUM! margin parity*
- ❑ **Long John Silver's/A&W combinations — progress**
 - *Promising sales and margin results, still early*
- ❑ **Back-of-house integration — improved productivity and speed**
- ❑ **Building – WOW design, value engineering**
- ❑ **Building People Capability**
 - *Bench plan process*
 - *RGM assessment/development*
 - *YUM! Ops College*
- ❑ **WingStreet brand provides profitable option for Pizza Hut**
 - *SSS growth driver*



Multibrand Innovation

**Our interests and capabilities to
take advantage of this
opportunity have never been
greater than today.**

Yum!

Multibrand Concept Evolution

1. Proof of Concept



2. Acquisition



3. Internal Innovation to Maximize



Thoughtful, Stringent Review of Strategy, Opportunities . . .

. . . with Customer and ROIC Mindset!

Yum!

Proved Multibranding Concept Works



- ❑ **KFC/Taco Bell . . . Started mid-'90s**
 - Research studies confirmed sales results
 - Good returns & margin with AUV of \$1.3 million
 - Demonstrated solid SSS growth



- ❑ **Taco Bell & KFC/Pizza Hut Express**
 - Good returns
 - Not fully maximizing assets
 - Expansion on hold

Yum!

Created New Opportunities Through Acquisitions



Yum!

Extended Multibranding Through Internal Innovation



❑ Pizza Hut/WingStreet



❑ Pizza Hut Italian Bistro

Dramatically improve options for upgrading Pizza Hut system



Thoughtful Plan to Maximize Opportunity

Base Brand

Multibrand Partner



(testing)

(expanded testing)



Fix base business
(no company expansion)

Yum!

Multibrand Innovation

Do It Right . . .

✓ **Consumer**

✓ **Assets**

✓ **Returns**

✓ **Execution**

. . . FOCUSED

Yum!

U.S. Multibrand Expansion Continues

Multibrand Restaurants

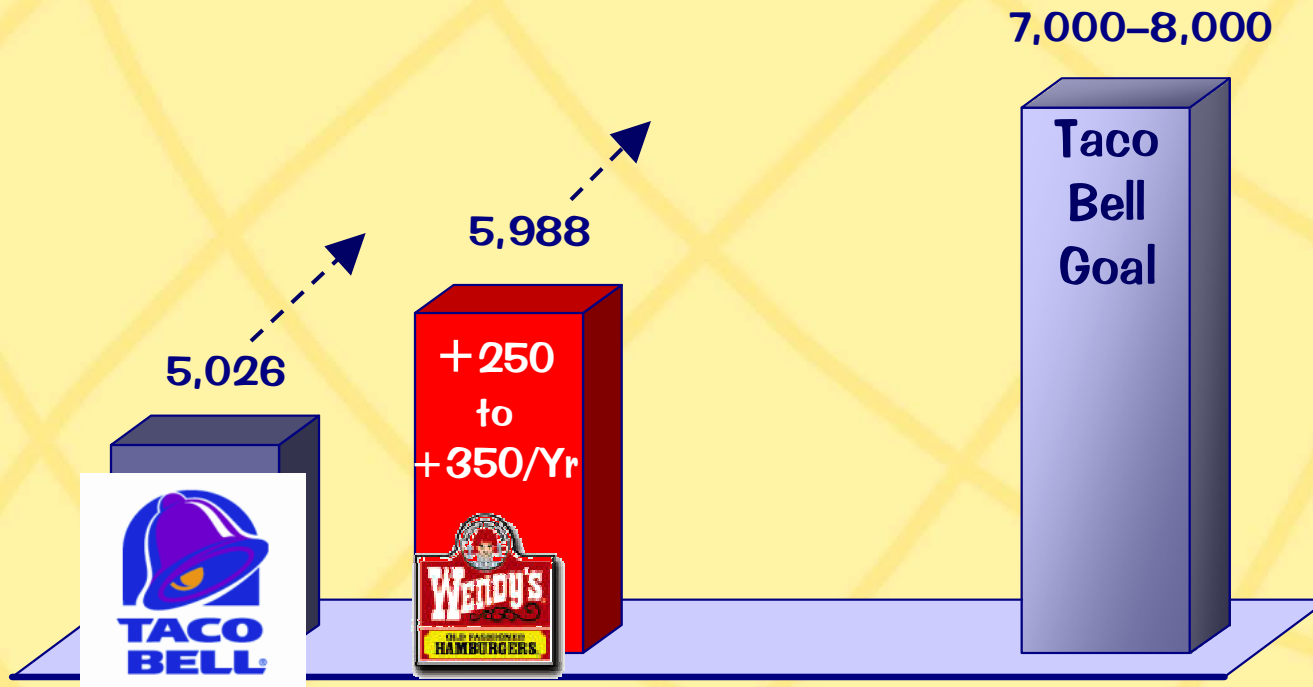
	<u>'98</u>	<u>'04 F</u>	<u>'07 F</u>
Company	262	1,400	2,610
Franchise	138	1,200	1,620
Total	400	2,600	4,230
% of System Restaurants	2%	14%	23%
Restaurant Profit/Fees (\$ million)	\$31	\$224	\$500
% U.S. Profits/Fees	2%	17%	32%



Note: Includes the estimated ongoing and initial fees from franchise restaurants and restaurant profits from company multibrands; excludes G&A. Multibrand profit/fees are included in each U.S. brand's profits.

Taco Bell U.S. Development Opportunity

System Restaurants Q3 2004



KFC/Taco Bell Restaurants

Continued Solid Performance from Benchmark Concept

KFC/Taco Bell

666 Restaurants



Status

- Average Unit Volume = \$1.3 million*
- Margins at YUM! parity
- Excellent return on investment
- Successful growth vehicle
- Solid sales comp performance

Plan

- Potential use in Northeast
- Revisit to explore additional development potential

Yum!

Taco Bell/Long John Silver's Restaurants

Very Promising Early Results

Taco Bell/Long John Silver's

66 Restaurants



Status

- Average Unit Volume = \$1.4 million*
- LJS mix at 30%+
- Margins at YUM! Parity

Plan

- Build in Northeast
- Add 75+ in 2005



* Company operated restaurants

KFC/A&W Restaurants

Results Mixed . . . With Base-Brand Impact

KFC/A&W

296 Restaurants



Status

- Franchise success in Western U.S.A.
- Average Unit Volume = \$1.1 million*
- A&W mix at 18%
- Disappointing margin

Plan

- KFC company expansion on hold
- Aggressively pursuing options to drive top line and margins in existing outlets

Yum!

* Company operated restaurants

Long John Silver's/A&W Restaurants

Showing Good Potential in Early Development

Long John Silver's/A&W

248 Restaurants

**106 Restaurants
(post-acquisition)**



Status

- Average Unit Volume = \$1.1 million*
- Steady margin improvement, double-digit level
- A&W mix healthy at 30%+

Plan

- Build people capability
- Continue margin improvement
- Add 60+ in 2005
- Execute strategy to build scale in selected U.S. geographies

Yum!

* Company operated, post-acquisition restaurants

Pizza Hut/WingStreet Restaurants

Provides Growth Driver for Delivery Stores

Pizza Hut/WingStreet

274 Restaurants



Status

- Tested in seven markets
- Solid concept sales layer, benefits same-store sales
- Good returns — offers investable proposition and upgrade option for delivery units
- Primarily a conversion approach

Plan

- Additional 300 – 400 units in 2005
- Franchise expansion begins Q4 2004
- Additional format tests in '05

Yum!

Pizza Hut/Italian Bistro Restaurants

Enhances Dine-In Business Based on Early Results

Pizza Hut/Italian Bistro

41 Restaurants



Status

- Converted old Red Roofs to add Italian Bistro concept
- Culmination of dine-in solution initiatives
- Sautéed pastas, bistro pizzas, entrée salads, wine, appetizers
- New interior, exterior designs
- Enhanced service
- Solid sales increases

Plan

- Expanded franchise testing
- Add 100+ in 2005

Yum!

Key Multibrand Measures

What we expect . . .



550 Additions



Operations . . . Parity in CHAMPS Scores, Speed



Consistent same-store-sales growth



**Strong returns, several points above cost of capital for company development:
franchise development is additive to returns**

Yum!

Continued Multibrand Innovation & Growth

2005 Plan

- ❑ U.S. system expansion continues — target 550 additions
- ❑ "Fish First" expansion strategy in the U.S.
 - *Geographical focused development — new builds and replacements*
 - *Build local scale — enable superior marketing/operations*
- ❑ Pizza Hut/WingStreet expansion
- ❑ Expand testing of Pizza Hut Italian Bistro
- ❑ International testing continues
 - *Long John Silver's/A&W — Australia, U.K.*
 - *Pizza Hut/WingStreet — Canada*

... with Customer and ROIC Mindset!

Yum!