

Unstoppable Growth, Digitally Powered



David Gibbs
Chief Executive Officer
Yum! Brands, Inc.



Dear fellow stakeholders:

At Yum! Brands, we have a bold vision to build the world's most loved, trusted and fastest growing restaurant brands through our **Good Growth strategy**. As the world's largest restaurant company, our diversified global system includes approximately 1,500 franchisees who are the primary operators of our more than 58,000 restaurants in over 155 countries and territories. Our iconic brands delight millions of customers daily with craveable food and memorable experiences. We and our franchisees are proud of the meaningful careers we provide and the investments we make to unlock opportunity for team members and for the communities we serve.

Yum!'s **Good Growth** strategy is grounded in the idea that our growth and brand relevance will only endure if our brands are inclusive, sustainable and reflective of evolving employee, franchisee and stakeholder needs.

Our Growth priorities are our framework for building sustainable, long-term results. These priorities drive same-store sales and net-new unit growth and serve as our guiding principles across business decisions.

Unrivalled Culture & 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 & 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

To amplify these priorities, we have made strategic technology investments that have enabled our franchisees to gain innovative and cutting-edge capabilities. These investments bring to life our "Easy" framework, which is designed to create Easy Experiences for our consumers, Easy Operations for our team members and franchisees and Easy Insights that leverage our data to enhance decision-making. We enter 2024 having made significant progress in scaling our proprietary technology platforms and AI-driven solutions including our global e-commerce platform, point-of-sale system and suite of restaurant technologies like Dragontail and SuperApp. These platforms will contribute to our global growth momentum.

Highlights from 2023: This was a remarkable year for Yum! as we crossed the \$60 billion system sales threshold and exceeded all aspects of our long-term growth algorithm. Our digital sales approached \$30 billion for the year and grew 22% year-over-year, and we made massive strides in scaling our proprietary AI-driven digital ecosystem. We also set an industry development record for the third straight year, opening over 3,300 net-new units. We enter 2024 just shy of adding 10,000 net-new restaurants over the past three years and are well on our way to reaching 60,000 restaurants in 2024.

Our Good priorities involve social responsibility, risk management and sustainable stewardship of our People, Food and Planet. These priorities are at the center of how we're building a resilient growth business, and we have made strong progress. On **People**, we continued our investments in growing our talent through powerful forums, leadership development conferences and programming aimed at preparing the next generation of senior leadership – all intentionally focused on supporting our unrivaled culture and talent growth driver and ensuring we have a strong bench to drive performance. As a result of our ongoing focus, we were thrilled to be recognized in TIME Magazine's inaugural list of the Best Companies for Future Leaders with Yum! ranking an impressive 32nd among U.S. companies. On **Food**, we continue our progress toward removing artificial colors and flavors from core food ingredients globally by 2025 through simplifying ingredients in our menu items. On **Planet**, we made progress on our goal of reducing greenhouse gas emissions by 46% by 2030 through investments in renewable energy, energy efficiencies in our restaurants and reduction commitments by our food suppliers. In terms of packaging, we are reducing our use of virgin plastic, as well as eliminating unnecessary plastic and Styrofoam. In addition, we are moving our global system to more widely recyclable or compostable consumer packaging.

To bring these accomplishments to life, let me share specific highlights from each of our four brands:

Nothing hits like **KFC**. The brand's global growth engine was unstoppable in 2023, setting a development record of over 2,700 restaurants opened across 97 countries. As 2023 ended, KFC was quickly approaching an impressive 30,000 restaurants globally. This past year, the brand focused on executing its winning recipe of core menu innovation, disruptive value, expanding category use occasions and doubling down on digital initiatives. KFC U.S. launched the Original Recipe chicken nuggets and is now scaling this product to other markets. The brand also accelerated the deployment of kiosks across its system, leading to kiosk sales growth of 65% year-over-year. In terms of supporting our Good agenda, KFC continues to operate dozens of programs globally aimed at fostering people's potential and unlocking opportunities while also feeding those in need by donating 1.5 million pounds of surplus food in 2023 alone.

Taco Bell is truly a **Category of One for Everyone**, believing every person deserves the right to Live Más. On a global basis, Taco Bell crossed the \$15 billion system sales milestone this year, reflecting the growing scale of this powerhouse brand. The Taco Bell team leveraged its magic formula that encompasses a balanced set of commercial strategies involving brand buzz, unparalleled value, and más occasions – the brand's personal expression of building new category entry points and digital initiatives. Taco Bell concluded the year with digital sales mix reaching an all-time high of approximately 31%, up seven points year-over-year. Growth in kiosk sales was a large driver behind the digital mix increase. Optimizing our digital channels is also contributing to growth in the Taco Bell U.S. loyalty program, with active loyalty users growing 17% in 2023. The brand also continues its efforts around unlocking opportunities, with the

Taco Bell Foundation awarding more than \$10 million in Live Más Scholarships to over 980 Taco Bell team members and consumers.

Pizza Hut is focused on connecting people through the joy of pizza by delivering a craveable, reliable and fun experience every time. Through additional aggregator partnerships, the Pizza Hut team expanded its digital ordering and off-premises channels, particularly in markets outside of the U.S. The brand leaned into its long-term strategy to build new category entry points for the individual meal occasion with products like Melts, which are now offered in dozens of markets around the world. The Pizza Hut markets are not only sharing consumer insights and product innovation at unprecedented speed, but the operations teams are also using augmented reality to expedite training for international team members, which is all done through our intelligent coaching app. Additionally, as part of the brand's work to advance our Good agenda, Pizza Hut in South Africa continued to elevate its LeadHERship Initiative, which matches women with 12-month job placements in health services, creative fields, literacy and education roles.

Drawing inspiration from the vibrant spirit of Southern California, **The Habit Burger Grill**, with its made-to-order chargrilled burgers cooked over an open flame and handcrafted sandwiches, is dedicated to delivering fresh, high-quality food and warm hospitality at affordable prices. The Habit's new leadership team has focused on modifying operations to elevate the brand's drive-thru and off-premise service levels, including expediting a robust kiosk rollout, implementing a sales-driven labor optimization model and harnessing the advantages of Yum!'s co-op purchasing group to drive cost efficiency – all of which have positively impacted store-level margins. Lastly, The Habit Burger Grill maintains its commitment to fighting childhood hunger through its longstanding partnership with No Kid Hungry, which raised over \$220,000 in 2023 through donations facilitated by rounding up checks from digital orders.

In closing, the unique advantages of our diversified system shone through in 2023. Executing the components of our Good Growth strategy resulted in unit growth across 110 countries, meaningfully scaling our technology systems, deepening collaboration across our brands and delivering both sales and profits well above our long-term growth algorithm. We're confident 2024 will be another banner year for our brands. With a world-class team, globally iconic brands, industry-leading franchisees and a relentless appetite for growth, the future is brighter than ever as we aim to maximize value for our shareholders. Thank you to our shareholders, franchisees, customers and Yum! family for your continued support.



David Gibbs, CEO