

# Yum CEO's Pay Drops as KFC Struggles in China

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NEW YORK (AP) — Yum CEO David Novak saw his pay package drop 22 percent to \$10 million last year as the parent company of [KFC](#) [1], Taco Bell and Pizza Hut fell short of its performance targets.

The drop in pay from \$12.8 million the previous year was the result of a lower performance-based bonus, reflecting the troubles that have beset the [company's important China division](#) [2].

[Yum Brands Inc.](#) [3], based in Louisville, Kentucky, is the biggest Western fast-food operator in China with its KFC restaurants. China has been a critical growth driver for the company, with the unit accounting for about 40 percent of its operating profit.

But in late 2012, a report on Chinese TV said some of Yum's suppliers were giving chickens unapproved levels of antibiotics, touching off sensitivities about food safety in the country. Sales began to nosedive.

Executives have conceded they were slow to grasp the severity of the backlash before embarking on a marketing campaign to rebuild trust with customers. A few months later, however, the efforts were upended by a bird flu scare.

Beyond those two factors, Yum is also dealing with more competition in the Chinese market.

Back in the U.S., the company's Taco Bell division has been riding on the success of its popular Doritos Locos Tacos. But its KFC and Pizza Hut chains are struggling and saw sales declines at locations open at least a year.

Novak has stressed that China remains a key region for Yum and that the company plans to forge ahead in its expansion plans. The 61-year-old became chief executive in 2000 then took on the chairman title the following year.

For 2013, Novak's pay package included a base salary of \$1.5 million, stock and options worth \$6.8 million and a performance-based bonus of \$939,600. The previous year, that performance-based portion of his bonus was \$4.6 million.

Other compensation included use of the company aircraft, insurance premiums and home security.

But Novak's pay package may get a boost next year — the company has said it expects adjusted earnings-per-share growth of at least 20 percent in 2014 as it rebounds from the setbacks.

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The Associated Press formula for executive compensation includes salary, bonuses, perks, above-market interest the company pays on deferred compensation and the estimated value of stock and stock options awarded during the year. It does not count changes in the present value of pension benefits, which makes the AP total slightly different in most cases from the total reported by companies to the Securities and Exchange Commission.

The value that a company assigned to an executive's stock and option awards was the present value of what the company expected the awards to be worth over time. The number is just an estimate and what an executive ultimately receives will depend on the performance of the company's stock.

### Source URL (retrieved on 04/26/2015 - 9:34am):

<http://www.foodmanufacturing.com/news/2014/03/yum-ceo%E2%80%99s-pay-drops-kfc-struggles-china>

### Links:

[1] <https://twitter.com/kfc>

[2] <http://www.foodmanufacturing.com/news/2014/01/yum-brands-china-sales-edge-kfc-recovers>

[3] <https://twitter.com/yumbrands>