

Yum Brands Hurt by KFC, Pizza Hut Sluggish Sales

Associated Press

LOUISVILLE, Ky. (AP) — Yum Brands Inc. reported a 19 percent increase in second-quarter profits, boosted by rebounding business at KFC in China where worries about food safety have eased.

The Louisville, Kentucky-based company, which also operates Taco Bell and Pizza Hut, said late Wednesday that sales at established locations in China surged 15 percent. In late 2012, a TV report said some of KFC's suppliers were giving chickens unapproved levels of antibiotics. That fueled fears over food safety and sales plunged. A few months later, fears over avian flu upended the recovery.

But executives have been able to restore trust with a marketing campaign that highlighted the safety of its food. KFC also rolled out a revamped menu. The company said Wednesday it remains on track to open 700 new restaurants in China. In that country, KFC's sales at established restaurants rose 21 percent, while Pizza Hut's results were even with a year ago.

However, back in the U.S., KFC and Pizza Hut continued to face sluggish sales. KFC reported that sales at established restaurants were down 2 percent, while that figure fell 4 percent at Pizza Hut. At Taco Bell, sales at established restaurants rose 2 percent.

Taco Bell announced last week that it aims to pack more protein on customers' plates. It's replacing its Cantina Bell burritos and bowls with ones that will have a double portion of meat and more than 20 grams of protein.

Jonathan Blum, a spokesman at Yum Brands, told The Associated Press that executives will be announcing specific strategies to re-ignite sales at Pizza Hut during its earnings call with investors Thursday.

Yum Brands Inc. reported that net income was \$334 million, or 73 cents per share, compared with \$281 million, or 61 cents per share, in the same quarter a year ago.

Analysts expected 73 cents per share, according to Zacks.

Revenue climbed 10.3 percent to \$3.2 billion from \$2.9 billion in the year-ago quarter. Analysts expected \$3.23 billion, according to Zacks.

Yum reiterated that it expects earnings per share for the year to rise at least 20 percent.

Shares of Yum Brands slipped more than 2 percent, or \$1.81 to \$80.90 in after-

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hours trading after declining 47 cents to \$82.71 on Wednesday. The earnings report was released after the regular markets closed.

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