AZ STOCKS
Stocks from A to Z

Yum! Brands

A great franchise platform, but with no margin of safety in the price

DEEP DIVE

November 2026

azstocks.net

COMPANY PROFILE

Yum! Brands

THESIS

Yum! Brands doesn't sell fried chicken or tacos: it sells franchises. In this analysis I assess what an asset-light model built on global brands, scale and a franchisee network is really worth after the sale of Pizza Hut.

THE COMPANY

Yum! Brands owns KFC and Taco Bell, among other brands, and collects royalties on a network of more than 60,000 restaurants, almost all of them franchised.

Yum! provides brands, marketing, processes and technology, while franchisees put up most of the capital. In September 2026 it completed the sale of Pizza Hut, which leaves it more concentrated in Taco Bell and KFC.

TARGET PRICE
USD 150

UPSIDE / DOWNSIDE
-8.0%

SECTOR
Restaurants

EXCHANGE
NYSE

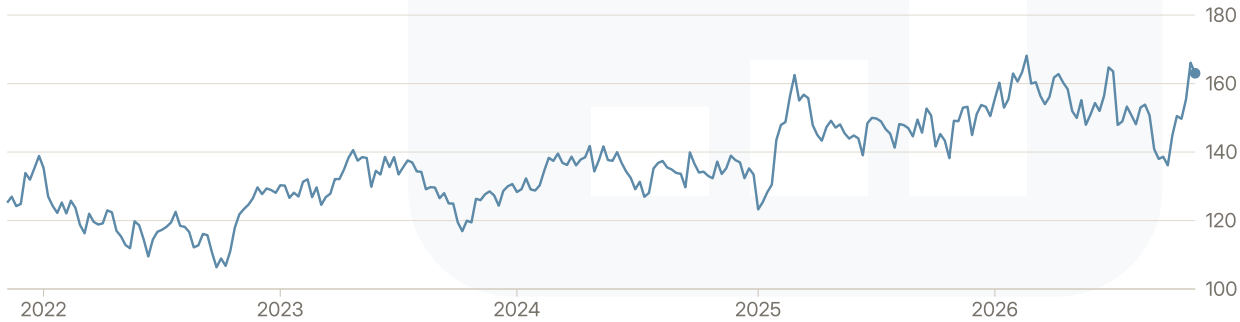
CURRENCY
USD

LAST UPDATED
November 2026

MARKET DATA AS OF 2026-11-06

PRICE	52-WEEK RANGE	5-YEAR CHANGE	BETA (5Y)
USD 163.00	134.26 – 170.14	+30%	0.48

WEEKLY SHARE PRICE, LAST 5 YEARS



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SECTION 01

Introduction

Yum! Brands is one of those businesses that look simpler than they really are. From the outside, they sell fried chicken, tacos, pizza and burgers. From the inside, the company collects royalties on a network of more than 63,000 restaurants. **97% of the restaurants are franchised**. Yum! Brands provides brands, marketing, processes and technology, while franchisees put up most of the capital to open and run the stores. This allows Yum! Brands to grow its system without inflating its balance sheet at the same pace.

The story changed in June 2026. Yum! agreed to sell Pizza Hut for total consideration of about USD 2.7 billion, with estimated net proceeds of USD 2.3 billion, and authorized an additional USD 4 billion for buybacks. The deal closed in September and today Yum! is a more concentrated company, more dependent on Taco Bell and KFC.

SECTION 02

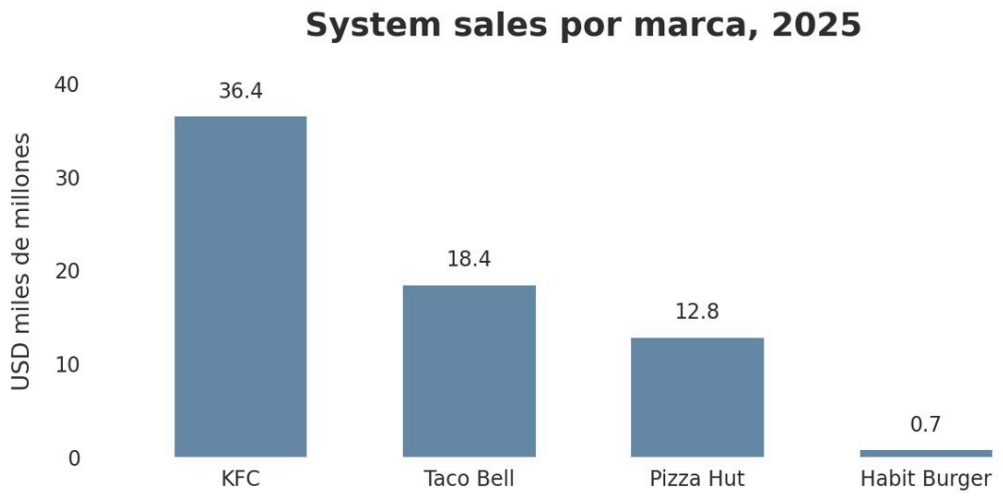
Business model

Yum! Brands was born in 1997, when PepsiCo spun off its restaurant business. The company is headquartered in Louisville, Kentucky, and until recently operated four main concepts: **KFC, Taco Bell, Pizza Hut and Habit Burger & Grill**. It does not own all the restaurants that carry those brands. Its core role is to develop the concepts, license the intellectual property, coordinate marketing, design operating standards, provide technology and collect a share of system sales.

At the end of 2025 the network had more than 63,000 locations in 155 countries. More than 61,000 were in the hands of franchisees, so Yum! is mainly a global franchising platform. The company sells a brand promise to the consumer and an operating machine to the franchisee. When both sides work, the relationship is attractive: the franchisee invests in the store, hires employees, manages inventory and absorbs much of the daily volatility; Yum! receives royalties, advertising contributions and, in some markets, rents or technology revenue.

Yum! monetizes the consumption of its brands mainly through franchise and property revenues, which include royalties, initial fees, renewals and certain rents. In 2025 they totaled USD 3,473 million. Company restaurant sales contributed USD 2,945 million, and advertising contributions, which have an economic margin close to zero because they are spent on brand campaigns, added USD 1,796 million to reported revenue.

The typical royalty is between 4% and 6% of sales, although master franchise agreements usually have lower rates because the franchisee takes on more responsibilities. Yum China pays a 3% fee on system sales (that is, the sales of all restaurants, whether company-owned or franchised) of KFC and Pizza Hut in China under the current agreement. Yum! grows when nominal sales and the number of restaurants grow. It does not need to capture the whole store margin, but it does need the unit to be profitable enough for the franchisee to want to open the next one.



Source: author's analysis based on the 2025 10-K.

KFC

It is the group's largest brand and the truly global one. It ended 2025 with 33,897 restaurants (+6% vs 2024) and USD 36,434 million of system sales. About 53% of system sales and close to 51% of the group's operating profit come from KFC.



The risk is that KFC needs to maintain franchisee economics in very different countries, with different currencies, labor costs and supply chains. It is a great franchise, but also the part of Yum! most exposed to currencies and geopolitics.

Taco Bell

It is the group's best economic asset. In 2025 it generated USD 18,361 million of system sales, same-store sales of 7% and USD 1,129 million of divisional operating profit. Company restaurants showed a margin close to 24%, well above KFC and Pizza Hut. The brand combines a low-ticket menu, frequent innovation, strong affinity with young consumers and an identity that does not depend solely on competing on price.



86% of units were in the United States at the end of 2025. The international opportunity looks very large, although not everything that works in one market can work in another.

Pizza Hut

For many years it was one of Yum!'s great brands, but it reached 2025 with a shrinking business: falling system sales, same-store sales of -1% and units also declining. This format competes with Domino's, which built an operating and digital advantage that is very hard to dismantle.

The sale of Pizza Hut I mentioned in the introduction means the group is monetizing a mature, slower-growing franchise in exchange for liquidity and a more attractive, though even more concentrated, mix. It will be important to monitor how the proceeds are used.

Habit Burger & Grill

It is small, mainly company-operated and still loss-making. In 2025 it had 384 restaurants, just USD 706 million of system sales and an operating loss of USD 13 million.

After the exit from Pizza Hut, Habit becomes more visible. Not because of its size, which is minimal, but because it remains the only piece that breaks the pure-franchisor story. Among the available alternatives, Yum! can try to refranchise, accelerate growth, find a partner or dispose of the asset.

Byte by Yum!

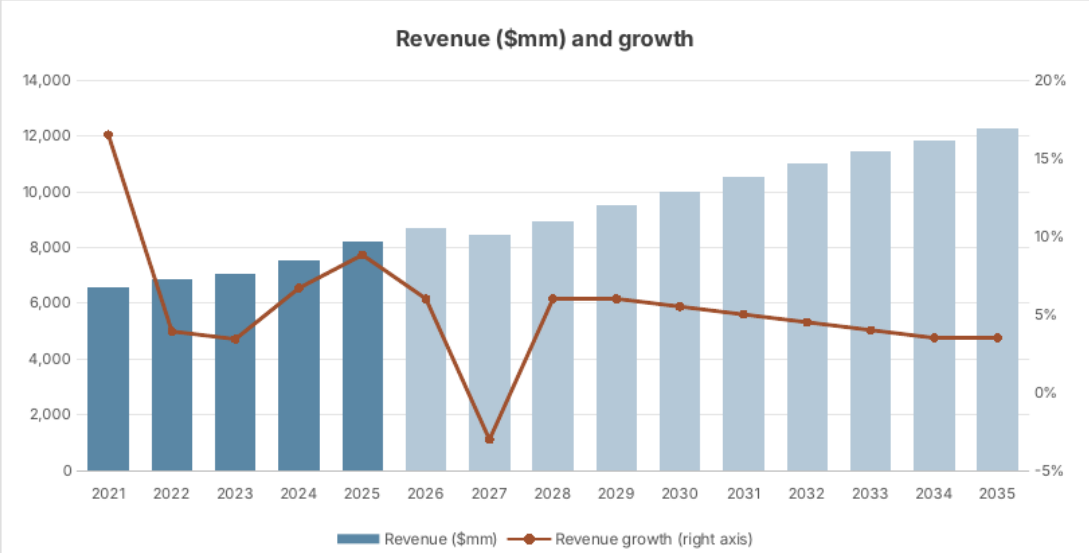
Byte by Yum! groups the group's internal technology platform. It includes apps, digital ordering, point of sale, kitchen and delivery optimization, and menu, inventory, labor and team management tools. In 2025 the system's digital sales approached USD 40 billion and represented about 60% of system sales.

The importance of this technology is that it simplifies operations and lowers costs within the system. For the consumer it is not a switching cost, since they can eat at any other chain, but it can be a scale advantage for running multiple stores with similar processes. The company does not yet report Byte as a separate business and it would be premature to give it a software valuation.

SECTION 03

Business quality

Revenue



Source: author's analysis based on Tikr data.

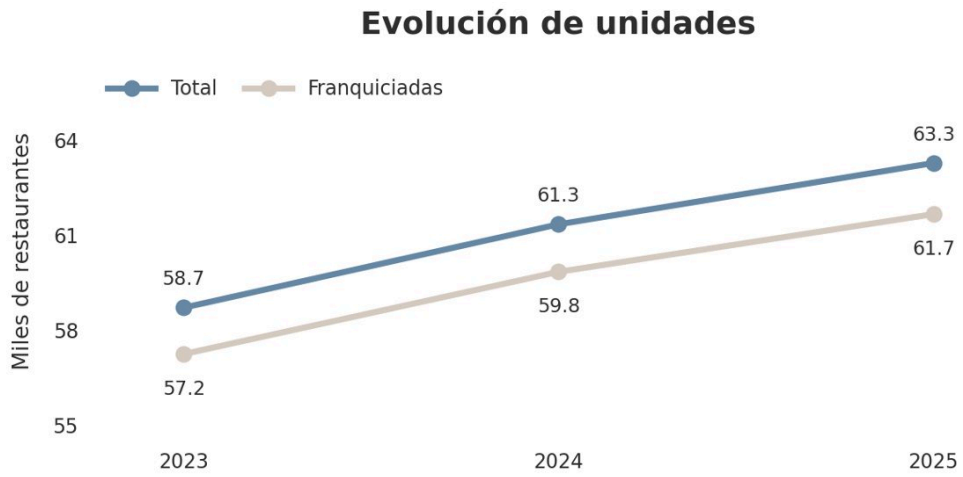
Between 2016 and 2025, reported revenue went from USD 6,356 million to USD 8,214 million, a compound annual growth rate of about 2.9%. That looks poor for a company that opened thousands of restaurants, but reading it without context can be misleading. The China spin-off in 2016 and the refranchising program reduced consolidated sales, because a company-owned restaurant contributes its whole ticket to revenue, while a franchised restaurant contributes only royalties, rents and fees. So the decline from 2016 to 2019 does not reflect a contraction in demand or customer disinterest. It reflects a shift toward a more asset-light model.

Since 2020, revenue has grown again more clearly. In 2025 it rose 8.8%, driven by organic growth in system sales and units, together with an inorganic component from acquisitions of restaurants that became company-operated.

The metric that best reflects scale is system sales, that is, the sales of all restaurants, whether company-owned or franchised. They reached USD 68,295 million in 2025. Growth was close to 5% excluding currency and the effect of the extra week in the previous year. The difference between USD 68.3 billion of system sales and USD 8.2 billion of accounting revenue sums up the model: Yum! participates in a huge base without consolidating all of it.

Yum!'s quality comes from a combination that is not easy to replicate: well-known brands, a broad franchisee base, global scale, a coordinated purchasing system, shared advertising and a structure in which third parties fund most of the expansion.

The moat lies in getting millions of consumers to recognize the brand, franchisees to trust the unit's returns and the network to operate with consistent standards.



Source: author's analysis.

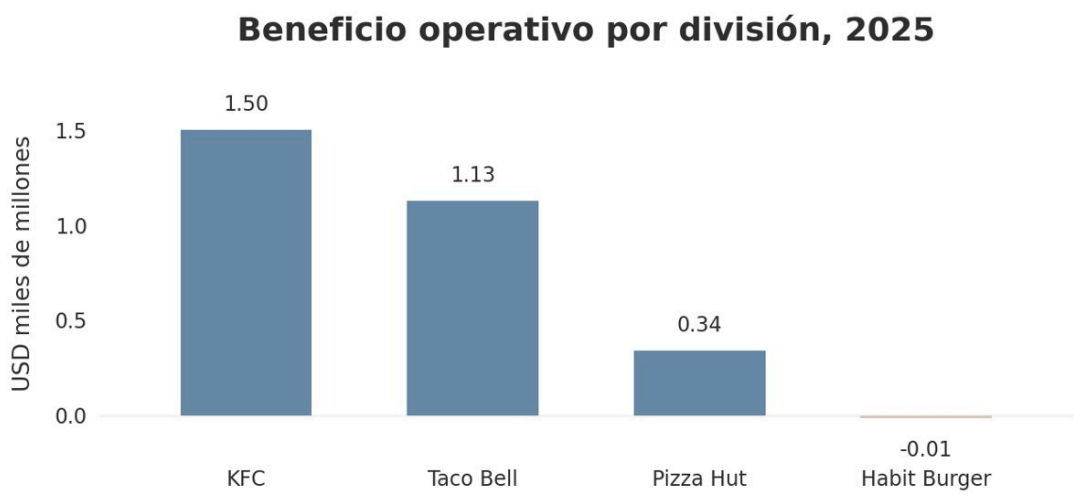
ORGANIC AND INORGANIC GROWTH

Organic growth has two drivers. The first is same-store sales, which combine traffic and ticket in comparable stores. The second is net unit development. KFC grew 6% in restaurants during 2025 and Taco Bell 3%. Pizza Hut fell 1%. The group ended the year with 1,939 more restaurants than in 2024.

The inorganic component appeared more strongly in 2025. Yum! bought Taco Bell restaurants in the southeastern US and had previously acquired KFC operations in the UK and Ireland. These purchases increase company sales, PP&E, goodwill and intangibles, but do not necessarily improve the quality of the mix. Acquiring company-owned stores can make sense to stabilize a market, test formats or prepare a later refranchising. If it becomes permanent, it consumes more capital and reduces the franchisor profile.

SALES BY BRAND AND GEOGRAPHY

KFC represented about 53% of 2025 system sales, Taco Bell about 27%, Pizza Hut 19% and Habit just 1%. After the sale of Pizza Hut, economic concentration rises visibly. In terms of operating profit, KFC and Taco Bell represented almost 89% before the deal.



Source: author's analysis.

Geography also varies by brand. Taco Bell is still mainly American, while KFC is the group's truly global brand.

Latest results: third quarter of 2026

In early November Yum! reported third-quarter results, the first in which the sale of Pizza Hut was completed:

- **Taco Bell:** US same-store sales fell 4%, the first quarterly decline since 2020. The cause was a cyclospora outbreak linked to lettuce in July, which affected the whole industry but hit Taco Bell harder. Internationally, same-store sales grew 5%. The recovery was fast: in the last four weeks of October US same-store sales were already growing about 3% and loyalty program members grew 25%.
- **KFC:** system sales grew 6%, units 7% and same-store sales 1%. Outside China, same-store sales grew 4%. KFC passed 35,000 restaurants worldwide and 2026 will be a record year for openings. Without Pizza Hut, KFC contributes 62% of divisional operating profit.
- **Pizza Hut:** the sale closed in September, with net proceeds of about USD 2.4 billion and a pre-tax gain of about USD 1.7 billion.
- **Use of proceeds:** Yum! repaid USD 675 million on its credit line and bought back USD 543 million of stock during the quarter. So far this year it has returned USD 1.8 billion to shareholders through dividends and buybacks. It ended September with USD 2.1 billion of cash, against debt maturities of about USD 1.6 billion between the fourth quarter of 2026 and the first half of 2027.

The company expects 2026 unit growth, excluding Pizza Hut, to exceed its 5% long-term target.

The reading is that Taco Bell's problem was a one-off, not structural, and that KFC keeps growing at a good pace outside the US. The stock rose after the results and today trades around USD 163, close to its 52-week high.

Vertical analysis

INCOME STATEMENT

Fiscal year Income Statement — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Revenues	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Cost of Goods Sold	(57.7%)	(53.8%)	(53.2%)	(49.5%)	(52.5%)	(51.9%)	(51.6%)	(50.6%)	(52.5%)	(53.8%)	**(52.3%)**	**(52.1%)**
Gross Profit	**42.3%**	**46.2%**	**46.8%**	**50.5%**	**47.5%**	**48.1%**	**48.4%**	**49.4%**	**47.5%**	**46.2%**	**47.7%**	**47.9%**
Selling General & Admin Expenses	(17.4%)	(16.5%)	(15.8%)	(16.5%)	(18.4%)	(16.0%)	(16.5%)	(16.4%)	(14.4%)	(14.0%)	**(14.9%)**	**(15.5%)**
Total Operating Expenses	**(17.4%)**	**(16.5%)**	**(15.8%)**	**(16.0%)**	**(17.5%)**	**(15.2%)**	**(17.2%)**	**(15.8%)**	**(13.7%)**	**(13.2%)**	**(14.2%)**	**(15.0%)**
Operating Income	**24.9%**	**29.7%**	**31.0%**	**34.5%**	**30.0%**	**32.9%**	**31.2%**	**33.6%**	**33.8%**	**32.9%**	**33.5%**	**32.9%**
Interest Expense	(5.2%)	(8.0%)	(8.7%)	(9.3%)	(9.9%)	(8.4%)	(8.2%)	(8.5%)	(7.2%)	(6.6%)	**(7.4%)**	**(7.8%)**
EBT Incl. Unusual Items	**21.2%**	**38.7%**	**32.3%**	**24.5%**	**18.0%**	**25.4%**	**24.3%**	**25.7%**	**25.2%**	**25.3%**	**25.4%**	**25.2%**
Income Tax Expense	(5.1%)	(15.9%)	(5.2%)	(1.4%)	(2.1%)	(1.5%)	(4.9%)	(3.1%)	(5.5%)	(6.3%)	**(5.0%)**	**(4.3%)**
Net Income	**25.8%**	**22.8%**	**27.1%**	**23.1%**	**16.0%**	**23.9%**	**19.4%**	**22.6%**	**19.7%**	**19.0%**	**20.4%**	**20.9%**
EBITDA	29.8%	34.0%	33.4%	36.5%	32.6%	35.4%	33.4%	35.8%	36.1%	35.4%	**35.8%**	**35.2%**

Source: author's analysis based on Tikr data.

Reported operating margin was 32.92%. However, this ratio is affected by the accounting treatment of advertising. Yum! recognizes as revenue the advertising contributions received from its franchisees and records, almost simultaneously as Cost of Goods Sold, an expense of a similar amount. In 2025 there were about USD 1,790 million of advertising revenue and expenses. If we exclude this advertising item, EBIT represented about 42% of revenue from company restaurants, franchises and property.

If we rebuild that part of the Income Statement it would look something like this:

	31/12/2025
Revenues	8214
Menos, advertising revenue	-1790
Revenues Ex-Publicidad	**6424**
COGS	-4422
Más, advertising expense eliminado	1790
COGS Ex-Publicidad	**-2632**
Gross Profit Ex-Publicidad	**3792**
SG&A	-1149
Other Operating Income	61
Operating Income	**2704**
Adjusted Operating Margin	***42%***

Source: author's analysis.

It does not mean higher profit, but a more representative way to measure the margin of the business that actually generates profitability.

Company sales grew faster than royalties in 2025. That raised the cost of company restaurants and explains why revenue growth did not translate one-to-one into margin. Operating profit rose 7.1%, less than revenue, while net income rose 4.9%. There was no structural expansion of consolidated margin; the improvement was more related to volume, units and brand mix.

SG&A represented 14% of reported revenue, the lowest figure of the whole period analyzed.

BALANCE SHEET

Fiscal year Balance Sheet — % of total assets	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Total Cash And Short Term Investments	**13.3%**	**28.8%**	**7.6%**	**11.7%**	**12.5%**	**8.1%**	**6.7%**	**8.6%**	**10.5%**	**8.6%**	**9.3%**	**8.5%**
Total Receivables	**7.6%**	**10.8%**	**14.5%**	**11.9%**	**9.7%**	**10.8%**	**11.6%**	**12.1%**	**12.3%**	**11.7%**	**12.0%**	**11.7%**
Inventory	0.7%	–	–	–	–	–	–	–	–	–	–	–
Total Current Assets	**27.6%**	**47.2%**	**29.2%**	**29.2%**	**28.9%**	**25.7%**	**27.5%**	**25.8%**	**27.8%**	**24.9%**	**26.2%**	**26.3%**
Net Property Plant And Equipment	38.7%	30.0%	30.0%	34.6%	35.6%	33.8%	32.7%	31.5%	32.5%	34.4%	**32.8%**	**33.0%**
Long-term Investments	1.3%	0.8%	6.5%	3.5%	0.8%	2.1%	2.4%	2.2%	–	–	**0.7%**	**1.3%**
Goodwill	9.8%	9.6%	12.7%	10.1%	10.2%	11.0%	10.9%	10.3%	10.9%	11.8%	**11.0%**	**11.0%**
Other Intangibles	2.8%	4.0%	5.9%	4.7%	5.9%	6.0%	6.1%	6.1%	6.2%	11.1%	**7.8%**	**7.1%**
Total Assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Total Current Liabilities	**24.0%**	**28.5%**	**31.5%**	**29.5%**	**28.6%**	**23.7%**	**28.5%**	**20.5%**	**18.9%**	**18.5%**	**19.3%**	**22.0%**
Long-Term Debt	166.1%	177.5%	235.2%	193.7%	176.6%	187.3%	195.1%	178.1%	167.2%	143.2%	**162.8%**	**174.2%**
Capital Leases	–	–	1.5%	13.6%	15.2%	14.2%	13.3%	12.8%	13.7%	16.0%	**14.2%**	**14.0%**
Total Liabilities	**203.0%**	**219.3%**	**291.9%**	**253.2%**	**234.8%**	**240.3%**	**251.8%**	**226.1%**	**213.7%**	**189.4%**	**209.7%**	**224.3%**
Total Equity	**(103.0%)**	**(119.3%)**	**(191.9%)**	**(153.2%)**	**(134.8%)**	**(140.3%)**	**(151.8%)**	**(126.1%)**	**(113.7%)**	**(89.4%)**	**(109.7%)**	**(124.3%)**
Total Debt	**167.3%**	**184.6%**	**244.4%**	**216.8%**	**201.6%**	**204.8%**	**216.6%**	**193.1%**	**182.6%**	**160.9%**	**178.9%**	**191.6%**
Net Debt	154.0%	155.8%	236.9%	205.1%	189.2%	196.7%	209.9%	184.5%	172.1%	152.3%	**169.6%**	**183.1%**

Source: author's analysis based on Tikr data.

Yum! ended 2025 with USD 11,872 million of long-term debt and negative equity of USD 7,325 million. Negative equity does not mean insolvency. It is the accumulated result of buybacks, dividends and a structure that needs few tangible assets to produce cash. But it should not be dressed up as an accounting detail either: the debt exists, pays interest and limits flexibility in a crisis.

Assets grew 22% during 2025, with increases in PP&E, goodwill and intangibles. The movement coincides with acquisitions of restaurants and operating rights. Goodwill rose to USD 969 million and intangibles to USD 909 million. They are not yet disproportionate to cash flow, but they represent capital that must justify returns. If the acquired markets underperform, there will be impairment risk.

CASH FLOW

Fiscal year Cash Flow — % of revenue	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Net Income	**25.8%**	**22.8%**	**27.1%**	**23.1%**	**16.0%**	**23.9%**	**19.4%**	**22.6%**	**19.7%**	**19.0%**	**20.4%**	**20.9%**
Total Depreciation & Amortization	**4.9%**	**4.3%**	**2.4%**	**2.0%**	**2.6%**	**2.5%**	**2.1%**	**2.2%**	**2.3%**	**2.5%**	**2.3%**	**2.3%**
Stock-Based Compensation	1.3%	1.1%	0.9%	1.1%	1.7%	1.1%	1.2%	1.3%	0.9%	0.9%	**1.0%**	**1.1%**
Cash from Operations	**19.6%**	**17.5%**	**20.7%**	**23.5%**	**23.1%**	**25.9%**	**20.9%**	**22.7%**	**22.4%**	**24.5%**	**23.2%**	**23.3%**
Capital Expenditure	(6.7%)	(5.4%)	(4.1%)	(3.5%)	(2.8%)	(3.5%)	(4.1%)	(4.0%)	(3.4%)	(4.5%)	**(4.0%)**	**(3.9%)**
Cash Acquisitions	–	–	(1.2%)	–	(7.2%)	–	–	–	(2.8%)	(9.5%)	**(4.1%)**	**(2.5%)**
Cash from Investing	**(0.1%)**	**25.0%**	**5.5%**	**(1.6%)**	**(5.9%)**	**(2.6%)**	**(3.0%)**	**(1.5%)**	**(5.6%)**	**(12.2%)**	**(6.4%)**	**(5.0%)**
Total Debt Issued	**130.6%**	**18.5%**	**28.4%**	**16.6%**	**30.9%**	**63.0%**	**18.7%**	**–**	**7.7%**	**19.3%**	**9.0%**	**21.7%**
Total Debt Repaid	**(47.3%)**	**(6.5%)**	**(23.3%)**	**(8.2%)**	**(28.6%)**	**(55.5%)**	**(10.2%)**	**(9.6%)**	**(6.3%)**	**(13.4%)**	**(9.8%)**	**(19.0%)**
Repurchase of Common Stock	(85.0%)	(33.3%)	(42.0%)	(14.6%)	(4.2%)	(24.2%)	(17.5%)	(0.7%)	(5.8%)	(6.7%)	**(4.4%)**	**(11.0%)**
Common Dividends Paid	(11.7%)	(7.1%)	(8.1%)	(9.1%)	(10.0%)	(9.0%)	(9.5%)	(9.6%)	(10.0%)	(9.6%)	**(9.7%)**	**(9.5%)**
Cash from Financing	**(11.7%)**	**(30.5%)**	**(46.1%)**	**(16.8%)**	**(13.1%)**	**(26.8%)**	**(19.3%)**	**(20.2%)**	**(15.4%)**	**(11.2%)**	**(15.6%)**	**(18.6%)**
Free Cash Flow	12.9%	12.1%	16.6%	20.0%	20.3%	22.4%	16.8%	18.6%	19.0%	20.0%	**19.2%**	**19.3%**

Source: author's analysis based on Tikr data.

Cash generation is one of Yum's main attractions. Operating cash flow represented 24.5% of sales in 2025, versus 19.6% in 2016, while free cash flow stayed close to 20% of revenue. Conversion was high and did not depend on a significant release of working capital.

CapEx represented 4.5% of sales, a moderate level given the group's cash generation capacity. However, investing cash flow reached an outflow of 12.2% of revenue, the largest cash outflow of the last 10 years by a wide margin. This increase is mainly due to acquisitions, which shows greater capital deployment during the last year.

In financing, Yum combined debt with shareholder returns. It issued more debt than it repaid and allocated about 9.6% of sales to dividends and 6.7% to buybacks. These items absorbed about 82% of free cash flow. The company generates abundant cash, but reinvests or distributes practically all of it, so leverage control and the quality of acquisitions will be key.

Financial ratios

- **Growth**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Growth												
Revenue growth		(7.5%)	(3.2%)	(1.6%)	1.0%	16.5%	3.9%	3.4%	6.7%	8.8%	**6.3%**	**7.9%**
EBIT growth		10.2%	1.0%	9.5%	(12.1%)	27.5%	(1.3%)	11.4%	7.2%	6.0%	**8.2%**	**10.2%**
Diluted EPS growth		48.4%	24.4%	(11.7%)	(29.0%)	77.2%	(12.3%)	22.3%	(6.6%)	6.3%	**7.3%**	**17.4%**
Change in diluted shares (dilution / buybacks)		(11.3%)	(7.3%)	(4.9%)	(1.9%)	(1.6%)	(4.0%)	(1.7%)	–	(1.4%)	**(1.0%)**	**(1.7%)**

Source: author's analysis based on Tikr data.

Sales grew 8.8% in 2025 and 6.3% on average over the last three years. EBIT grew 6%. The share count falls every year, although at a slower and slower pace (-1.4% in 2025).

- **Profitability**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Profitability												
Gross margin	42.3%	46.2%	46.8%	50.5%	47.5%	48.1%	48.4%	49.4%	47.5%	46.2%	**47.7%**	**47.9%**
SG&A % revenue	17.4%	16.5%	15.8%	16.5%	18.4%	16.0%	16.5%	16.4%	14.4%	14.0%	**14.9%**	**15.5%**
R&D % revenue	–	–	–	–	–	–	–	–	–	–	–	–
EBIT margin	24.9%	29.7%	31.0%	34.5%	30.0%	32.9%	31.2%	33.6%	33.8%	32.9%	**33.5%**	**32.9%**
EBITDA margin (EBIT + D&A)	29.8%	34.0%	33.4%	36.5%	32.6%	35.4%	33.4%	35.8%	36.1%	35.4%	**35.8%**	**35.2%**
Net margin	25.8%	22.8%	27.1%	23.1%	16.0%	23.9%	19.4%	22.6%	19.7%	19.0%	**20.4%**	**20.9%**
Stock-based compensation % revenue	1.3%	1.1%	0.9%	1.1%	1.7%	1.1%	1.2%	1.3%	0.9%	0.9%	**1.0%**	**1.1%**
Effective tax rate	24.3%	41.1%	16.2%	5.8%	11.4%	5.9%	20.3%	12.2%	21.8%	24.9%	**19.6%**	**17.0%**

Source: author's analysis based on Tikr data.

Gross margin was 46.2% and EBIT margin 32.9%, with an average of 33.5% over the last three years. These are very high and stable margins, typical of a franchised model.

- **Cash flow and reinvestment**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Cash flow & reinvestment												
Cash from operations % revenue	19.6%	17.5%	20.7%	23.5%	23.1%	25.9%	20.9%	22.7%	22.4%	24.5%	**23.2%**	**23.3%**
FCF margin (TIKR FCF / revenue)	12.9%	12.1%	16.6%	20.0%	20.3%	22.4%	16.8%	18.6%	19.0%	20.0%	**19.2%**	**19.3%**
FCF conversion (FCF / net income)	50.0%	53.1%	61.1%	86.5%	126.7%	93.7%	86.6%	82.5%	96.4%	105.1%	**94.7%**	**92.9%**
Capex % revenue	6.7%	5.4%	4.1%	3.5%	2.8%	3.5%	4.1%	4.0%	3.4%	4.5%	**4.0%**	**3.9%**
D&A % revenue	4.9%	4.3%	2.4%	2.0%	2.6%	2.5%	2.1%	2.2%	2.3%	2.5%	**2.3%**	**2.3%**
Capex / D&A	1.4x	1.3x	1.7x	1.8x	1.1x	1.4x	1.9x	1.9x	1.5x	1.8x	**1.7x**	**1.7x**
D&A % beginning net PP&E		12.0%	8.6%	9.1%	8.1%	7.9%	7.2%	8.0%	8.9%	9.4%	**8.8%**	**8.3%**
Acquisitions % revenue	–	–	1.2%	–	7.2%	–	–	–	2.8%	9.5%	**4.1%**	**2.5%**

Source: author's analysis based on Tikr data.

Operating cash flow was 24.5% of sales and free cash flow 20%, with conversion of net income into cash above 100%. CapEx was 4.5% of sales. Restaurant acquisitions consumed 9.5% of sales in 2025, something unusual for Yum!.

- **Working capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Working capital												
Receivables days (DSO)	23.8	35.7	38.3	40.6	36.7	35.8	36.3	39.0	40.1	42.4	**40.5**	**38.7**
Inventory days (DIO)	3.7	–	–	–	–	–	–	–	–	–	–	–
Payables days (DPO)	14.1	13.7	24.4	22.8	26.5	24.2	25.1	23.6	22.9	24.3	**23.6**	**24.0**
Cash conversion cycle (DSO + DIO − DPO)	13.3	22.0	13.9	17.8	10.3	11.6	11.1	15.5	17.2	18.2	**17.0**	**14.7**
Deferred revenue % revenue	–	–	–	–	–	–	1.0%	6.3%	5.8%	5.4%	**5.8%**	**3.7%**
Operating NWC % revenue	(6.7%)	(1.7%)	(3.0%)	(2.1%)	(6.4%)	(6.3%)	(2.6%)	(8.0%)	(6.3%)	(6.7%)	**(7.0%)**	**(6.0%)**

Source: author's analysis based on Tikr data.

Yum! collects in 42 days and pays in 24. It has practically no inventory, because franchisees handle it. Operating working capital is negative (-6.7% of sales).

- **Returns on capital**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Returns on capital												
NOPAT = EBIT × (1 − normalized tax rate)	1,236	1,362	1,375	1,506	1,324	1,688	1,666	1,856	1,991	2,109	**1,985**	**1,862**
Invested capital = debt + equity − cash & ST inv.	2,785	1,939	1,856	2,713	3,179	3,360	3,392	3,637	3,931	5,155	**4,241**	**3,895**
ROIC = NOPAT / average invested capital		57.7%	72.5%	65.9%	44.9%	51.6%	49.4%	52.8%	52.6%	46.4%	**50.6%**	**50.6%**
ROIC incl. cash = NOPAT / average (debt + equity)		39.0%	48.8%	54.8%	36.6%	43.5%	43.7%	46.7%	45.2%	40.2%	**44.0%**	**43.8%**
Pre-tax ROIC = EBIT / average invested capital (reference)		73.9%	92.9%	84.5%	57.6%	66.2%	63.3%	67.7%	67.4%	59.5%	**64.9%**	**64.8%**
ROE = net income / average equity	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	**n.m.**	**n.m.**
ROA = net income / average total assets		24.9%	32.7%	27.6%	16.3%	26.7%	22.4%	26.4%	22.9%	20.9%	**23.4%**	**23.9%**

Source: author's analysis based on Tikr data.

ROIC was 46% in 2025 and averages about 50% over the last five years. ROE is meaningless because equity is negative, the result of years of buybacks partly funded with debt.

- **Leverage and liquidity**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Leverage & liquidity												
Net debt (debt − cash & ST inv.)	8,400	8,273	9,782	10,729	11,070	11,733	12,268	11,495	11,579	12,480	**11,851**	**11,911**
Net debt / EBITDA	4.4x	4.1x	5.1x	5.3x	6.0x	5.0x	5.4x	4.5x	4.2x	4.3x	**4.4x**	**4.7x**
Interest coverage (EBIT / interest expense)	4.8x	3.7x	3.6x	3.7x	3.0x	3.9x	3.8x	4.0x	4.7x	5.0x	**4.5x**	**4.3x**
Debt / (debt + equity), book	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	**n.m.**	**n.m.**
Current ratio	1.15	1.66	0.93	0.99	1.01	1.08	0.97	1.26	1.47	1.35	**1.36**	**1.23**

Source: author's analysis based on Tikr data.

Net debt was USD 12,480 million at the end of 2025, 4.3 times EBITDA, with interest coverage of 5 times. It is a high level, although sustainable given the stability of royalties. After the sale of Pizza Hut, net debt fell to about USD 10,700 million.

- **Shareholder returns and valuation**

Fiscal year	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	FY2024A	FY2025A	3Y avg	5Y avg
Shareholder returns & market valuation (TIKR, at fiscal year end)												
Dividends + buybacks % FCF	748.7%	333.7%	302.8%	118.5%	70.3%	147.9%	161.1%	55.2%	83.3%	81.8%	**73.5%**	**105.9%**
EV / EBITDA	15.6x	18.2x	20.1x	20.1x	23.3x	22.3x	21.0x	19.0x	18.0x	18.4x	**18.5x**	**19.7x**
EV / revenue	4.7x	6.2x	6.7x	7.4x	7.6x	7.9x	7.0x	6.8x	6.5x	6.5x	**6.6x**	**6.9x**
P/E	14.1x	20.5x	18.6x	23.5x	36.2x	25.8x	27.2x	22.9x	25.2x	26.9x	**25.0x**	**25.6x**
FCF yield (FCF / market cap)	3.5%	2.6%	3.3%	3.7%	3.5%	3.6%	3.2%	3.6%	3.8%	3.9%	**3.8%**	**3.6%**

Source: author's analysis based on Tikr data.

Yum! returned 82% of its free cash flow in 2025 through dividends and buybacks. At the end of 2025 it traded at 18 times EBITDA and 27 times earnings, with a 3.9% FCF yield.

SECTION 04

Management and capital allocation

Chris Turner became **CEO** on October 1, 2025. He was previously CFO and Chief Franchise Officer, so he knows both the balance sheet and the relationship with franchisees. The internal succession reduces the risk of a strategic break, although it also means current capital allocation should be judged as continuity, not as a turn by an outsider.

Ranjith Roy is **CFO** and **Sean Tresvant leads Taco Bell** while also being responsible for consumer at group level. The structure seems designed to turn Taco Bell's best practices, especially marketing, innovation and data, into capabilities that can travel to KFC and the rest of the system.

Skin in the game

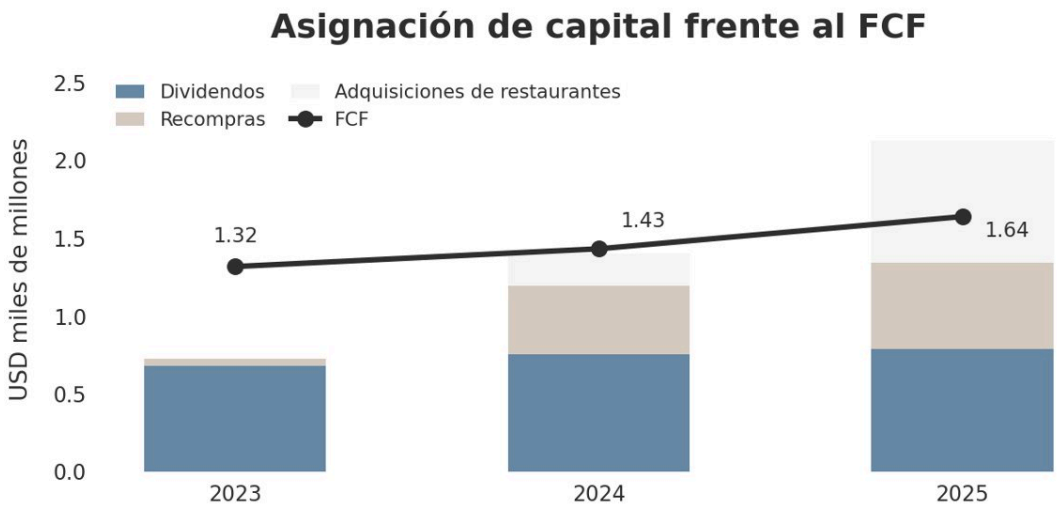
Alignment is good for a corporation of this size, although naturally not comparable to that of a founder-led company. According to the 2026 proxy, at the end of 2025 Chris Turner held about 95,645 shares and other instruments counted under Yum's ownership policy, worth about USD 14.5 million. This exposure equaled 14.5 times his base salary, more than double the 7x requirement the company sets for its CEO. The position is material enough to align a relevant part of his wealth with the stock, although a portion comes from compensation and instruments accumulated during his career at Yum, not necessarily from purchases made with his own money.

Variable compensation is linked to system sales, core operating profit, total shareholder return and strategic goals. The design makes sense. The limitation is the usual one: per-share metrics can improve with debt-funded buybacks even when economic value does not. That is why the incentive analysis should include the price paid for the shares, not just the number of shares retired.

Capital allocation

Management has been consistent in returning cash to shareholders. That consistency is positive, but the combination of high debt and massive buyback authorizations deserves close monitoring. Yum! does not need a balance sheet with a lot of cash, but it does need to keep the capacity to support franchisees, get through consumer or food safety shocks and fund technology.

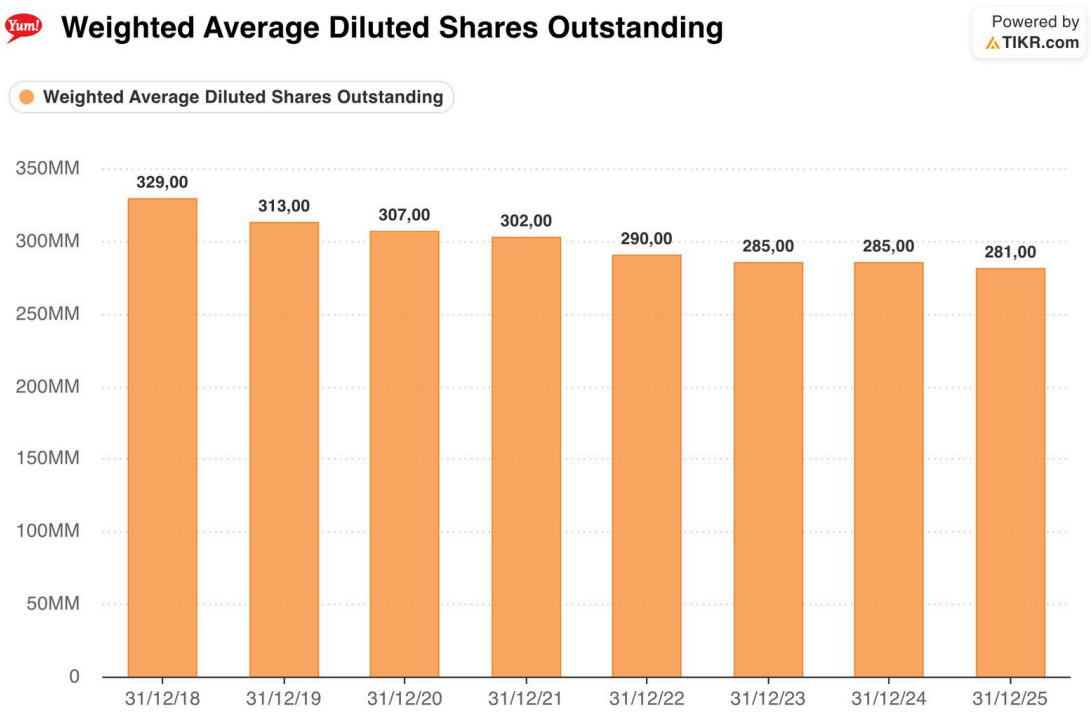
The sale of Pizza Hut could be one of Chris Turner's first tests as CEO. The market will probably reward a quick reduction in shares outstanding. The long-term shareholder should prefer that he compares, with the same discipline, the return on buybacks, debt repayment, investment in Byte, Taco Bell's international development and possible alternatives for Habit.



Source: author's analysis based on the 2025 10-K.

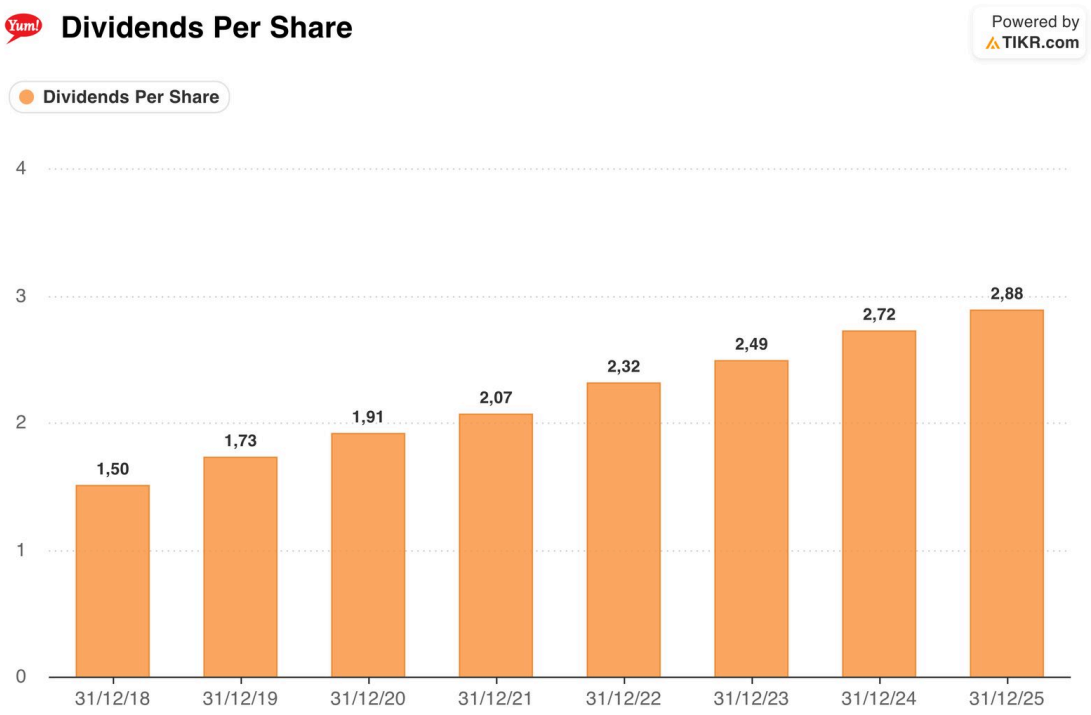
In 2025, Yum! paid USD 789 million in dividends and bought back USD 552 million of stock. In other words, it returned USD 1,341 million, about 82% of FCF. In 2024 the proportion was similar. The company retains little cash because the model does not need it to fund thousands of openings, but that policy leaves less cushion and requires being demanding about the price of buybacks.

- **Reinvestment in the business**. Technology, brand development, franchisee support and a limited base of company restaurants.
- **Share buybacks**. A central tool. It creates value only when buying below intrinsic value and without compromising the balance sheet.



Source: Tikr.

- **Debt repayment**. Until now it has competed with dividends and buybacks. The net proceeds from Pizza Hut open a window to deleverage.
- **Dividend**. It grew to USD 2.88 per share in 2025 and absorbs about half of FCF.



Source: Tikr.

- **Cash accumulation.** Not the priority. Cash ended at USD 709 million, a modest reserve relative to debt.

After the sale of Pizza Hut, management started to use the proceeds in a balanced way: it repaid the USD 675 million credit line and bought back USD 543 million of stock in the third quarter. There is still cash to meet the maturities of the coming months. What needs watching is the price at which it keeps buying back: at 27 times earnings, buybacks do not create much value.

SECTION 05

Competitive analysis

Industry

Quick service restaurants are a huge, fragmented and competitive industry. It competes on frequency, convenience and value. The barriers to opening a restaurant are low, but the barriers to creating a global platform with tens of thousands of units are high. The sector has significant labor costs, sensitivity to commodities, rents, delivery and regulation. At the same time, it has recurring demand and the ability to adapt menu and ticket.

Yum! points out that not even its large brands represent a significant share of the total market for food sold at retail. That statement is useful: the TAM is broad, but too diffuse to reduce to a single figure. The relevant market includes restaurants, delivery, supermarkets, convenience stores and food prepared at home. The concrete opportunity is more measurable in possible units and sales per unit than in a consultant's TAM.

Market share and TAM

KFC is one of the most widespread chicken chains in the world and Taco Bell dominates the Mexican-inspired food segment in the US, but exact market share changes by country and definition. Instead of forcing a global figure, it is better to follow three indicators: unit growth versus competitors, SSS (Same Store Sales) versus the category and franchisee returns.

KFC's TAM comes from the formalization of eating out, urbanization, delivery and expansion in markets where it still has low density. Taco Bell's TAM is more of an option: its international penetration is small and could multiply, but cultural acceptance must be proven market by market. For Byte, the internal TAM is Yum!'s whole network; any sale to third parties would be upside not included.

Main competitors

Yum! competes within a broad and fragmented industry, in which rivalry is not limited to companies with an identical business model. Each of its brands faces different competitors depending on the category, geography, price and consumption occasion.

McDonald's is the main global benchmark for scale, brand strength, marketing capacity, digital presence and control of real estate assets. Its franchise model and capital return track record also make it a direct reference for assessing the economic quality of Yum.

Restaurant Brands International is probably the most comparable corporate competitor. Through Burger King, Popeyes, Tim Hortons and Firehouse Subs, it runs a multi-brand, mostly franchised portfolio, with a similar revenue structure and capital allocation logic.

Domino's is an especially relevant reference for understanding Pizza Hut's historical problems. Its advantage in delivery, technology, operations and franchisee profitability allowed it to gain share within the pizza category for years.

Chipotle competes mainly with Taco Bell for fast food occasions, although with a higher quality and price positioning. Its unit growth, brand strength and ability to increase restaurant performance make it one of the most efficient operators in the US market.

Wingstop is a relevant reference for KFC because of its exposure to chicken, its franchise-heavy model and its strong unit expansion. Although it still has considerably smaller scale, it has a long-duration growth profile the market usually values at high multiples.

Starbucks does not compete directly in every category, but it does compete for visit frequency, discretionary spending, customer loyalty and share of out-of-home consumption occasions. Its digital ecosystem and loyalty program are also a benchmark for Yum's digital initiatives.

Finally, in many international markets, KFC and Taco Bell compete against **local chains** with greater cultural adaptation, competitive prices and established locations. These companies may not have the same global scale, but they are a relevant threat because they know the specific preferences of each market better.

COMPARISON WITH MAIN COMPETITORS

For the comparison of fundamentals I consider as public peers **McDonald's, Restaurant Brands International, Domino's, Chipotle, Wingstop and Starbucks**.

Not all of them are perfect peers, although they are still useful for assessing growth, brand strength and valuation within the sector.

I acknowledge this section may be somewhat long, but I believe understanding the main competitors is almost as important as knowing in depth the company we are analyzing. In the end, a company does not operate in isolation, and often this exercise even lets us discover that one of its competitors may be more interesting as an investment.

Let's look at some of the most important metrics:

- **Sales growth**

REVENUES

% Change YoY	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	-	(7,5%)	(3,2%)	(1,6%)	1,0%	16,5%	3,9%	3,4%	6,7%	8,8%
MCDONALD'S CORPORATION	-	(7,3%)	(6,8%)	0,5%	(10,1%)	20,9%	(0,2%)	10,0%	1,7%	3,7%
CHIPOTLE MEXICAN GRILL, INC.	-	14,7%	8,7%	14,8%	7,1%	26,1%	14,4%	14,3%	14,6%	5,4%
STARBUCKS CORPORATION	-	5,0%	10,4%	7,2%	(11,3%)	23,6%	11,0%	11,6%	0,6%	2,8%
RESTAURANT BRANDS INTERNATIONAL INC.	-	10,4%	17,1%	4,6%	(11,3%)	15,5%	13,3%	7,9%	19,7%	12,2%
WINGSTOP INC.	-	29,0%	14,9%	30,4%	24,6%	13,5%	26,6%	28,7%	36,0%	11,4%
DOMINO'S PIZZA, INC.	-	12,8%	23,1%	5,4%	13,8%	5,8%	4,1%	(1,3%)	5,1%	5,0%
Median	-	***10,4%***	***10,4%***	***5,4%***	***1,0%***	***16,5%***	***11,0%***	***10,0%***	***6,7%***	***5,4%***
Average	-	***8,2%***	***9,2%***	***8,8%***	***2,0%***	***17,4%***	***10,4%***	***10,7%***	***12,1%***	***7,0%***

Source: author's analysis.

Yum ended 2025 with sales growth of **8.8%**, above McDonald's, Chipotle, Starbucks and Domino's. Even above the average of all competitors.

If we take the average of the last 3 years, 2023-2025, it grew **6.3%**, far from Wingstop (25.4%) and Restaurant Brands (13.3%). With Yum one has to remember that accounting revenue does not perfectly reflect the economic growth of the system because of its franchise model and perimeter changes.

- **Margins**

MARGINS

% Gross Margins	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	42,3%	46,2%	46,8%	50,5%	47,5%	48,1%	48,4%	49,4%	47,5%	46,2%
MCDONALD'S CORPORATION	41,4%	46,5%	51,0%	52,3%	50,8%	54,2%	57,0%	57,1%	56,8%	57,4%
CHIPOTLE MEXICAN GRILL, INC.	29,2%	31,5%	32,7%	34,1%	34,6%	38,5%	39,1%	40,7%	40,5%	40,1%
STARBUCKS CORPORATION	31,6%	30,5%	29,6%	28,2%	21,9%	29,0%	26,0%	27,4%	26,9%	23,0%
RESTAURANT BRANDS INTERNATIONAL INC.	47,4%	49,1%	58,2%	42,7%	39,7%	41,4%	39,9%	39,9%	36,0%	33,8%
WINGSTOP INC.	62,1%	54,1%	57,1%	49,4%	49,4%	49,9%	47,8%	48,4%	48,1%	48,7%
DOMINO'S PIZZA, INC.	31,0%	31,1%	27,5%	28,0%	27,5%	27,7%	25,6%	28,0%	28,4%	28,6%
Median	***41,4%***	***46,2%***	***46,8%***	***42,7%***	***39,7%***	***41,4%***	***39,9%***	***40,7%***	***40,5%***	***40,1%***
Average	***40,7%***	***41,3%***	***43,3%***	***40,7%***	***38,8%***	***41,3%***	***40,6%***	***41,6%***	***40,6%***	***39,7%***

% Operating Margin	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	24,9%	29,7%	31,0%	34,5%	30,0%	32,9%	31,2%	33,6%	33,8%	32,9%
MCDONALD'S CORPORATION	31,8%	36,8%	40,6%	41,9%	38,9%	43,7%	44,7%	46,1%	45,7%	46,1%
CHIPOTLE MEXICAN GRILL, INC.	1,5%	6,3%	7,2%	8,6%	5,4%	10,9%	13,7%	16,2%	17,3%	16,9%
STARBUCKS CORPORATION	18,1%	17,4%	15,4%	14,8%	6,8%	16,2%	13,8%	15,4%	14,2%	9,9%
RESTAURANT BRANDS INTERNATIONAL INC.	40,1%	41,4%	36,3%	36,2%	32,0%	33,5%	31,1%	30,4%	27,6%	26,4%
WINGSTOP INC.	25,8%	25,4%	25,2%	21,5%	21,8%	24,9%	26,0%	24,5%	26,6%	27,6%
DOMINO'S PIZZA, INC.	18,4%	18,7%	16,7%	17,4%	17,6%	17,9%	16,5%	18,3%	18,7%	19,3%
Median	***24,9%***	***25,4%***	***25,2%***	***21,5%***	***21,8%***	***24,9%***	***26,0%***	***24,5%***	***26,6%***	***26,4%***
Average	***22,9%***	***25,1%***	***24,6%***	***25,0%***	***21,8%***	***25,7%***	***25,3%***	***26,4%***	***26,3%***	***25,6%***

% Net Income Margin	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	25,8%	22,8%	27,1%	23,1%	16,0%	23,9%	19,4%	22,6%	19,7%	19,0%
MCDONALD'S CORPORATION	19,0%	22,8%	27,9%	28,2%	24,6%	32,5%	26,6%	33,2%	31,7%	31,9%
CHIPOTLE MEXICAN GRILL, INC.	0,6%	3,9%	3,6%	6,3%	5,9%	8,7%	10,4%	12,4%	13,6%	12,9%
STARBUCKS CORPORATION	13,2%	12,9%	18,3%	13,6%	3,9%	14,5%	10,2%	11,5%	10,4%	5,0%
RESTAURANT BRANDS INTERNATIONAL INC.	14,9%	14,2%	11,4%	11,5%	9,8%	14,6%	15,5%	16,9%	12,1%	8,2%
WINGSTOP INC.	13,3%	18,0%	14,2%	10,3%	9,4%	15,1%	14,8%	15,3%	17,4%	25,0%
DOMINO'S PIZZA, INC.	8,7%	10,0%	10,5%	11,1%	11,9%	11,7%	10,0%	11,6%	12,4%	12,2%
Median	***13,3%***	***14,2%***	***14,2%***	***11,5%***	***9,8%***	***14,6%***	***14,8%***	***15,3%***	***13,6%***	***12,9%***
Average	***13,7%***	***14,9%***	***16,1%***	***14,9%***	***11,7%***	***17,3%***	***15,3%***	***17,6%***	***16,8%***	***16,3%***

Source: author's analysis.

Yum's **gross margin** was **46.2% in 2025** and averaged **47.7% over the last three years**, one of the highest in the group. McDonald's leads with an average of 57.1%, while Starbucks comes last with 25.8%. The comparison is not perfect because the share of company restaurants and the treatment of advertising vary a lot between companies.

In **operating margin**, Yum holds a strong position, with **32.9% in 2025** and an average of **33.5% between 2023 and 2025**. Only McDonald's shows clearly higher profitability, close to 46%, while Starbucks comes last with about 13%. Yum's franchised model allows it to turn a high share of its revenue into operating profit.

Finally, Yum's **net margin** was **19.0% in 2025** and averaged **20.4% over the last three years**. McDonald's leads again with 32.3%, while Starbucks has the lowest average, at 9%. Yum remains among the most profitable companies in the group.

- **Net PP&E**

Net Property Plant And Equipment	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	38,7%	30,0%	30,0%	34,6%	35,6%	33,8%	32,7%	31,5%	32,5%	34,4%
MCDONALD'S CORPORATION	68,5%	66,4%	69,6%	78,8%	73,7%	71,1%	72,1%	68,4%	70,0%	72,0%
CHIPOTLE MEXICAN GRILL, INC.	64,3%	65,4%	60,9%	77,7%	72,7%	73,5%	75,8%	71,5%	69,4%	79,4%
STARBUCKS CORPORATION	31,7%	34,2%	24,5%	33,5%	48,9%	46,5%	52,1%	53,7%	57,3%	55,6%
RESTAURANT BRANDS INTERNATIONAL INC.	10,7%	10,0%	9,9%	14,2%	14,0%	13,6%	13,3%	13,1%	16,6%	16,6%
WINGSTOP INC.	4,5%	4,9%	6,0%	21,7%	16,2%	27,9%	19,4%	29,2%	24,4%	25,8%
DOMINO'S PIZZA, INC.	19,3%	20,3%	25,9%	34,1%	33,5%	32,0%	32,5%	30,6%	29,4%	31,7%
Median	***31,7%***	***30,0%***	***25,9%***	***34,1%***	***35,6%***	***33,8%***	***32,7%***	***31,5%***	***32,5%***	***34,4%***
Average	***34,0%***	***33,0%***	***32,4%***	***42,1%***	***42,1%***	***42,6%***	***42,6%***	***42,6%***	***42,8%***	***45,1%***

Source: author's analysis.

Net PP&E represents about **34% of Yum's assets in 2025**, identical to the average of all competitors. Restaurant Brands is the lightest, at about 16%, while Chipotle reaches 79%. This reflects the differences in model: Chipotle operates its restaurants directly, while Yum shifts much of the physical investment to its franchisees. McDonald's also has high PP&E, but because of its large real estate exposure.

- **Goodwill and other intangibles**

Goodwill	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	9,8%	9,6%	12,7%	10,1%	10,2%	11,0%	10,9%	10,3%	10,9%	11,8%
MCDONALD'S CORPORATION	7,5%	7,0%	7,1%	5,6%	5,3%	5,2%	5,8%	5,4%	5,7%	5,6%
CHIPOTLE MEXICAN GRILL, INC.	1,1%	1,1%	1,0%	0,4%	0,4%	0,3%	0,3%	0,3%	0,2%	0,2%
STARBUCKS CORPORATION	12,0%	10,7%	14,7%	18,2%	12,2%	11,7%	11,7%	10,9%	10,6%	10,5%
RESTAURANT BRANDS INTERNATIONAL INC.	24,4%	27,2%	27,2%	25,3%	25,2%	25,8%	25,0%	24,7%	24,3%	24,6%
WINGSTOP INC.	40,4%	38,9%	35,5%	30,2%	25,4%	22,8%	14,7%	17,9%	10,4%	12,1%
DOMINO'S PIZZA, INC.	2,2%	1,8%	1,6%	1,1%	1,0%	0,9%	0,7%	0,7%	0,7%	0,6%
Median	***9,8%***	***9,6%***	***12,7%***	***10,1%***	***10,2%***	***11,0%***	***10,9%***	***10,3%***	***10,4%***	***10,5%***
Average	***13,9%***	***13,8%***	***14,3%***	***13,0%***	***11,4%***	***11,1%***	***9,9%***	***10,0%***	***9,0%***	***9,4%***

Other Intangibles	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	2,8%	4,0%	5,9%	4,7%	5,9%	6,0%	6,1%	6,1%	6,2%	11,1%
MCDONALD'S CORPORATION	-	-	-	1,4%	1,3%	1,5%	1,7%	1,5%	1,6%	1,8%
CHIPOTLE MEXICAN GRILL, INC.	-	-	-	-	-	-	-	-	-	-
STARBUCKS CORPORATION	3,6%	3,1%	4,3%	4,1%	1,9%	1,1%	0,6%	0,4%	0,3%	0,5%
RESTAURANT BRANDS INTERNATIONAL INC.	48,3%	52,1%	51,9%	47,2%	47,0%	49,1%	48,3%	47,5%	44,3%	43,7%
WINGSTOP INC.	44,4%	42,1%	36,5%	29,6%	23,3%	18,6%	10,9%	12,9%	7,3%	8,2%
DOMINO'S PIZZA, INC.	5,6%	6,3%	7,0%	5,4%	5,2%	5,7%	6,8%	8,0%	8,9%	9,3%
Median	***3,6%***	***4,0%***	***5,9%***	***4,7%***	***5,2%***	***5,7%***	***6,1%***	***6,1%***	***6,2%***	***8,2%***
Average	***14,9%***	***15,4%***	***15,1%***	***13,2%***	***12,1%***	***11,7%***	***10,6%***	***10,9%***	***9,8%***	***10,7%***

Source: author's analysis.

Goodwill represents about **12% of Yum's assets in 2025**, and close to 11% on a three-year average. Restaurant Brands has the highest exposure, about 25%, while Chipotle has practically no goodwill. I do not think there is a "better" or "worse" in this metric, since it mainly reflects each company's acquisition history.

Other intangibles rose to **11% of Yum's assets in 2025**, versus an average of about 8% over the last three years. Restaurant Brands stands out with about 45%, while Chipotle practically does not have this item. As with goodwill, the comparison helps more to understand the composition of the balance sheet than to judge the quality of the business.

- **Current liabilities, long-term debt and capital leases**

Current Liabilities	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	24,0%	28,5%	31,5%	29,5%	28,6%	23,7%	28,5%	20,5%	18,9%	18,5%
MCDONALD'S CORPORATION	11,2%	8,6%	9,1%	7,6%	11,7%	7,5%	7,5%	12,2%	7,0%	7,3%
CHIPOTLE MEXICAN GRILL, INC.	13,9%	15,8%	19,9%	13,1%	13,7%	13,1%	13,3%	12,8%	12,7%	13,2%
STARBUCKS CORPORATION	31,8%	29,4%	23,5%	32,1%	25,0%	26,0%	32,7%	31,7%	28,9%	31,9%
RESTAURANT BRANDS INTERNATIONAL INC.	6,3%	7,8%	7,0%	7,6%	7,0%	8,1%	9,3%	9,2%	9,6%	11,3%
WINGSTOP INC.	15,0%	16,0%	18,9%	19,8%	23,9%	15,9%	14,7%	18,8%	12,2%	11,8%
DOMINO'S PIZZA, INC.	56,4%	47,6%	41,8%	32,8%	30,0%	35,3%	33,5%	32,7%	92,8%	31,6%
Median	***15,0%***	***16,0%***	***19,9%***	***19,8%***	***23,9%***	***15,9%***	***14,7%***	***18,8%***	***12,7%***	***13,2%***
Average	***22,6%***	***21,9%***	***21,7%***	***20,4%***	***20,0%***	***18,5%***	***19,9%***	***19,7%***	***26,0%***	***17,9%***

Long-Term Debt	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	166,1%	177,5%	235,2%	193,7%	176,6%	187,3%	195,1%	178,1%	167,2%	143,2%
MCDONALD'S CORPORATION	83,4%	87,4%	94,7%	71,8%	66,9%	66,2%	71,4%	66,3%	69,7%	67,2%
CHIPOTLE MEXICAN GRILL, INC.	-	-	-	-	-	-	-	-	-	-
STARBUCKS CORPORATION	22,3%	27,4%	37,8%	58,1%	50,1%	43,4%	47,0%	46,1%	45,8%	45,6%
RESTAURANT BRANDS INTERNATIONAL INC.	44,3%	55,8%	59,1%	53,4%	56,3%	56,5%	56,4%	55,0%	54,6%	51,7%
WINGSTOP INC.	131,7%	108,3%	221,4%	185,2%	220,7%	188,4%	166,6%	188,5%	168,4%	174,4%
DOMINO'S PIZZA, INC.	300,0%	373,0%	383,4%	293,2%	259,0%	295,6%	305,6%	289,6%	215,9%	276,1%
Median	***83,4%***	***87,4%***	***94,7%***	***71,8%***	***66,9%***	***66,2%***	***71,4%***	***66,3%***	***69,7%***	***67,2%***
Average	***106,8%***	***118,5%***	***147,4%***	***122,2%***	***118,5%***	***119,6%***	***120,3%***	***117,7%***	***103,1%***	***108,3%***

Capital Leases	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	-	-	1,5%	13,6%	15,2%	14,2%	13,3%	12,8%	13,7%	16,0%
MCDONALD'S CORPORATION	-	-	-	26,9%	25,3%	24,2%	24,1%	23,3%	23,4%	23,8%
CHIPOTLE MEXICAN GRILL, INC.	-	-	-	52,5%	49,3%	49,6%	50,5%	47,3%	46,3%	53,1%
STARBUCKS CORPORATION	-	-	-	-	26,1%	24,6%	26,9%	26,9%	28,0%	28,0%
RESTAURANT BRANDS INTERNATIONAL INC.	1,1%	1,1%	1,1%	6,2%	6,1%	6,0%	5,9%	5,9%	8,3%	8,4%
WINGSTOP INC.	-	-	-	4,8%	2,6%	5,5%	3,4%	4,7%	8,1%	8,4%
DOMINO'S PIZZA, INC.	-	-	1,8%	16,0%	16,6%	15,4%	16,6%	15,7%	14,8%	14,8%
Median	***-***	***-***	***-***	***13,6%***	***16,6%***	***15,4%***	***16,6%***	***15,7%***	***14,8%***	***16,0%***
Average	***0,2%***	***0,2%***	***0,6%***	***17,1%***	***20,2%***	***19,9%***	***20,1%***	***19,5%***	***20,4%***	***21,8%***

Source: author's analysis.

Current liabilities represent about **18.5% of Yum's assets**, with a recent average close to 19%. Starbucks and Domino's have a considerably higher proportion, while McDonald's is the lowest, at about 9% on the 2023-2025 average. It is not a metric I would interpret in isolation, since it depends a lot on how each company finances its working capital.

Yum continues to show an aggressive capital structure. **Long-term debt** equals about **143% of its assets in 2025** and averaged 163% over the last three years. Only Domino's and Wingstop have higher percentages, while Chipotle practically uses no financial debt. It is one of the main counterparts of Yum's high capital distribution.

Leases represent about **16% of Yum's assets in 2025**. Chipotle has the highest exposure, close to 49%, consistent with its company-owned restaurant model, while Wingstop and Restaurant Brands are around 7%. Yum is in an intermediate position.

- **Liquidity**

LIQUIDITY										
Current [Current Assets / Current Liabilities]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
YUM! BRANDS, INC.	1,2x	1,7x	0,9x	1,0x	1,0x	1,1x	1,0x	1,3x	1,5x	1,3x
MCDONALD'S CORPORATION	1,4x	1,8x	1,4x	1,0x	1,0x	1,8x	1,4x	1,2x	1,2x	1,0x
CHIPOTLE MEXICAN GRILL, INC.	1,9x	1,9x	1,8x	1,6x	1,7x	1,6x	1,3x	1,6x	1,5x	1,2x
STARBUCKS CORPORATION	1,0x	1,3x	2,2x	0,9x	1,1x	1,2x	0,8x	0,8x	0,8x	0,7x
RESTAURANT BRANDS INTERNATIONAL INC.	1,7x	1,1x	1,1x	1,3x	1,4x	1,0x	1,0x	1,0x	1,0x	1,0x
WINGSTOP INC.	0,7x	0,8x	1,1x	0,9x	1,4x	1,8x	3,6x	2,0x	4,5x	3,3x
DOMINO'S PIZZA, INC.	1,2x	1,5x	1,5x	1,7x	1,8x	1,5x	1,5x	1,5x	0,6x	1,7x
Median	***1,2x***	***1,5x***	***1,4x***	***1,0x***	***1,4x***	***1,5x***	***1,3x***	***1,3x***	***1,2x***	***1,2x***
Average	***1,3x***	***1,4x***	***1,4x***	***1,2x***	***1,4x***	***1,4x***	***1,5x***	***1,3x***	***1,6x***	***1,5x***

Quick [(Cash + Marketable securities + Receivables) / Current Liabilities]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
YUM! BRANDS, INC.	0,9x	1,4x	0,7x	0,8x	0,8x	0,8x	0,6x	1,0x	1,2x	1,1x
MCDONALD'S CORPORATION	0,8x	1,5x	1,1x	0,9x	1,0x	1,7x	1,2x	1,0x	0,9x	0,7x
CHIPOTLE MEXICAN GRILL, INC.	1,6x	1,7x	1,6x	1,5x	1,6x	1,5x	1,1x	1,4x	1,4x	1,1x
STARBUCKS CORPORATION	0,7x	0,9x	1,9x	0,6x	0,8x	1,0x	0,5x	0,5x	0,5x	0,5x
RESTAURANT BRANDS INTERNATIONAL INC.	1,5x	1,0x	1,0x	1,2x	1,3x	0,9x	0,8x	0,9x	0,9x	0,7x
WINGSTOP INC.	0,4x	0,6x	0,7x	0,6x	1,0x	1,4x	3,1x	1,4x	3,8x	2,7x
DOMINO'S PIZZA, INC.	0,5x	0,5x	0,6x	0,9x	0,9x	0,7x	0,6x	0,7x	0,3x	0,8x
Median	***0,8x***	***1,0x***	***1,0x***	***0,9x***	***1,0x***	***1,0x***	***0,8x***	***1,0x***	***0,9x***	***0,8x***
Average	***0,9x***	***1,1x***	***1,1x***	***0,9x***	***1,0x***	***1,1x***	***1,2x***	***1,0x***	***1,3x***	***1,1x***

Source: author's analysis.

Yum has adequate liquidity, with a **current ratio of 1.35x in 2025** and **1.36x on average over the last three years**. Wingstop stands out with 3.27x, while Starbucks has the lowest level, about 0.75x. For Yum, a moderate position is enough given the recurrence of its royalties and its high cash generation.

The reading is similar for the **quick ratio**, with **1.10x for Yum in 2025** and a recent average of 1.11x. Wingstop leads by far with 2.65x, while Starbucks has the lowest level, about 0.51x. Yum does not accumulate excess liquidity, but shows an adequate position.

- **Debt / EBITDA**

Debt to EBITDA [Total debt / EBITDA]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
YUM! BRANDS, INC.	4,8x	4,9x	5,3x	5,6x	6,4x	5,2x	5,5x	4,7x	4,5x	4,5x
MCDONALD'S CORPORATION	2,8x	3,0x	3,1x	4,5x	5,6x	4,1x	4,0x	3,9x	3,7x	3,8x
CHIPOTLE MEXICAN GRILL, INC.	-	-	-	4,1x	5,6x	3,3x	2,5x	2,1x	2,0x	2,1x
STARBUCKS CORPORATION	0,7x	0,8x	1,9x	2,1x	8,0x	3,8x	4,0x	3,5x	3,8x	4,9x
RESTAURANT BRANDS INTERNATIONAL INC.	4,8x	5,9x	5,7x	6,1x	8,1x	7,0x	6,5x	6,2x	6,2x	5,6x
WINGSTOP INC.	5,1x	3,6x	7,3x	6,6x	7,7x	6,2x	7,0x	5,8x	6,8x	5,8x
DOMINO'S PIZZA, INC.	4,5x	5,7x	5,8x	6,5x	5,7x	6,4x	6,6x	6,0x	5,6x	5,0x
Median	***4,5x***	***3,6x***	***5,3x***	***5,6x***	***6,4x***	***5,2x***	***5,5x***	***4,7x***	***4,5x***	***4,9x***
Average	***3,2x***	***3,4x***	***4,2x***	***5,1x***	***6,7x***	***5,1x***	***5,2x***	***4,6x***	***4,7x***	***4,5x***

Source: author's analysis.

Leverage remains one of Yum's least favorable points. In 2025 it ended at **4.53x Debt/EBITDA**, although practically equal to the average of all competitors. Chipotle has the lowest ratio, about 2.1x, while Wingstop and Restaurant Brands exceed 6x on average. Yum is leveraged, although below the most aggressive cases in the group.

- **Inventory turnover**

ACTIVITY										
Inventory turnover [COGS / Average inventory]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
YUM! BRANDS, INC.	99,1x	170,9x	-	-	-	-	-	-	-	-
MCDONALD'S CORPORATION	244,8x	207,3x	189,7x	201,1x	186,7x	199,5x	185,4x	208,2x	205,7x	195,7x
CHIPOTLE MEXICAN GRILL, INC.	184,0x	175,9x	158,1x	154,6x	148,9x	156,6x	153,6x	156,2x	152,5x	145,1x
STARBUCKS CORPORATION	10,6x	11,3x	12,6x	13,0x	11,9x	13,1x	12,6x	13,1x	14,8x	14,4x
RESTAURANT BRANDS INTERNATIONAL INC.	30,4x	31,1x	29,3x	40,4x	33,3x	35,1x	34,1x	28,2x	34,9x	36,0x
WINGSTOP INC.	170,3x	271,9x	252,9x	326,2x	349,8x	321,4x	428,6x	1216,6x	-	-
DOMINO'S PIZZA, INC.	42,4x	48,0x	57,9x	52,7x	49,9x	46,6x	45,0x	39,2x	43,8x	47,0x
Median	***99,1x***	***170,9x***	***57,9x***	***52,7x***	***49,9x***	***46,6x***	***45,0x***	***39,2x***	***34,9x***	***36,0x***
Average	***111,6x***	***130,9x***	***100,1x***	***112,6x***	***111,5x***	***110,3x***	***122,8x***	***237,4x***	***64,5x***	***62,6x***

Source: author's analysis.

I include this metric more to show the difference in model than to compare the companies. Yum has practically **no inventory**, because it is the franchisees who hold the food and supplies of the vast majority of its restaurants. For that reason, inventory turnover is not meaningful for Yum and is not directly comparable with more operational companies such as Chipotle.

- **Days sales outstanding**

Days of sales outsanding (DSO) [Number of days in period / Receivables turnover]	**31/12/2016**	**31/12/2017**	**31/12/2018**	**31/12/2019**	**31/12/2020**	**31/12/2021**	**31/12/2022**	**31/12/2023**	**31/12/2024**	**31/12/2025**
YUM! BRANDS, INC.	21 days	25 days	36 days	38 days	34 days	33 days	35 days	38 days	37 days	37 days
MCDONALD'S CORPORATION	22 days	32 days	42 days	38 days	40 days	29 days	33 days	36 days	34 days	33 days
CHIPOTLE MEXICAN GRILL, INC.	4 days	3 days	5 days	5 days	6 days	5 days	5 days	4 days	5 days	5 days
STARBUCKS CORPORATION	13 days	14 days	10 days	12 days	14 days	12 days	13 days	12 days	12 days	13 days
RESTAURANT BRANDS INTERNATIONAL INC.	36 days	39 days	31 days	34 days	39 days	35 days	34 days	39 days	30 days	31 days
WINGSTOP INC.	11 days	12 days	12 days	9 days	6 days	7 days	8 days	9 days	9 days	9 days
DOMINO'S PIZZA, INC.	22 days	23 days	20 days	21 days	22 days	21 days	21 days	23 days	24 days	23 days
Median	***21 days***	***23 days***	***20 days***	***21 days***	***22 days***	***21 days***	***21 days***	***23 days***	***24 days***	***23 days***
Average	***18 days***	***21 days***	***22 days***	***23 days***	***23 days***	***20 days***	***21 days***	***23 days***	***22 days***	***22 days***

Source: author's analysis.

Yum takes about **37 days to collect**, both in 2025 and on average over the last three years, the longest among the peers analyzed. Chipotle is at the opposite end, with less than 5 days. The difference is largely due to the model: Yum accumulates royalties, advertising and other franchisee balances, while an operator like Chipotle collects directly from the consumer.

- **Days payable outstanding**

Number of days of payables [Number of days in period / Payables turnover]	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	-	15 days	19 days	25 days	24 days	24 days	24 days	24 days	22 days	22 days
MCDONALD'S CORPORATION	-	25 days	37 days	39 days	33 days	30 days	36 days	35 days	35 days	35 days
CHIPOTLE MEXICAN GRILL, INC.	-	10 days	11 days	11 days	11 days	11 days	12 days	12 days	11 days	11 days
STARBUCKS CORPORATION	-	18 days	21 days	23 days	22 days	20 days	20 days	21 days	22 days	22 days
RESTAURANT BRANDS INTERNATIONAL INC.	-	68 days	82 days	66 days	67 days	58 days	63 days	66 days	53 days	47 days
WINGSTOP INC.	-	10 days	12 days	11 days	10 days	12 days	10 days	8 days	7 days	10 days
DOMINO'S PIZZA, INC.	-	21 days	15 days	14 days	13 days	11 days	10 days	11 days	10 days	11 days
Median	***-***	***18 days***	***19 days***	***23 days***	***22 days***	***20 days***	***20 days***	***21 days***	***22 days***	***22 days***
Average	***-***	***24 days***	***28 days***	***27 days***	***26 days***	***24 days***	***25 days***	***25 days***	***23 days***	***23 days***

Source: author's analysis.

Yum pays in about **22 days**, quite stable over the last three years. Restaurant Brands has the longest period, about 56 days, while Wingstop is close to 8 days. More days benefit working capital, although they do not necessarily mean a higher-quality operation.

- **ROA, ROE and ROIC**

ROA [Net Income / Average Total Assets]	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	30,1%	25,2%	37,3%	24,7%	15,4%	26,4%	22,7%	25,6%	22,1%	19,0%
MCDONALD'S CORPORATION	15,1%	15,4%	18,1%	12,7%	9,0%	14,0%	12,2%	15,1%	14,9%	14,4%
CHIPOTLE MEXICAN GRILL, INC.	1,1%	8,6%	7,8%	6,9%	5,9%	9,8%	13,0%	15,3%	16,7%	17,1%
STARBUCKS CORPORATION	19,7%	20,1%	18,7%	18,7%	3,2%	13,4%	11,7%	14,0%	12,0%	5,8%
RESTAURANT BRANDS INTERNATIONAL INC.	3,2%	3,1%	3,0%	2,9%	2,1%	3,6%	4,4%	5,1%	4,1%	3,0%
WINGSTOP INC.	12,3%	20,0%	15,5%	12,3%	11,0%	17,1%	12,5%	18,6%	15,2%	25,1%
DOMINO'S PIZZA, INC.	30,0%	33,2%	39,9%	29,0%	31,3%	30,5%	28,2%	31,0%	33,6%	35,1%
Median	***15,1%***	***20,0%***	***18,1%***	***12,7%***	***9,0%***	***14,0%***	***12,5%***	***15,3%***	***15,2%***	***17,1%***
Average	***15,9%***	***17,9%***	***20,1%***	***15,3%***	***11,1%***	***16,4%***	***15,0%***	***17,8%***	***16,9%***	***17,1%***

ROE [Net Income / Average Total Equity]	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	(29,3%)	(21,2%)	(19,5%)	(16,1%)	(11,5%)	(18,8%)	(14,9%)	(20,3%)	(19,4%)	(21,3%)
MCDONALD'S CORPORATION	(212,6%)	(158,9%)	(94,7%)	(73,4%)	(60,5%)	(164,0%)	(102,9%)	(179,9%)	(216,6%)	(478,1%)
CHIPOTLE MEXICAN GRILL, INC.	1,6%	12,9%	12,2%	20,8%	17,6%	28,4%	38,0%	40,1%	42,0%	54,3%
STARBUCKS CORPORATION	47,8%	52,9%	384,3%	(57,8%)	(11,9%)	(79,0%)	(37,7%)	(51,6%)	(50,5%)	(22,9%)
RESTAURANT BRANDS INTERNATIONAL INC.	9,1%	14,2%	16,9%	15,1%	13,1%	21,7%	23,6%	25,2%	21,1%	15,0%
WINGSTOP INC.	(18,5%)	(41,0%)	(9,7%)	(9,8%)	(6,8%)	(13,8%)	(13,5%)	(15,3%)	(16,1%)	(23,7%)
DOMINO'S PIZZA, INC.	(11,4%)	(10,2%)	(11,9%)	(11,7%)	(14,9%)	(12,1%)	(10,8%)	(12,8%)	(14,7%)	(15,4%)
Median	***(11,4%)***	***(10,2%)***	***(9,7%)***	***(11,7%)***	***(11,5%)***	***(13,8%)***	***(13,5%)***	***(15,3%)***	***(16,1%)***	***(21,3%)***
Average	***(30,5%)***	***(21,6%)***	***39,7%***	***(19,0%)***	***(10,7%)***	***(33,9%)***	***(16,9%)***	***(30,7%)***	***(36,3%)***	***(70,3%)***

ROIC [EBIT / Average short and long-term debt and equity]	31/12/2016	31/12/2017	31/12/2018	31/12/2019	31/12/2020	31/12/2021	31/12/2022	31/12/2023	31/12/2024	31/12/2025
YUM! BRANDS, INC.	45,3%	50,3%	81,3%	58,1%	43,4%	56,3%	56,4%	57,0%	55,0%	46,1%
MCDONALD'S CORPORATION	32,9%	31,9%	34,7%	22,8%	17,1%	22,7%	24,2%	24,2%	24,6%	23,4%
CHIPOTLE MEXICAN GRILL, INC.	4,2%	20,8%	24,4%	10,6%	6,2%	14,2%	19,4%	22,4%	23,9%	25,6%
STARBUCKS CORPORATION	40,7%	41,5%	35,8%	79,3%	9,4%	25,7%	29,7%	33,2%	27,9%	19,9%
RESTAURANT BRANDS INTERNATIONAL INC.	10,7%	11,3%	12,3%	11,4%	8,7%	10,3%	10,8%	11,1%	11,2%	12,0%
WINGSTOP INC.	35,0%	45,2%	44,3%	38,6%	39,6%	39,9%	27,4%	41,0%	28,2%	36,0%
DOMINO'S PIZZA, INC.	149,0%	124,7%	116,4%	67,5%	68,7%	72,1%	70,2%	72,0%	71,2%	83,2%
Median	***35,0%***	***41,5%***	***35,8%***	***38,6%***	***17,1%***	***25,7%***	***27,4%***	***33,2%***	***27,9%***	***25,6%***
Average	***45,4%***	***46,5%***	***49,9%***	***41,2%***	***27,6%***	***34,5%***	***34,0%***	***37,3%***	***34,6%***	***35,2%***

Source: author's analysis.

Yum had an **ROA of 19% in 2025** and an average of about **22% over the last three years**, one of the best results in the group. Domino's leads with 35%, while Restaurant Brands comes last with just 3%. The high return on assets again reflects the efficiency of the franchised model.

I would not use **ROE** to build a ranking. Yum, McDonald's, Wingstop and Domino's operate with negative book equity, so the ratio loses much of its economic meaning. Chipotle shows the highest positive ROE, but comparing it directly with Yum could lead to wrong conclusions because of their completely different capital structures.

ROIC is much more useful. Yum reached **46% in 2025** and averaged about **53% over the last three years**, clearly above most of its competitors. Domino's leads with about 83%, while Restaurant Brands comes last with about 12%. It is one of the metrics that best reflects the economic quality of Yum's model.

SWOT analysis

The following SWOT summarizes many of the main risks and catalysts identified throughout the analysis:

FORTALEZAS	DEBILIDADES
Marcas globales y 63.000 unidades.	Deuda elevada.
97% franquiciado y baja intensidad de capital.	Dependencia de franquiciados y terceros.
KFC global, Taco Bell con márgenes altos.	Taco Bell todavía concentrado en EE. UU.
Escala de marketing, compras, datos y tecnología.	Habit pequeño, mayormente propio y deficitario.

OPORTUNIDADES	AMENAZAS
Internacionalización de Taco Bell.	Seguridad alimentaria y daño reputacional.
Crecimiento de unidades KFC.	Competencia intensa y pérdida de relevancia.
Monetización y eficiencia de Byte.	FX, geopolítica y regulación.
Uso inteligente de fondos de Pizza Hut.	Recompras caras y exceso de apalancamiento.
Simplificación o refranquiciado de Habit.	Deterioro de la economía de franquiciados.

Source: author's analysis.

Porter's five forces

Rivalry among competitors = High
Many chains, constant promotions and low consumer switching costs.

Supplier power = Low to medium
Scale helps, but proteins, agriculture and logistics can be locally concentrated.

Customer power = High as a whole
Each consumer is small, but switching options costs almost nothing.

Threat of substitutes = High
Food at home, supermarkets, stores, delivery and restaurants in other categories.

Threat of new entrants = Low globally, high locally
Opening a store is easy; building a global, franchisable network is very hard.

SECTION 06

The bulls vs. the bears

What do the bulls say?

The first argument is the **quality of the model**: 97% of restaurants are franchised, operating margin exceeds 30%, ROIC is around 50% and free cash flow is very stable.

The second is **Taco Bell**: it is the brand with the best margins in the sector, it recovered very quickly from the food safety problem and its international expansion is just beginning.

The third is **KFC's growth**: it grows 7% in units per year, opens restaurants at a record pace and has a lot of room in emerging markets. Without Pizza Hut, the group is concentrated in its two best brands.

What do the bears say?

The first argument is **concentration**: without Pizza Hut, Taco Bell and KFC explain almost all profit. The July outbreak showed that a problem in a single brand affects the whole group.

The second is **debt**: 4 times EBITDA and negative equity. Debt-funded buybacks leave little cushion against a shock.

The third is **valuation**: at 27 times earnings, the market already pays for stable, high-quality growth. There is little room for mistakes.

SECTION 07

Valuation

I built a ten-year **discounted cash flow (DCF)** model with two methods for the terminal value: **perpetuity growth** and an **exit multiple on EBITDA**. The target price is the average of both in the base case.

Model inputs and assumptions

2. Operating drivers by scenario (explicit forecast)															
Driver	**Δ vs Base**	**FY2023A**	**FY2024A**	**FY2025A**	**3Y avg**	**FY2026E**	**FY2027E**	**FY2028E**	**FY2029E**	**FY2030E**	**FY2031E**	**FY2032E**	**FY2033E**	**FY2034E**	**FY2035E**
Forecast year #						*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Revenue growth ▸ selected scenario		3.4%	6.7%	8.8%	**6.3%**	**6.0%**	**(3.0%)**	**6.0%**	**6.0%**	**5.5%**	**5.0%**	**4.5%**	**4.0%**	**3.5%**	**3.5%**
Best case	1.5%					7.5%	(1.5%)	7.5%	7.5%	7.0%	6.5%	6.0%	5.5%	5.0%	5.0%
Base case						6.0%	(3.0%)	6.0%	6.0%	5.5%	5.0%	4.5%	4.0%	3.5%	3.5%
Worst case	(2.0%)					4.0%	(5.0%)	4.0%	4.0%	3.5%	3.0%	2.5%	2.0%	1.5%	1.5%
Gross margin ▸ selected scenario		49.4%	47.5%	46.2%	**47.7%**	**46.0%**	**46.5%**	**46.5%**	**47.0%**	**47.0%**	**47.0%**	**47.0%**	**47.0%**	**47.0%**	**47.0%**
Best case	1.0%					47.0%	47.5%	47.5%	48.0%	48.0%	48.0%	48.0%	48.0%	48.0%	48.0%
Base case						46.0%	46.5%	46.5%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%	47.0%
Worst case	(1.0%)					45.0%	45.5%	45.5%	46.0%	46.0%	46.0%	46.0%	46.0%	46.0%	46.0%
EBIT margin ▸ selected scenario		33.6%	33.8%	32.9%	**33.5%**	**31.5%**	**31.5%**	**32.0%**	**32.5%**	**33.0%**	**33.0%**	**33.0%**	**33.0%**	**33.0%**	**33.0%**
Best case	2.0%					33.5%	33.5%	34.0%	34.5%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Base case						31.5%	31.5%	32.0%	32.5%	33.0%	33.0%	33.0%	33.0%	33.0%	33.0%
Worst case	(3.0%)					28.5%	28.5%	29.0%	29.5%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Capex % of revenue ▸ selected scenario		4.0%	3.4%	4.5%	**4.0%**	**4.5%**	**4.2%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**	**4.0%**
Best case	0.3%					4.8%	4.5%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Base case						4.5%	4.2%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Worst case	(0.3%)					4.2%	3.9%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%

Source: author's analysis.

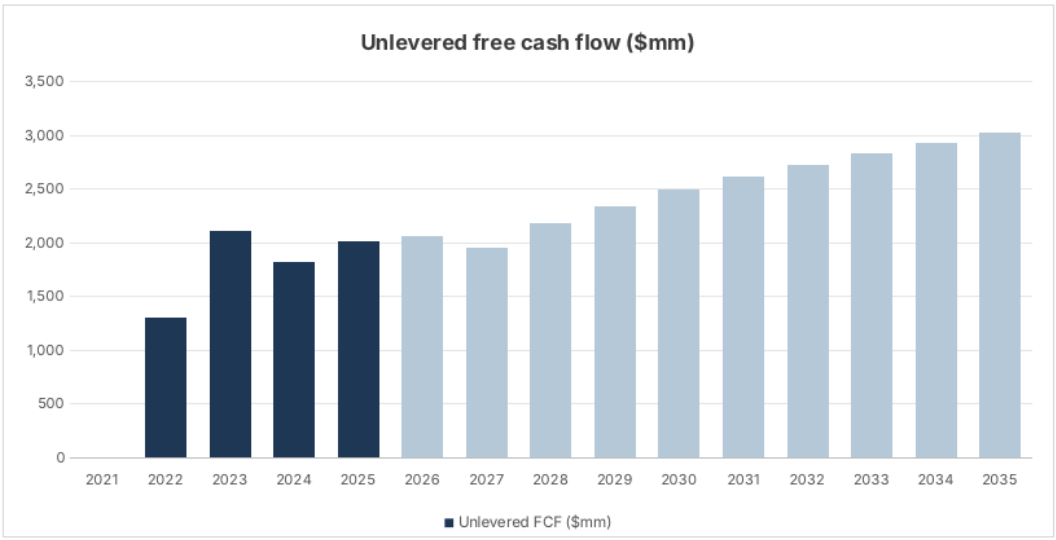
Revenue growth: in the Base Case I project 6% in 2026, which still includes Pizza Hut until September and the Taco Bell restaurants acquired in 2025. In 2027 sales fall 3% because of the first full year without Pizza Hut. From 2028 they grow 6% a year thanks to KFC and Taco Bell openings, and growth then gradually converges to 3.5%.

Margins: EBIT margin falls to 31.5% in 2026 and 2027 because of the exit of Pizza Hut, the corporate costs left behind and the impact of the outbreak on Taco Bell. It then rises gradually to 33% in 2030, in line with the company's history.

CapEx: 4.5% of sales in 2026, falling to 4% from 2028. With 97% of restaurants franchised, the model needs little investment.

What does each scenario mean?

- **Base Case:** Taco Bell fully recovers, KFC keeps its pace of openings and the costs left by Pizza Hut are removed gradually.
- **Best Case:** Taco Bell accelerates its international expansion, KFC improves sales at existing restaurants and costs are removed quickly. It adds 1.5 points of growth per year and 2 points of EBIT margin.
- **Worst Case:** consumption slows, units grow less and operating problems repeat. It subtracts 2 points of growth and 3 points of EBIT margin.



Source: author's analysis.

Discount rate (WACC)

5. Discount rate (WACC)		Value
Risk-free rate		4.9%
Equity beta (levered)	x	0.70
Equity risk premium		4.2%
Country risk premium		-
Cost of equity		7.8%
Pre-tax cost of debt		5.5%
Tax rate (debt tax shield)		22.0%
After-tax cost of debt		4.3%
Market value of equity	$ mm	44,010
Total debt	$ mm	12,800
Debt / (Debt + Equity)		22.5%
Equity / (Debt + Equity)		77.5%
WACC		7.0%

Source: author's analysis.

I use a 4.9% risk-free rate, a 4.2% equity risk premium and a beta of 0.70 (the five-year historical beta is 0.48, reflecting the stability of royalties). The result is a **cost of equity of 7.8%**. For debt I use a 5.5% pre-tax cost. With a capital structure of 77.5% equity and 22.5% debt at market values, the **resulting WACC is 7.0%**.

To go from Enterprise Value to Equity Value I use the balance sheet after the sale of Pizza Hut: USD 12,800 million of total debt (including leases) and USD 2,100 million of cash, that is, net debt of **USD 10,700 million**. I use 270 million diluted shares, after this year's buybacks.

Model results

PERPETUITY METHOD

With 2.5% perpetual growth and a 30% return on new invested capital, the model gives an Enterprise Value of USD 52,346 million and an Equity Value of USD 41,646 million, equivalent to **USD 154.24 per share**.

Yum! Brands, Inc.

YUM · Discounted Cash Flow · Perpetuity Growth Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

INTRINSIC VALUE PER SHARE

$154.24

Current share price	$163.00
Upside / (downside)	(5.4%)

VALUATION SUMMARY

Enterprise value	52,346
Equity value	41,646
PV of forecast cash flows	17,023
PV of terminal value	35,323
Terminal value % of EV	67.5%
Implied exit EV / EBITDA	15.0x

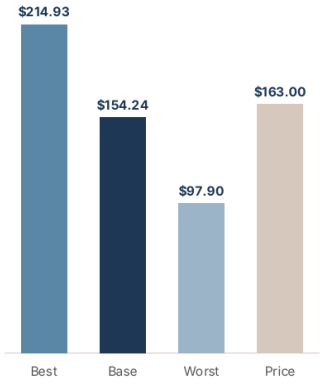
KEY ASSUMPTIONS

WACC (year 1)	7.0%
Terminal WACC	7.0%
Terminal growth (g)	2.5%
RONIC (terminal)	30.0%
Net debt & other claims	10,700
Diluted shares (mm)	270.0

SCENARIOS

Scenario	Terminal growth	Enterprise value	Equity value	Value per share	Upside
Best case	3.0%	68,732	58,032	**$214.93**	+31.9%
Base case	2.5%	52,346	41,646	**$154.24**	(5.4%)
Worst case	2.0%	37,132	26,432	**$97.90**	(39.9%)
Current share price				*$163.00*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Terminal growth rate (g)

WACC / g	1.5%	2.0%	2.5%	3.0%	3.5%
6.0%	$173.88	$189.25	$208.96	$235.16	$271.67
6.5%	$152.23	$163.79	$178.21	$196.70	$221.27
7.0%	$134.53	$143.41	**$154.24**	$167.76	$185.10
7.5%	$119.78	$126.73	$135.05	$145.21	$157.88
8.0%	$107.32	$112.83	$119.34	$127.14	$136.66

Source: author's analysis.

In the Best Case the value is **USD 214.93** and in the Worst Case **USD 97.90**.

With a WACC half a point lower, the value rises to USD 178; with one half a point higher, it falls to USD 135.

EBITDA MULTIPLE METHOD

Applying a **14x** multiple to EBITDA in the last projected year of the Base Case (18x in the Best Case and 10x in the Worst Case), the model gives an Enterprise Value of USD 49,939 million and an Equity Value of USD 39,239 million, equivalent to **USD 145.33 per share**.

Yum! Brands, Inc.

YUM · Discounted Cash Flow · Exit Multiple Method

Valuation date 6 Nov 2026 · USD mm · Scenario: Base Case

AZ STOCKS Acciones de la A a la Z

INTRINSIC VALUE PER SHARE

$145.33

Current share price	$163.00
Upside / (downside)	(10.8%)

VALUATION SUMMARY

Enterprise value	49,939
Equity value	39,239
PV of forecast cash flows	17,023
PV of terminal value	32,916
Terminal value % of EV	65.9%
Implied perpetual growth	2.0%

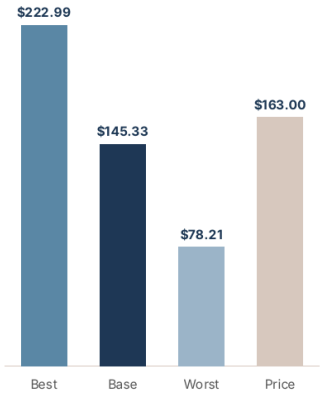
KEY ASSUMPTIONS

WACC (year 1)	7.0%
Terminal WACC	7.0%
Exit EV / EBITDA	14.0x
EBITDA, final forecast year	4,381
Net debt & other claims	10,700
Diluted shares (mm)	270.0

SCENARIOS

Scenario	Exit multiple	Enterprise value	Equity value	Value per share	Upside
Best case	18.0x	70,907	60,207	**$222.99**	+36.8%
Base case	14.0x	49,939	39,239	**$145.33**	(10.8%)
Worst case	10.0x	31,817	21,117	**$78.21**	(52.0%)
Current share price				*$163.00*	

VALUE PER SHARE VS. CURRENT PRICE



SENSITIVITY · VALUE PER SHARE

Exit EV / EBITDA multiple

WACC / multiple	12.0x	13.0x	14.0x	15.0x	16.0x
6.0%	$140.00	$149.49	$158.98	$168.47	$177.95
6.5%	$133.82	$142.91	$152.00	$161.09	$170.18
7.0%	$127.91	$136.62	**$145.33**	$154.04	$162.74
7.5%	$122.26	$130.60	$138.95	$147.29	$155.63
8.0%	$116.84	$124.84	$132.84	$140.84	$148.83

Source: author's analysis.

14x is below what the market pays today for Yum! and its peers, because ten years from now the company will grow less than it does now. It implies 2% perpetual growth, consistent with the base case.

In the Best Case the value is **USD 222.99** and in the Worst Case **USD 78.21**.

Reading both methods together

Averaging both methods in the base case, I arrive at a **target price of USD 150 per share**, compared with a market price of USD 163. That is a downside of about 8%.

SECTION 08

Conclusion

Yum! Brands is a high-quality franchise platform built on two main assets. KFC provides global scale and a long runway for unit growth. Taco Bell, for its part, combines growth, superior margins and a brand culture few competitors can replicate. The model turns third-party capital into royalties and distributes a very high share of free cash flow.

The sale of Pizza Hut, now closed, improves strategic clarity. The company leaves behind a profitable but stagnant brand, receives liquidity and focuses resources on businesses with better prospects. The less attractive side is that concentration increases, as seen with the outbreak that hit Taco Bell in

July, and the profit Pizza Hut contributed is lost.

The operating quality is enough to keep Yum! on a long-term watch list, but the valuation does not offer a margin of safety today. My **target price is USD 150 per share**, about 8% below the current price.

My view is positive on the business, but not so much on the price. If Yum! buys back stock with discipline, keeps debt under control and shows that Taco Bell can grow successfully outside the US, it could justify over time a higher multiple than the one in my valuation.

Even so, there is also a more personal and necessarily subjective question in any investment decision. Different aspects of my lifestyle make it hard for me to build full conviction in a company like Yum. Food and exercise play a central role in my life, and the type of product offered by its main brands is not compatible with my lifestyle.

My background in Marketing and Gastronomy also plays a role. Although I recognize the quality of the economic model and the advantages of a franchised structure, I feel more comfortable with businesses that keep greater control over each unit, the quality of the product and the customer experience. I tend to value offerings with more personalized service, a more careful operation and a higher-quality product.

Something similar happens to me with Starbucks. I can recognize that it is a great business and, at the same time, as a coffee lover and because of my training in service design, not feel sufficiently identified with its product or with the way it delivers its service. In an investment, this lack of connection may seem secondary while the stock is rising, but it becomes relevant during a decline. If there is no deep conviction about the product, the culture and the way of operating, it is much harder to hold the position or increase exposure when the market turns against you.

That is why, although I consider Yum a quality company, it is not enough for the business to be good. To add it to my portfolio I would also need to feel comfortable with what it sells, with the experience it offers and with the way it generates its profits. In this case, that personal condition is not quite met.

Alan



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