Yum China

Investment Thesis 2026 03 09

Yum China is the largest restaurant company in China in terms of sales, with $11.8 billion in revenues in 2025. It had 18,101 restaurants as of December 31, 2025. Yum China has exclusive rights to the KFC and Pizza Hut brands in China. In YUMC's restaurant portfolio includes Lavazza, Huang Ji Huang, Little Sheep and Taco Bell. The company owns and operates 83% of its restaurants. The remaining are operated by franchisees. The company is on track to reach over 20,000 stores in 2026 and is plans to have more than 30,000 stores by 2030. Yum's restaurants are in 2,500 cities. The company's primary growth strategy is to continue to expand its footprint in cities where it currently has locations as well as in new cities.

The company is also building a coffee portfolio to capture the coffee market in China across different customer segments, including coffee products provided by KFC, which offers convenience and value. In addition to its extensive network of KFC stores, KFC also offers coffee products through KCOFFEE Cafes. KCOFFEE Cafes expanded from approximately 50 cafes in 2023 to about 2,200 cafes in 2025, with a target of over 5,000 cafes by 2029. In April 2020, YUMC also partnered with Lavazza Group to explore and develop the Lavazza coffee concept in China to offer an authentic Italian coffee experience. As of December 31, 2025, there were 146 Lavazza units in mainland China and Hong Kong, and YUMC is targeting 1,000 Lavazza stores by 2029.

Prospects over the next 9 to 12 months

Analysts' price targets for YUMC range from $53.00 to $76.00. The average 12-month price target is $58.06. I have a fair price of $50.20 on the stock. My price assumes an earnings growth rate of 8%, an EPS of $2.51, and a PE of 20. I would buy more shares if the stock price fell to $35.00.

YUM CHINA HOLDINGS, INC. (XNYS:YUMC)	$ 53.38	106.33%													
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	TTM	10 year	5 year	1 year	Trend
Revenue Mil	7,075	7,769	8,415	8,776	8,263	9,853	9,569	10,978	11,303	11,797	11,797	6%	5%	4%	0.00%
Net Income	498	398	708	713	784	990	442	827	911	929	929	7%	-2%	2%	0.00%
Earnings Per Share USD	1.36	1.01	1.79	1.84	1.95	2.28	1.04	1.97	2.33	2.51	2.51	7%	2%	8%	0.00%
Operating Income	652	761	830	863	709	734	658	1,133	1,200	1,326	1,326	8%	16%	11%	0.00%
Operataring Income Per Share	1.77	1.91	2.10	2.22	1.76	1.69	1.55	2.70	3.08	3.57	3.57	8%	21%	16%	0.00%
Book Value Per Share USD	5.34	7.46	7.87	8.05	14.20	15.44	15.32	16.14	15.93	16.07	15.76	13%	1%	1%	-1.93%
Free Cash Flow USD Mil	430	469	863	750	695	442	734	763	714	840	840	8%	17%	18%	0.00%
Free Cash Flow Per Share	1.17	1.18	2.18	1.93	1.73	1.02	1.73	1.82	1.83	2.26	2.26	8%	22%	24%	0.00%
Working Capital	422	778	699	523	2,869	2,333	1,774	1,009	411	111	111	-14%	-53%	-73%	0.00%
Return on invested Capital %	22.64	14.74	23.88	15.97	10.84	10.23	4.08	7.90	9.56	10.87	10.87	13.07	8.53	10.22	10.87
Return on Assets %	14.4	9.9	15.9	12.3	8.8	8.2	3.5	6.9	7.9	8.5	8.5	9.6	7.0	8.2	8.5
Return on Equity %	23.2	15.5	25.1	24.0	16.9	14.9	6.5	12.8	15.0	16.7	16.7	17.1	13.2	15.9	16.7
Operating Margin %	9.2	9.8	9.9	9.8	8.6	7.5	6.9	10.3	10.6	11.2	11.2	9.4	9.3	10.9	11.2
Shares	369	398	395	388	402	434	425	420	390	371	371	0%	-4%	-5%	0.00%

$5.42	Future EPS
$108.38	Future price
$50.20	Sticker price
$30.12	40% discount