Yum China Holdings, Inc. (YUMC)

Updated July 2nd, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$46	**5 Year CAGR Estimate:**	14.1%	**Market Cap:**	$16.9 B
Fair Value Price:	$50	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	08/27/25[1]
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.7%	**Dividend Payment Date:**	09/17/25[2]
Dividend Yield:	2.1%	**5 Year Price Target**	$81	**Years Of Dividend Growth:**	3
Dividend Risk Score:	B	**Sector:**	Consumer Discretionary	**Rating:**	Buy

Overview & Current Events

Yum China Holdings, Inc. (YUMC) is China's largest restaurant company, with 16,395 restaurants in over 1,900 cities. Yum China separated from Yum! Brands in October 2016.

On April 30th, 2025, Yum China announced Q1 2025 results, reporting non-GAAP diluted EPS of $0.77, which missed market estimates by $0.01. Yum China Holdings kicked off 2025 with solid momentum, reporting that same-store sales rebounded to 100% of prior-year levels for the first time since early 2024. This marks the ninth straight quarter of same-store transaction growth, no small feat in a tricky market landscape. Operating profit rose by 7% year over year to $399 million, while OP margin widened by 80 basis points to 13.4%, thanks in part to improved restaurant efficiencies. Notably, restaurant margin climbed 100 basis points, buoyed by savings in food costs and streamlined operations. Diluted EPS increased 8% to a record $0.77, or 12% higher if you strip out foreign exchange and mark-to-market swings.

In the face of economic headwinds, Yum China's dual focus on innovation and operational discipline seems to be paying off. The company added 247 net new stores, driving a 2% increase in system sales, despite a shorter calendar from last year's leap day advantage. Delivery continues to shine, jumping 13% year-over-year and they now for over 40% of KFC and Pizza Hut sales. Digital sales remain a powerhouse too, hitting $2.6 billion and making up 93% of total revenue. Backed by a loyal membership base of 540 million strong, Yum China looks on track to deliver on its promise of sustainable growth and shareholder returns in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS		$1.36	$1.01	$1.24	$1.84	$1.51	$1.22	$1.20	$1.97	$2.33	***$2.50***	***$4.03***
DPS		$0.00	$0.10	$0.42	$0.48	$0.24	$0.48	$0.48	$0.52	$0.64	***$0.96***	***$1.15***
Shares[3]		383.3	384.7	379.0	376.0	420.0	428.0	423.0	420.0	388.0	***421.4***	***469.5***

Yum China has grappled with COVID-19-related challenges with intermittent lockdowns from 2020 to the current year, which has affected its earnings in recent years. However, we believe the company is well-positioned for growth in the coming years with a favorable industry outlook. The fast-food restaurant industry still has a lot of room for growth, constituting only about 17% of restaurant spending compared with 61% in the US. We believe the trend will change in the coming years, driven by secular trends and Yum China.

Yum China plans to accelerate expansion by opening 1,600 to 1,800 net new stores in 2025, aiming to reach 20,000 stores by 2026. The company is increasing its franchise mix, targeting 40-50% for KFC and 20-30% for Pizza Hut in the coming years to enhance scalability and profitability. Additionally, Yum China will invest $700 million to $800 million in capital expenditures for store development, technology, and supply chain enhancements.

Therefore, we now expect an EPS growth rate of 10.0%, which reflects the company's growth prospects as China's economy is recovering. The company continues to expand its store count, which will catalyze EPS growth in the next five

[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] In millions.

years. In addition, the company should be able to grow its dividends at a healthy pace in the future, and we have assumed a dividend growth rate of 20.0% for the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E		20.0	35.1	31.4	23.9	33.2	48.6	39.8	28.3	14.0	***18.4***	***20.0***
Avg. Yld.			0.3%	1.1%	1.1%	0.5%	0.8%	1.0%	0.9%	2.0%	***2.1%***	***3.0%***

Yum China is trading at a forward P/E of 18.4, significantly lower than the five-year average of around 30. The stock is trading at a discount due to the uncertain economic outlook of the Chinese economy. We expect the P/E to normalize as earnings grow and have assumed a conservative P/E of 20.0 by 2030, leading to our five-year price target of $81.

Safety, Quality, Competitive Advantage, & Recession Resiliency

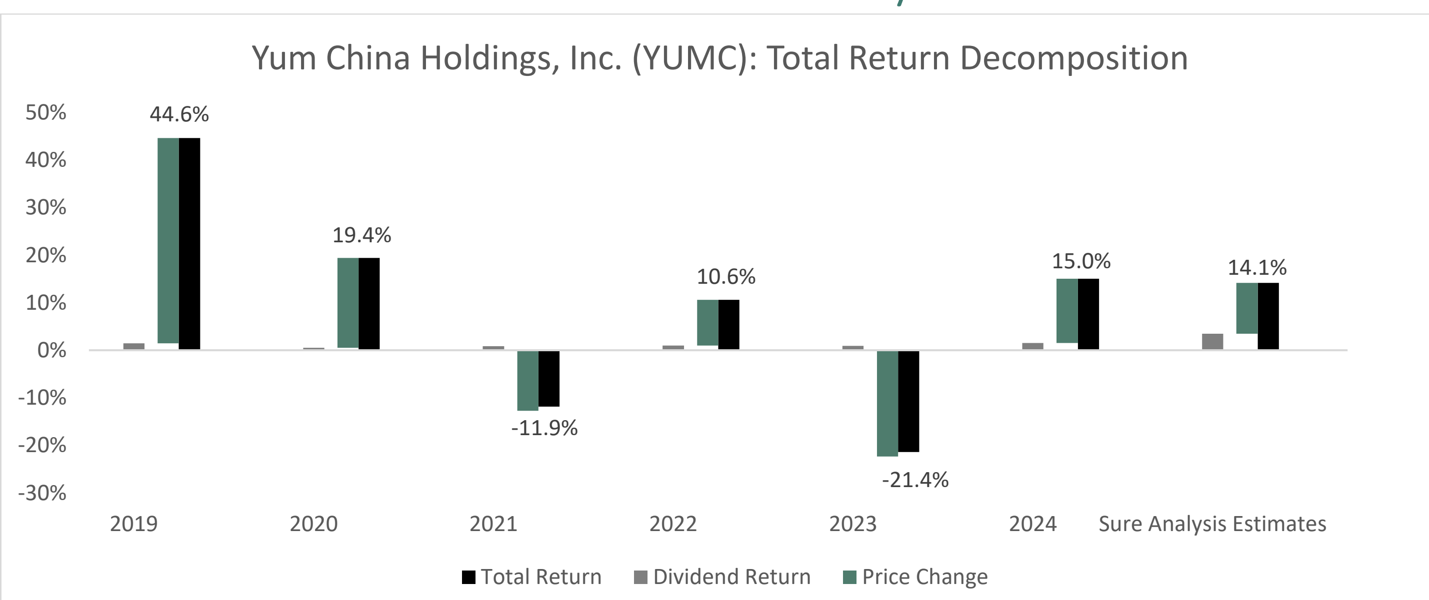
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout			10%	34%	26%	16%	39%	40%	26%	27%	***38%***	***59%***

Yum China's most important competitive advantage is its high brand value. Moreover, focusing on menu innovations and efficient supply chain infrastructure, which results in cost advantages compared to smaller brands, gives Yum China an edge over other fast-food restaurant businesses. In addition, Yum China, as the largest restaurant chain, benefits from economies of scale, which allows it to exert significant influence over suppliers and guarantee access to food and other raw materials at stable, reasonable pricing. The business also operates in a recession-proof industry since everyone still requires food and drink to survive, no matter the macroeconomic situation. In Q1, Yum China repurchased approximately $172 million worth of its own shares, underscoring strong confidence in the company's growth trajectory and value for shareholders.

Final Thoughts & Recommendation

Yum China's fundamental business model is solid that will likely continue to thrive. The company has a solid balance sheet and ample liquidity as of the last quarter, which it can utilize to continue to expand and pay dividends to shareholders. Despite the strong bull run, we maintain our buy rating premised upon the 14.1% annualized total returns for the medium-term, driven by forecasted earnings-per-share growth of 10.0%, a starting yield of 2.1%, and a valuation tailwind.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	6,909	7,075	7,769	8,415	8,776	8,263	9,853	9,569	10,980	11,300
Gross Profit	908	1,096	1,284	1,315	1,401	1,267	1,406	1,427	1,885	1,890
Gross Margin	13.1%	15.5%	16.5%	15.6%	16.0%	15.3%	14.3%	14.9%	17.2%	16.7%
SG&A Exp.	395	429	495	456	487	479	564	594	638	568
D&A Exp.	425	402	409	445	428	450	516	602	453	476
Operating Profit	511	652	761	830	863	709	734	658	1,133	1,200
Op. Margin	7.4%	9.2%	9.8%	9.9%	9.8%	8.6%	7.4%	6.9%	10.3%	10.6%
Net Profit	323	498	398	708	713	784	990	442	827	911
Net Margin	4.7%	7.0%	5.1%	8.4%	8.1%	9.5%	10.0%	4.6%	7.5%	8.1%
Free Cash Flow	913	866	884	1,333	1,185	1,114	1,131	734	763	714
Income Tax	168	156	379	214	260	295	369	207	329	356

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,201	3,727	4,287	4,610	6,950	10,875	13,223	11,830	12,030	11,120
Cash & Equivalents	425	885	1,059	1,266	1,046	1,158	1,136	1,130	1,128	723
Acc. Receivable	33	74	79	80	88	99	67	64	68	79
Inventories	189	268	297	307	380	398	432	417	424	405
Goodwill & Int.	192	167	340	520	481	1,218	2,552	2,270	2,197	2,131
Total Liabilities	1,216	1,284	1,440	1,633	3,775	4,404	5,301	4,666	4,912	4,694
Accounts Payable	438	480	420	619	623	708	830	727	786	801
Long-Term Debt	-	-	-	-	-	-	-	-	168	127
Total Equity	1,921	2,377	2,765	2,873	3,077	6,206	7,056	6,482	6,405	5,728
LTD/E Ratio	-	-	-	-	-	-	-	-	0.03	0.02

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	10.0%	14.4%	9.9%	15.9%	12.3%	8.8%	8.2%	3.5%	6.9%	7.9%
Return on Equity	17.0%	23.2%	15.5%	25.1%	24.0%	16.9%	14.9%	6.5%	11.6%	13.5%
ROIC	16.4%	22.5%	15.0%	24.3%	23.2%	16.3%	13.8%	5.9%	11.5%	13.2%
Shares Out.	-	383.3	384.7	379.0	376.0	420.0	428.0	425.0	420.0	390
Revenue/Share	17.72	19.17	19.52	21.30	22.62	20.55	22.70	22.52	26.14	28.98
FCF/Share	2.34	2.35	2.22	3.37	3.05	2.77	2.61	1.73	1.82	1.83

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.