



Yum! Brands (YUM)

Updated February 6th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	\$161	5 Year CAGR Estimate:	10.7%	Market Cap:	\$45 B
Fair Value Price:	\$163	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	2/20/2026
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.3%	Dividend Payment Date:	3/6/2026
Dividend Yield:	1.9%	5 Year Price Target	\$251	Years Of Dividend Growth:	9
Dividend Risk Score:	D	Sector:	Consumer Discretionary	Rating:	Hold

Overview & Current Events

Yum Brands owns the KFC, Pizza Hut, Taco Bell, and The Habit Restaurants chains. It is present in more than 155 countries and has more than 63,000 restaurants, 60% of which are located abroad. KFC generates about half of the total revenue and operating profit of the company. Yum Brands has a market capitalization of \$45 billion.

Yum Brands completed its major 3-year transformation project in 2019. It spun-off its Chinese segment and refranchised its stores at a fast pace, from 77% in 2016 to 98%. Yum Brands used proceeds from the sale of its stores to franchisees to buy back shares aggressively. In addition, thanks to the refranchising, the company has become more efficient, with much lower operating expenses and a wider operating margin. It is thus able to handle more leverage.

In early February, Yum Brands reported (2/4/26) results for Q4-2025. It grew its sales 5% over the prior year's quarter thanks to 8% growth at Taco Bell and 6% growth at KFC. Store count grew 3%. Digital sales reached an all-time high in excess of \$11 billion and comprised nearly 60% of total sales. Earnings-per-share grew 8%, from \$1.61 to \$1.73, though they missed the analysts' consensus by \$0.03. Yum Brands keeps opening new stores at a fast pace. Management provided guidance for more than 5% growth of the store count in 2026. Given the sustained business momentum, we expect all-time high earnings-per-share of about \$6.75 this year.

On November 4th, 2025, Yum Brands announced that it has begun a formal review of strategic options for Pizza Hut, including a potential sale of the pizza chain. Pizza Hut has seen its operating profit decline for 6 consecutive quarters amid intense competition. We expect Yum Brands to find a buyer for Pizza Hut.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	\$2.48	\$2.96	\$3.17	\$3.55	\$3.62	\$4.46	\$4.51	\$5.17	\$5.48	\$6.05	\$6.75	\$10.39
DPS	\$1.73	\$0.90	\$1.44	\$1.68	\$1.88	\$2.00	\$2.28	\$2.42	\$2.68	\$2.84	\$3.00	\$3.64
Shares¹	355.0	332.0	313.0	309.0	307.0	298.0	287.0	285.0	283.0	280.0	278.0	260.0

Yum Brands has returned to strong growth mode thanks to the growth of its store count and its same-store sales. The company expects to grow its store count by 4%-5% per year in the upcoming years. Before the spin-off of its Chinese segment, Yum Brands grew its earnings-per-share at a 7.6% average annual rate. During the last five years, Yum Brands has grown its earnings-per-share at a 10.8% average annual rate, slightly faster than its 10-year growth rate of 10.4%. Thanks to the strong business momentum of Yum Brands, we expect the company to grow its earnings-per-share at a 9.0% average annual rate over the next five years.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	31.7	24.4	26.7	29.4	25.8	26.9	26.4	25.1	24.6	24.1	23.9	24.2
Avg. Yld.	2.2%	1.3%	1.7%	1.6%	2.0%	1.7%	1.9%	1.9%	2.0%	1.9%	1.9%	1.4%

¹ In millions.

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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Thanks to its exceptional growth record, Yum Brands usually enjoys a premium valuation. The stock is currently trading at a price-to-earnings ratio of 23.9, which is slightly lower than its 10-year average earnings multiple of 24.2. We assume that the stock will trade at its average valuation level in five years. If this occurs, the stock will enjoy a 0.3% annualized gain in total returns.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	69.8%	30.4%	45.4%	47.3%	51.9%	44.8%	50.6%	46.8%	48.9%	46.9%	44.4%	35.1%

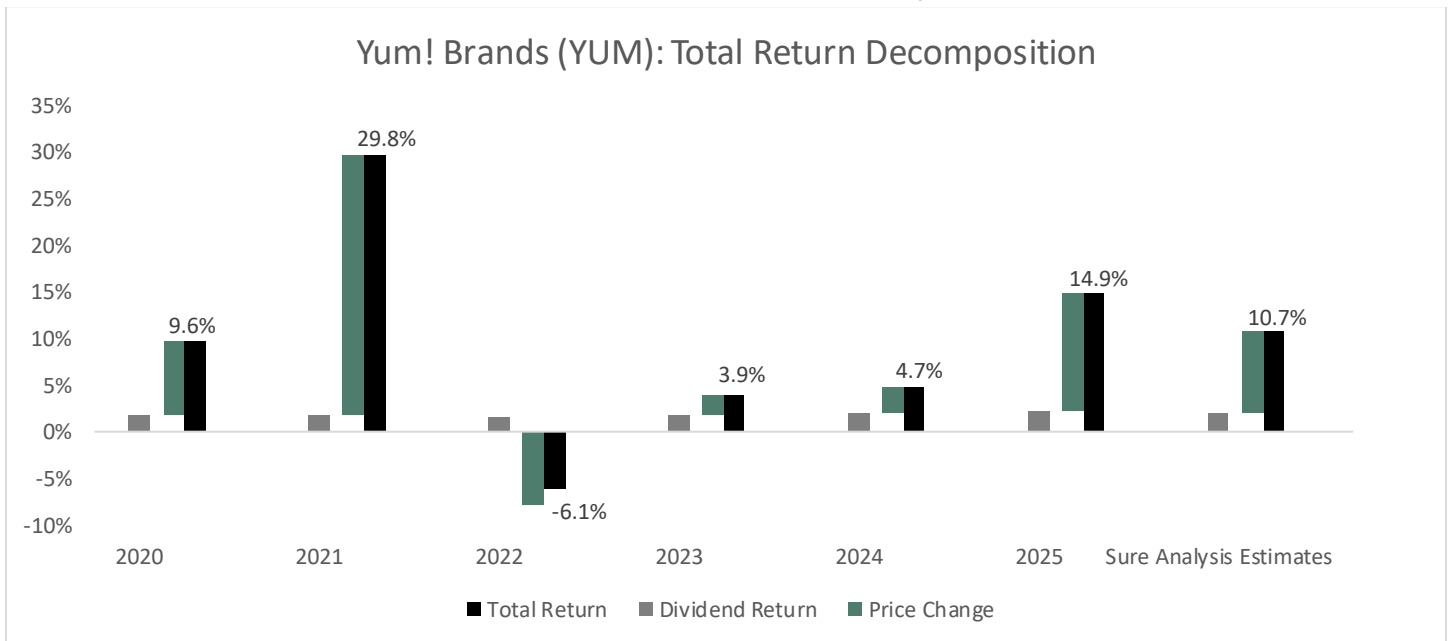
The above strategy of Yum Brands has greatly rewarded its shareholders. Nevertheless, this strategy has resulted in a highly leveraged balance sheet. Yum Brands' debt/assets ratio has skyrocketed, from 88% in 2015 to 189% now. This is why Moody's downgraded the bonds of Yum Brands to junk when the company announced its plan. As a result, while the 12-year bonds of other fast food chains yield about 4.5% per year, the 13-year bonds of Yum Brands yield 5.5%. Nevertheless, the net debt of Yum Brands is \$14.0 billion, which is less than 9 times its annual earnings.

The strength of Yum's brands and their appeal to consumers constitute a significant competitive advantage. Thanks to its established brands, the company enjoys reliable free cash flows. As a result, the company is not likely to have issues servicing its debt. It is also worth noting that Yum Brands has proved markedly resilient during recessions, mostly thanks to its low-priced fast food offerings. In the Great Recession, when most companies saw their earnings collapse, Yum Brands grew its earnings-per-share by 29%, from \$1.68 in 2007 to \$2.17 in 2009. In the downturn caused by the pandemic, Yum Brands proved resilient once again, as it remained on its growth trajectory.

Final Thoughts & Recommendation

Yum Brands has greatly rewarded shareholders with its refranchising as well as strong growth of store count and earnings. The stock has a premium valuation but it is attractive from a long-term point of view. It can offer a 10.7% average annual return over the next five years thanks to 9.0% earnings growth, its 1.9% dividend and a 0.3% valuation tailwind. We rate the stock as a hold and reiterate that this premium stock is attractive when it is found with such a high expected return.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	6,356	5,878	5,688	5,597	5,652	6,584	6,842	7,076	7,549	8214
Gross Profit	2,666	2,687	2,658	2,814	2,687	3,166	3,307	3,496	3,584	3792
Gross Margin	41.9%	45.7%	46.7%	50.3%	47.5%	48.1%	48.3%	49.4%	47.5%	46.2%
SG&A Exp.	1,129	999	895	917	1,064	1,060	1,140	1,187	1,181	---
D&A Exp.	310	253	137	112	146	164	146	153	175	206
Operating Profit	1,537	1,688	1,763	1,897	1,623	2,106	2,167	2,309	2,403	2530
Op. Margin	24.2%	28.7%	31.0%	33.9%	28.7%	32.0%	31.7%	32.6%	31.8%	30.8%
Net Profit	1,643	1,340	1,542	1,294	904	1,575	1,325	1,597	1,486	1559
Net Margin	25.8%	22.8%	27.1%	23.1%	16.0%	23.9%	19.4%	22.6%	19.7%	19.0%
Free Cash Flow	821	712	942	1,119	1,145	1,476	1,148	1,318	1,432	1639
Income Tax	327	934	297	79	116	99	337	221	414	518

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	5,453	5,311	4,130	5,231	5,852	5,966	5,846	6,231	6,727	8,197
Cash & Equivalents	725	1,522	292	605	730	486	367	512	616	709
Accounts Receivable	370	400	561	584	534	596	648	737	775	841
Inventories	37	---	---	---	---	---	---	---	---	---
Goodwill & Int. Ass.	687	726	767	774	940	1,016	992	1,019	1,152	1,878
Total Liabilities	11,07	11,645	12,056	13,247	13,743	14,339	14,722	14,089	14,375	15,521
Accounts Payable	142	119	202	173	1,189	227	1,251	1,169	1,211	1,433
Long-Term Debt	9,125	9,804	10,072	10,485	10,725	11,246	11,851	11,195	11,333	11,872
Shareholder's Equity	-5,615	-6,334	-7,926	-8,016	-7,891	-8,373	-8,876	-7,858	-7,648	-7,325
D/E Ratio	(1.63)	(1.55)	(1.27)	(1.31)	(1.36)	(1.34)	(1.34)	(1.42)	(1.48)	-1.63

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	24.3%	24.9%	32.7%	27.6%	16.3%	26.7%	22.4%	26.4%	22.9%	20.9%
Return on Equity	---	---	---	---	---	---	---	---	---	---
ROIC	39.1%	38.4%	54.9%	56.1%	34.1%	55.2%	46.2%	51.0%	42.6%	33.8%
Shares Out.	355.0	332.0	313.0	309.0	307.0	298.0	290.0	285.0	285.0	281.0
Revenue/Share	15.89	16.56	17.29	17.88	18.41	21.80	23.59	24.83	26.49	29.23
FCF/Share	2.05	2.01	2.86	3.58	3.73	4.89	3.96	4.62	5.02	5.83

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

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