Yum China Holdings, Inc. (YUMC)

Updated March 16th, 2026, by Yiannis Zourmpanos

Key Metrics

Current Price:	$53	**5 Year Annual Expected Total Return:**	14.5%	**Market Cap:**	$18.5 B
Fair Value Price:	$58	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	03/04/26
% Fair Value:	91%	**5 Year Valuation Multiple Estimate:**	2.0%	**Dividend Payment Date:**	03/25/26
Dividend Yield:	2.2%	**5 Year Price Target**	$94	**Years Of Dividend Growth:**	4
Dividend Risk Score:	B	**Sector:**	Consumer Discretionary	**Rating:**	Buy

Overview & Current Events

Yum China Holdings, Inc. (YUMC) is China's largest restaurant company, Yum China operates over 17,500 restaurants across more than 2,400 cities under its leading brands.

On February 4th, 2026, Yum China announced Q4 2025 results, reporting Q4 non-GAAP diluted EPS of $0.40 beating analysts' estimates by $0.03.

Yum China Holdings closed 2025 with a strong fourth quarter marked by steady consumer demand and continued store expansion across its portfolio. Total system sales increased 7% year over year, excluding foreign currency effects, while same-store sales rose 3%, the third consecutive quarter of growth. Transaction volumes were particularly encouraging, climbing 4% and extending a streak of twelve straight quarters of traffic gains. Revenue reached $2.8 billion for the quarter, representing 9% growth, as the company accelerated its development pipeline and opened a record 587 net new stores during the period, more than one-third of which were launched by franchise partners. Profitability also improved meaningfully. Operating profit jumped 25% to $187 million, supported by stronger restaurant margins and improved cost efficiency, particularly in food, paper, and occupancy expenses. Delivery remained a major growth driver, surging 34% and accounting for roughly 53% of company sales during the quarter.

For the full year, Yum China delivered steady expansion despite a mixed macro environment. System sales increased 4% while revenue climbed to $11.8 billion. The company added 1,706 net new locations, bringing its total footprint to 18,101 restaurants across China by year-end. Operating profit rose 11% to $1.3 billion, reflecting continued margin improvement and disciplined cost management. Delivery sales grew 25% and represented nearly half of total company sales for the year, underscoring the importance of digital channels. Yum China also strengthened its customer ecosystem, with KFC and Pizza Hut membership surpassing 590 million and active members exceeding 265 million. Looking ahead, the company announced a 21% dividend increase and remains on track to return $1.5 billion to shareholders in 2026 through dividends and share repurchases, signaling confidence in its long-term growth trajectory.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.36	$1.01	$1.24	$1.84	$1.51	$1.22	$1.20	$1.97	$2.33	$2.51	***$2.92***	***$4.70***
DPS	$0.00	$0.10	$0.42	$0.48	$0.24	$0.48	$0.48	$0.52	$0.64	$0.96	***$1.16***	***$2.89***
Shares[1]	383.3	384.7	379.0	376.0	420.0	428.0	423.0	420.0	388.0	369.0	***421.4***	***473.5***

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 its expansion with 1,600 to 1,800 net new store openings in 2026, while continuing to shift toward a more franchise-driven model to support scalable growth. The company is targeting a franchise mix of 40–

[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.

50% for KFC and 20–30% for Pizza Hut over the coming years, a strategy aimed at improving capital efficiency and profitability. In support of this growth, Yum China expects to invest $600 million to $700 million in capital expenditures in 2026, focusing on new store development as well as ongoing investments in technology and supply chain capabilities.

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 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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	20.0	35.1	31.4	23.9	33.2	48.6	39.8	28.3	14.0	18.4	***18.2***	***20.0***
Avg. Yld.	-	0.2%	1.1%	1.1%	0.5%	0.8%	1.0%	0.9%	2.0%	2.1%	***2.2%***	***3.1%***

Yum China is trading at a forward P/E of 18.2, significantly lower than the five-year average of around 29. 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 2031, leading to our five-year price target of $94.

Safety, Quality, Competitive Advantage, & Recession Resiliency

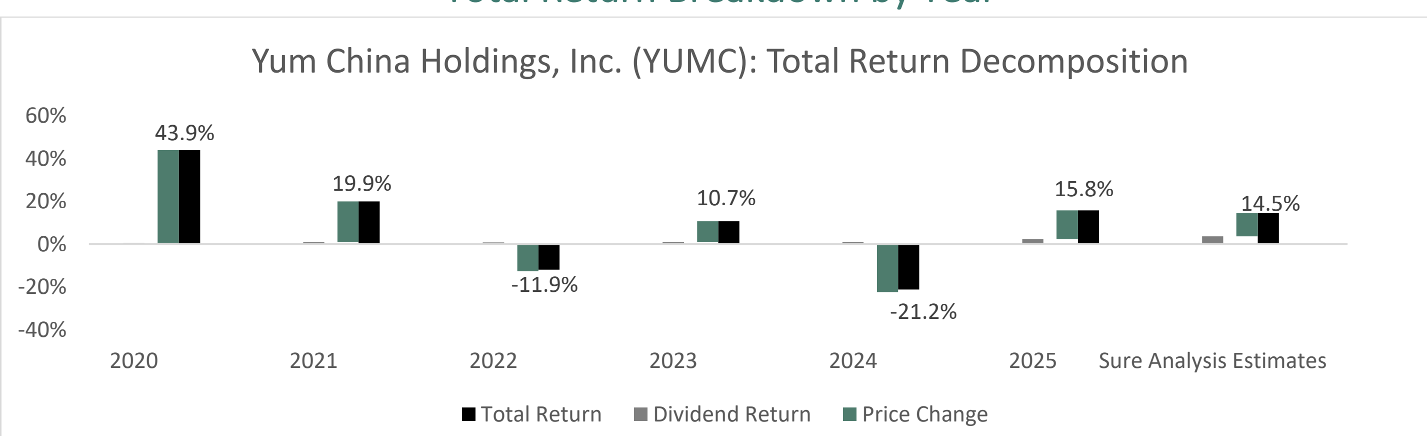
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	0%	10%	34%	26%	16%	39%	40%	26%	27%	38%	***40%***	***61%***

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. During 2025, the company returned significant capital to shareholders, including $1.14 billion in share repurchases, underscoring its continued commitment to disciplined capital allocation and long-term shareholder value creation.

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 14.5% annualized total returns for the medium-term, driven by forecasted earnings-per-share growth of 10.0%, a starting yield of 2.0%, and a valuation tailwind.

Total Return Breakdown by Year



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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.