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英皇證券 Emperor Securities CROSBY

China | Restaurant

10 February 2026

Yum China (9987 HK)

Yum China's Path to 30,000 Stores by 2030

From Scale to Quality Growth: Yum China's 18k+ Stores and Counting

Yum China is China's largest restaurant operator with >18,100 stores across >2,500 cities at end-2025, operating KFC (QSR), Pizza Hut (casual), and other concepts including Taco Bell, Lavazza (JV), Little Sheep and Huang Ji Huang. Its digital ecosystem, delivery network and supply chain scale underpin margins and speed of expansion. Total KFC and Pizza Hut membership exceeded 590m, with 265m+ active members in the past 12 months. Management's "RGM 3.0" (Resilience, Growth, Moat) prioritizes front-end segmentation (e.g., KCOFFEE cafés, KPRO modules) and back-end consolidation to lower unit costs and lift store density. Targets include >20,000 stores in 2026 and >30,000 by 2030, with rising franchise mix and annual capital returns of US$1.5bn through 2026. 2026–2028 guidance calls for mid-to-high single-digit system sales CAGR, high single-digit OP CAGR, and double-digit EPS and FCF/share CAGR from a 2025 base.

Q4 Beat, Healthy FY: Margin Up, Cash Back to Shareholders

Q4: system sales +7% YoY; same-store sales (SSS) +3% (3rd straight quarter); revenue +9% to US$2.8bn; OP +25% to US$187m; OP margin +80 bps to 6.6%; restaurant margin +70 bps to 13.0%; diluted EPS US$0.40 (+33% YoY). Full-year 2025: system sales +4%; SSS +1%; revenue +4% to US$11.8bn; OP +11% to US$1.3bn; OP margin 10.9% (+60 bps). Delivery contribution rose to ~53% of Q4 company sales (48% for FY). Net new stores: 587 in Q4 (record), 1,706 in FY (31% franchised). Total stores reached 18,101. Yum China returned US$1.5bn in 2025 (US$353m dividends; US$1.14bn buybacks) and reiterated US$1.5bn for 2026. The Board raised the quarterly dividend by 21% to US$0.29/share (payable Mar 25, 2026; record Mar 4). Pre-set repurchase programs of ~US$460m across the US and HK for 1H26 are in place. The company lifted the overall authorization by US$1bn in Dec 2025 (to US$5.4bn total since 2017).

KFC Leads, Pizza Hut Rebounds: Mix Shift and Margin Gains

KFC (2025 Q4/FY): Q4 system sales +8%, SSS +3%, OP US$223m (+16% YoY), OP margin 10.5% (+60 bps). FY: system sales +5%, SSS +1%, delivery mix 48% of sales, OP US$1.285bn (+8% YoY). Store count 12,997 (+1,349 net; 37% of net adds franchised; 15% of stores franchised).

Pizza Hut (2025 Q4/FY): Q4 system sales +6%, SSS +1%, delivery mix 54% (vs 42% LY), OP US$20m (+52% YoY), OP margin 3.7% (+110 bps). FY: system sales +4%, SSS +1%, OP US$183m (+19% YoY), OP margin 7.9% (+110 bps). Store count 4,168 (+444 net; 31% of net adds franchised; 8% of stores franchised).

Execution to 20k+ in 2026: Lower-Tier Penetration and Mix Upgrade

Management targets >1,900 net new stores in 2026 and a 40–50% franchise mix of net adds for both KFC and Pizza Hut, supporting capex efficiency (US$600–700m 2026 capex guide). KCOFFEE surpassed 1,000 cafés by April 2025 and management subsequently raised the 2025 café target; the format leverages KFC footprints to improve returns and traffic. Lavazza also expanded with improving unit economics in 2025. We expect continued density-driven expansion (esp. lower-tier markets), ongoing delivery/take-away momentum, and further ramp of KCOFFEE/KPRO and franchise mix to support margins and ROIC. Management reaffirmed >20k stores in 2026 and multi-year growth CAGRs off the 2025 base. Yum China trades at an attractive valuation relative to its growth prospects and peers, making it appealing for Hong Kong investors seeking exposure to China's consumer recovery. The stock is currently trading at 19.8x/17.8x FY25PE/FY26PE. This is below the company's 5-year average forward PE of 22.8x, suggesting undervaluation amid recent earnings strength. As the sector leader, Yum China is also attractively trading at below sector average of 21.7x FY25PE.

NON-RATED

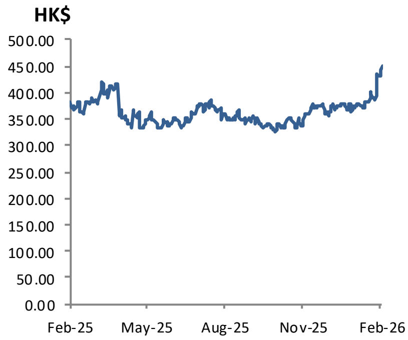
Last Price (HK$)*	450.80
Target Price (HK$)	**N/A**
Upside / (Downside)(%)	N/A
Previous rating	*NON-RATED*
Previous TP	*N/A*
Hang Seng Index*	27,172.87
** Prices as of mid-day close*	*10-Feb-26*

Key Data

Ticker	9987 HK
Market Cap (HK$m)	159,693
3M avg daily T/O (HK$m)	258.7
52-week High (HK$)	451.20
52-week Low (HK$)	324.00
Free Float (%)	95.5%
Shares O/S (m)	354.2

Performance	Absolute	Relative
1 month	20.7%	16.5%
3 months	29.2%	26.7%
6 months	25.2%	14.6%

Price Chart



Source: Bloomberg

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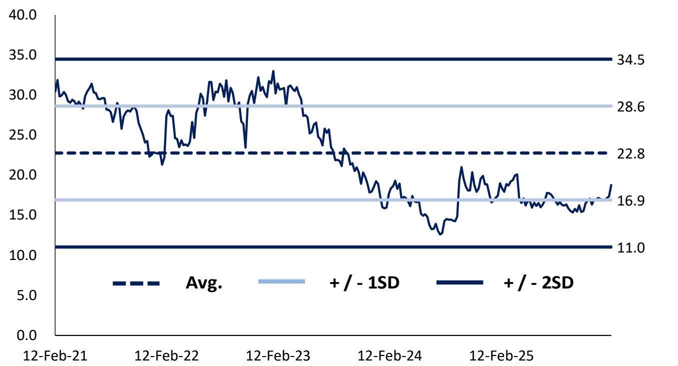
Figure 1 Peer comparison (closing prices as of mid-price of 10 Feb 2026)

Company	Ticker	Price	Mkt cap (US$m)	3-mth avg t/o (US$m)	P/E (x) FY1	P/E (x) FY2	FY1-FY3 EPS Cagr (%)	FY1 PEG (x)	Div Yld (%) FY1	Div Yld (%) FY2	P/B (x) Hist	P/B (x) FY1	ROE (%) Hist	ROE (%) FY1	ROIC Hist (%)	Share px chg (%) 1-mth	Share px chg (%) 3-mth	Share px chg (%) 12-mth
HSI		27,161			13.2	11.8	12.0	1.10	2.9	3.2	1.45	1.43	10.4	10.5		3.5	1.9	26.2
HSCEI		9,236			11.8	10.6	12.4	0.96	2.8	3.0	1.32	1.32	11.1	11.0		2.1	(2.2)	16.2
CSI300		4,720			17.0	14.6	14.9	1.14	2.3	2.6	1.84	1.81	10.2	10.8		(0.8)	0.5	21.0
Sector Average					**21.7**	**15.7**	**31.5**	**0.9**	**5.0**	**5.2**	**4.1**	**13.6**	**15.5**	**20.8**	**8.7**	**7.4**	**(1.2)**	**(10.1)**
Sector Median					**19.8**	**15.0**	**24.2**	**0.8**	**4.4**	**4.2**	**2.1**	**3.3**	**5.4**	**13.3**	**4.0**	**3.4**	**(5.7)**	**(13.9)**
Yum China Holdin	9987 HK	449.60	20,377	33.1	19.8	17.8	11.7	1.70	1.8	2.1	3.80	3.66	16.7	18.2	12.2	20.3	28.8	20.7
Haidilao Interna	6862 HK	17.13	12,216	46.2	19.4	17.4	11.1	1.75	4.6	5.3	8.56	7.50	46.3	39.8	28.2	22.4	25.0	11.8
Xiaocaiyuan Inte	999 HK	9.02	1,358	2.3	12.8	10.6	20.4	0.63	4.5	5.0	3.97	3.46	38.9	28.1	25.0	3.4	(17.4)	(10.0)
Dpc Dash Ltd	1405 HK	67.80	1,141	2.8	50.4	31.5	49.6	1.01	0.0	0.0	3.36	3.30	4.9	6.5	4.1	(3.2)	(16.1)	(13.9)
Super Hi Interna	9658 HK	13.40	1,115	1.0	27.7	21.7	28.9	0.96	0.0	0.0	2.93	2.77	5.6	13.3	0.5	8.2	(4.9)	(31.7)
Green Tea Group	6831 HK	7.08	606	0.7	8.3	6.8	24.2	0.35	7.6	3.7	N/A	3.32	59.1	42.2	23.1	4.3	14.9	N/A
Guangzhou Xiao-H	2408 HK	5.75	523	N/A	33.9	15.0	89.7	0.38	N/A	N/A	21.20	16.14	N/A	46.6	N/A	31.9	N/A	N/A
Jiumaojiu Intern	9922 HK	2.22	395	1.5	20.4	12.1	50.7	0.40	3.4	4.0	0.87	0.85	1.4	4.0	1.9	18.7	15.6	(23.1)
Cafe De Coral	341 HK	4.83	358	0.8	26.8	24.2	15.5	1.73	4.3	4.3	1.06	0.93	5.0	10.2	3.9	(3.2)	(20.0)	(35.7)
Helens Internati	9869 HK	0.91	147	0.1	9.8	7.7	32.1	0.31	15.8	18.6	1.02	1.28	(7.8)	8.8	(3.0)	(1.1)	(17.3)	(53.5)
Tai Hing Group H	6811 HK	1.06	132	0.1	9.6	8.2	12.8	0.75	7.8	9.1	1.20	#####	10.5	11.4	6.0	(3.6)	(6.2)	35.9
Ajisen China Hol	538 HK	0.92	128	0.0	N/A	N/A	N/A	N/A	N/A	N/A	0.31	N/A	0.4	N/A	0.3	1.1	(5.2)	10.8
Fairwood Hldgs	52 HK	4.50	75	0.0	N/A	N/A	N/A	N/A	N/A	N/A	0.90	N/A	5.2	N/A	2.9	(2.6)	(12.1)	(23.1)

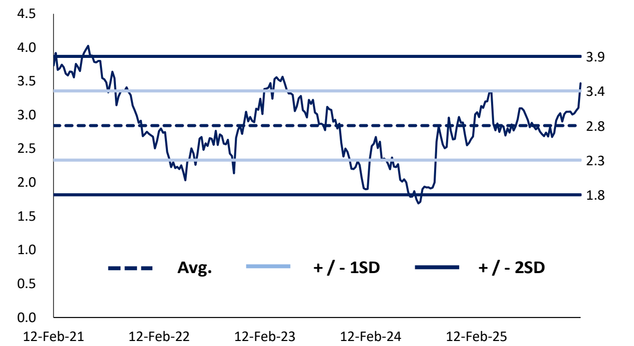
Source: Bloomberg, Crosby Securities

Figure 2 Historical 5-year forward PE range



Source: Bloomberg, Crosby Securities

Figure 3 Historical 5-year forward PB range



Source: Bloomberg, Crosby Securities

Summary financials

Yr ended 31 Dec	FY 2023	FY 2024	FY 2025
Income Statement (USD'm)			
Revenue	**10,978**	**11,303**	**11,797**
YoY%	*14.7*	*3.0*	*4.4*
Gross profit	**7,754**	**7,916**	**2,520**
YoY%	*15.2*	*2.1*	*(68.2)*
EBITDA	**2,055**	**2,137**	**1,738**
YoY%	*16.0*	*4.0*	*(18.7)*
Net profit	**827**	**911**	**929**
YoY%	*87.1*	*10.2*	*2.0*
EPS (Fully diluted)	**1.970**	**2.330**	**2.510**
YoY%	*89.4*	*18.3*	*7.7*
DPS	**0.480**	**0.640**	**0.960**
YoY%	*0.0*	*33.3*	*50.0*
Balance Sheets (USD'm)			
Cash & Cash Equiv	1,128	723	506
ST Investments	1,472	1,121	878
AR	68	79	95
Inventories	424	405	438
Other current assets	339	366	440
Total Current Assets	**3,431**	**2,694**	**2,357**
PP&E	4,527	4,553	4,732
LT Investments	1,265	1,088	678
Other Non-curr assets	2,808	2,786	3,016
Total Non-Current Assets	**8,600**	**8,427**	**8,426**
Payables & Accruals	1,401	1,304	2,216
ST Debts	599	549	30
Othe current Liabilities	422	430	0
Total Current Liabilities	**2,422**	**2,283**	**2,246**
LT Debts	1,943	1,865	51
Othe LT Liabilities	547	546	2,387
Total Long-Term Liabilities	**2,490**	**2,411**	**2,438**
Shareholders' Equity	**6,405**	**5,728**	**5,379**
Minority interests	714	699	720
Total Equity	7,119	6,427	6,099
Total Debts	2,542	2,414	81
Net cash / (debts)	(1,414)	(1,691)	425

Yr ended 31 Dec	FY 2023	FY 2024	FY 2025
Cash Flow Statement (USD'm)			
Net Income	827	911	929
Dep & Amort.	453	476	448
Working capital changs	49	(43)	(100)
Other adjustments	144	75	189
Cash From Operations (CFO)	**1,473**	**1,419**	**1,466**
YoY%	*4.2*	*(3.7)*	*3.3*
Capex	(710)	(705)	(626)
Other investments	(33)	527	621
Cash From Investing Activities	**(743)**	**(178)**	**(5)**
Free Cash Flow (CFO - Capex)	**763**	**714**	**840**
YoY%	*4.0*	*(6.4)*	*17.6*
Net change in debts	141	(128)	(2,333)
Shares issue & buyback (net)	(613)	(1,249)	(1,144)
Dividends	(216)	(248)	(353)
Others	(44)	(21)	2,152
Cash from Financing Activities	**(732)**	**(1,646)**	**(1,678)**
Opening cash	1,130	1,128	723
Net Changes in Cash	(2)	(405)	(217)
Closing cash	**1,128**	**723**	**506**
Ratios			
Gross margin	70.6%	70.0%	21.4%
Ebitda margin	18.7%	18.9%	14.7%
Net margin	7.5%	8.1%	7.9%
Payout	24.1%	27.3%	38.1%
Effective tax	26.8%	26.7%	27.2%
Ebit margin (%)	11.2	#N/A N/A	11.6
Interest burden (x)	1.00	#VALUE!	0.99
Tax budren (x)	0.67	0.68	0.68
Asset turnover (x)	0.92	0.98	1.08
Leverage (x)	1.85	1.91	1.97
ROE	**12.8%**	**15.0%**	**16.7%**
ROIC	**8.2%**	**8.9%**	**12.2%**
Total debts / Total Capital	26.3%	27.3%	1.3%
Net debts / SH Equity	22.1%	29.5%	Net cash

Source: Bloomberg, Crosby Securities

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