

Yum China Holdings, Inc (NYSE:YUMC)

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INVESTA
INSIGHTS

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Company Overview



BUSINESS DESCRIPTION

- Yum China Holdings is a PRC-based Fortune 500 company that operates over 13000 company-owned and franchised restaurants in 1900 cities along with its subsidiaries
- Yum China was founded in 1987, headquartered in Shanghai, China and has over 145,000 employees across various operations
- Yum China seeks growth through growth of franchise restaurants, development of new restaurant concepts, and investments in digitalization



MANAGEMENT TEAM

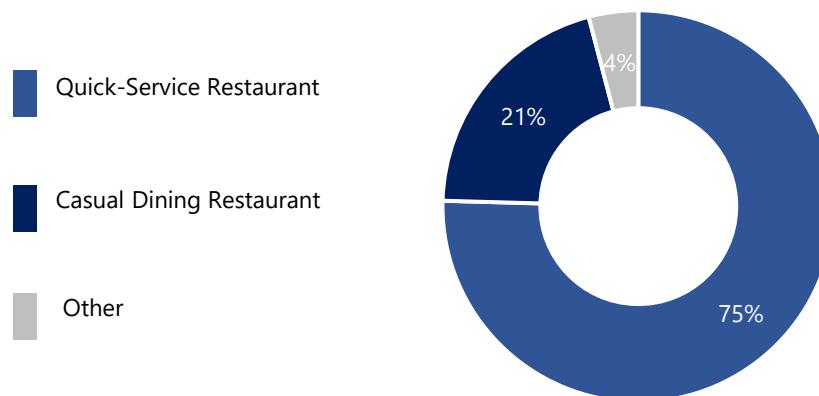


| Name | Joey Wat | Andy Yeung | Leila Zhang | Howard Huang |
|---------------|----------------------------|------------------------------------|--------------------|------------------------------------|
| Position | CEO | CFO | CTO | CSCO |
| Previous Exp. | President, COO @ Yum China | CFO @ Fintech, Telecomm. Companies | VP, IT @ Yum China | VP @ Pizza Hut Regional Operations |

COMPETITIVE ADVANTAGE

- Yum China has an established supply chain management system with over 800 independent suppliers and 33 logistics centers
- Yum China has multiple streams to achieve growth: organic growth, growth of franchise restaurants, development of new restaurant concepts and E-Commerce platform
- Yum China either has exclusive right to operate and sublicense or owns the intellectual property of brands outright
- Yum China's continued investments in technology to capture digital, delivery, and off-premise consumption has maintained its unit-level performance and developed new sources of revenue throughout COVID-19

REVENUE SEGMENTATION



Company Overview

Yum China Holdings Inc (NYSE: YUMC)



KEY FINANCIAL DATA

Ticker

Share Price \$45.38

52 Week Low – High \$40.43 – 64.70

Market Capitalization \$18.31B

LTM Revenue \$10.34B

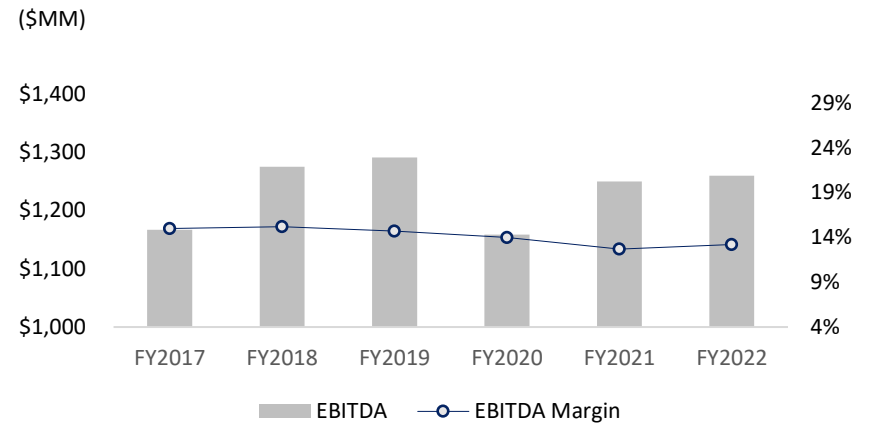
LTM EBITDA \$1.58B

LTM EBITDA Margin 15.2%

LTM TEV/Revenue 2.1x

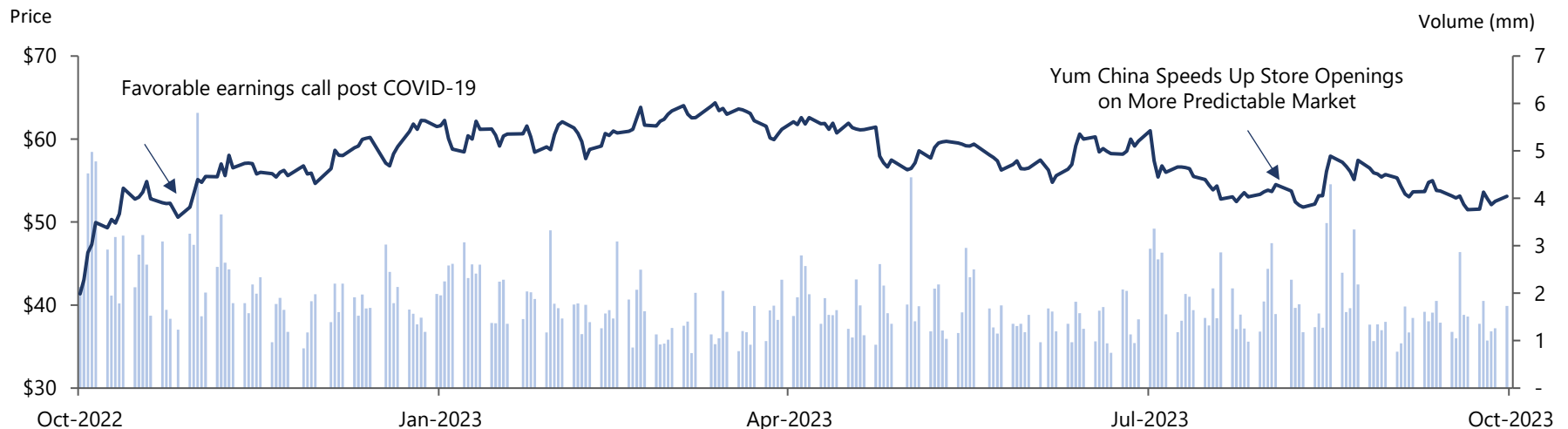
LTM TEV/EBITDA 9.0x

YOY EBITDA & EBITDA MARGINS



Yum China maintained healthy EBITDA margins and proved its resilience through huge impacts brought by COVID-19

LTM PRICE VOLUME CHART



Industry Outlook

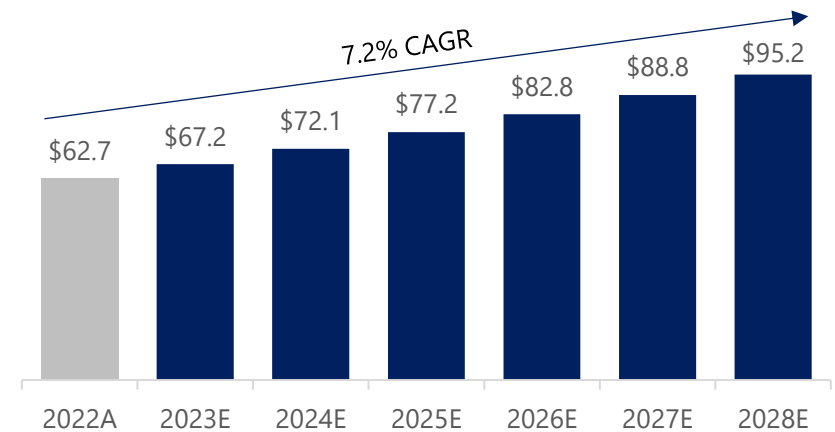
Food Service Industry



INDUSTRY OVERVIEW

- The Chinese food service industry, known for its competitive and highly fragmented market landscape, had a valuation of \$454.8 billion in 2022 and is forecasted to grow to over \$1 trillion by 2029
- The industry has four main segments: Full-Service Restaurants, Quick Service Restaurants, Cafes and Bars, and 100% Home Delivery Restaurants
- Demand for Chinese food services has been amplified by evolving consumer behaviours, technological advancements, and increased disposable income, driving a surge in Chinese takeout appetite in emerging countries
- By 2028, the Chinese takeout market is projected to be worth US\$95.2 billion with a CAGR of 7.2%

CHINA TAKEOUT MARKET REVENUE (\$USD bn)



MAJOR PLAYERS



CHANGING CONSUMER POPULATION

Consumers Shift Towards Healthier Alternatives in F&B

- Rising living standards and disposable incomes drive demand for Chinese takeout, with a notable shift towards organic options in response to food safety concerns
- Despite the rise in health-focused takeout, full-service restaurants remain dominant as market players innovate with organic ingredients

Growth of Middle-Class Consumers and Urbanization

- By 2030, due to a 100 million increase in China's working-age population, the middle-income group is expected to boost per capita consumption by around 50%

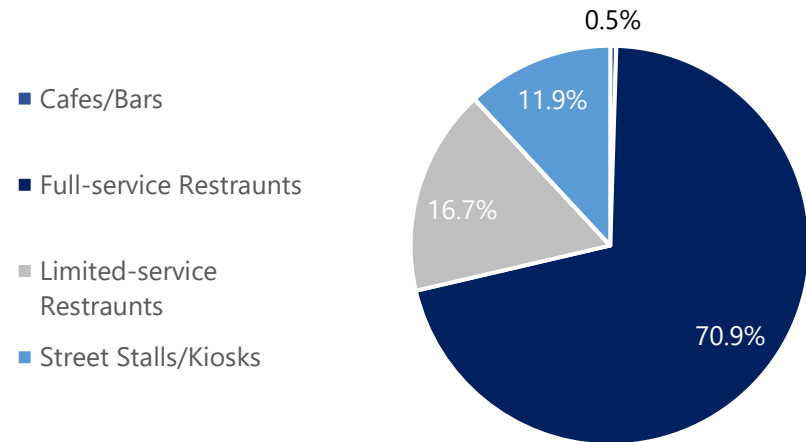
Industry Outlook

Food Service Industry



COMPETITIVE LANDSCAPE AND INDUSTRY STRUCTURE

- The home delivery segment is rapidly expanding, becoming the fastest-growing segment of the food service industry due to the convenience and efficiency of online ordering systems
- E-menus and mobile payments are becoming standard in China's food industry, with players like Eleme facilitating seamless service for businesses
- Independent dining establishments and cafes represented about 80% of China's food service venues, with chain restaurants accounting for just 5%



INDUSTRY DEVELOPMENTS

- **McDonald's China Invests in McCafe Expansion (2020)**
 - Launched in major cities with further expansion in 2021, enhancing market footprint and revenue
- **Yum! Brands Acquires Dragon Tail Systems Limited (2021)**
 - Leveraging AI-driven solutions for a technological edge in the industry
- **McDonald's Tests McPlant in China (2021)**
 - Introducing its first plant-based burger in collaboration with Beyond Meat Inc
- **Starbucks Collaborates with Meituan (2022)**
 - Expanding coffee delivery services via the super-app in China

MARKET TRENDS

Themed-Based Dining Surge

- Post-pandemic Chinese restaurants are leveraging unique themes like 'Devil Island Prison' and 'Dining in the Dark' to attract consumers
- Innovative theme-based restaurants are gaining traction, holding a significant share in China's food service market

Rapidly Increasing Market for Prepared Food in China

- On-the-go food demand escalates, catering to busy professionals, bolstered by ease of use, speed, and nutrition
- Millennials and Gen Z are spearheading the push for high-quality products, fuelled by their burgeoning interest in innovative prepared foods

Thesis I: Successful Strategic Expansion Management

Expansion to Conquer China's unexplored "White-space"



NEW STORE: STRONG NEW STORE PAYBACK PERIOD

- Increased net new stores target for 2023 to 1,400-1,600, (compared with its previous target of 1,100-1,300)₁
- Strategic growth supported by the flexible store size, lower initial capital expenditures and cash investments - enhances restaurant margins while driving sales

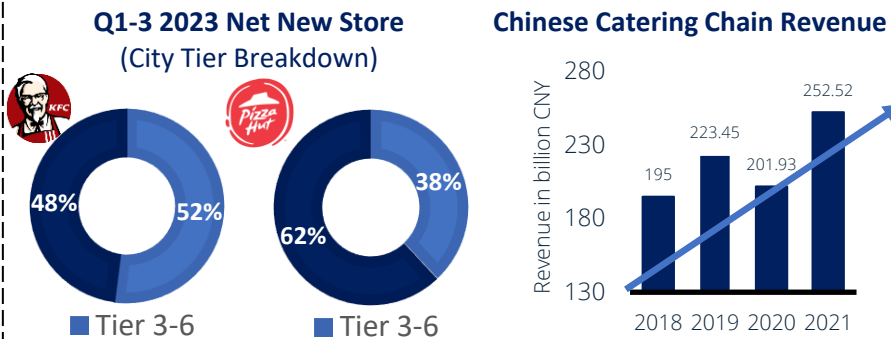
| Rolling 12 Months New Store Economics (per store) | Smaller Models | | Satellite Store | |
|---|----------------|-----------|-----------------|----------|
| | KFC | Pizza Hut | Pizza Hut | KFC |
| Average Pre-tax Cash Payback Period | ~2 years | ~2 years | ~3 years | ~2 years |
| Cash Investment (RMB MM) | ~1.8 | ~1.5 | ~1.4 | ~1.0 |
| Annual Sales (RMB MM) | ~4.5 | ~3.4 | ~3.5 | ~2.6 |
| Cash Margin | ~19% | ~21% | ~13% | ~16% |

EXISTING STORES: STRATEGIC SAME-STORE SALES GROWTH

- In 2023 Q2, SSSG increased 15% year over year, with increases of 15% at KFC and 13% at Pizza Hut₂
- With existing popularity of YUMC's portfolio in the Chinese market, strategic SSSG boosted sales revenue – increase sales revenue by 383MM US\$ (23%) from 2022-2023₂
 - Food Innovation: new products & categories, wider price range
 - Brand Engagement: signature campaigns, collaborations with games, toys and celebrity
 - Convenience: Add-on modules, delivery and takeaway
 - Customer loyalty: Super APPs, loyalty programs₁

NEW STORE: STORE & GEOGRAPHIC FOOTPRINT EXPANSION

- Booming restaurant service market in China with 11.21% CAGR from 2023-2030
- Expansion of geographic footprint in both existing and new cities as consumption and addressable cities and towns increase



EXISTING STORES: UNIT ECONOMICS OF ITS OPERATIONS

- Expanding Price Range to Drive Incremental Sales
 - Focus on "Value Meals" to capture market share and build customer loyalty in the growing F&B segment
 - Expected double-digit revenue growth in 2023
 - 69% YoY operating profit growth in Q3 earnings report



Thesis II: Strategic Capital Allocation

Vertical and horizontal integration through acquisitions, partnerships and joint venture



HORIZONTAL: ACQUISITION TO EXPAND FOOD SERVICE PORTFOLIO

- The acquisition of Huang Ji Huang in 2020 with 640 restaurants in China
- Diversification: broaden company's portfolio mix into dining sector; reducing dependency on fast food market
- **Cost Synergies:** Operations and integration into using existing streamlined network and infrastructure of Little Sheep in specialize in Chinese cuisine
- **Intangible Benefits:** Acquisition of client base and intangible assets
 - Reacquired franchise rights
 - Huang Ji Huang franchise related assets
 - Daojia platform
 - Customer-related assets

VERTICAL: EXPANSION INTO SUPPLY CHAIN

- Ecosystem partner investment:



- **Mei Tuan:** Company subscribed for 8.4 million of the ordinary shares of the e-commerce platform for services in China₃



- **Sunner:** Acquired a 5% Equity Interest in Fujian Sunner Development - vertically integrated business model covering the full production chain - chicken breeding and farming, feed processing and meat processing₄



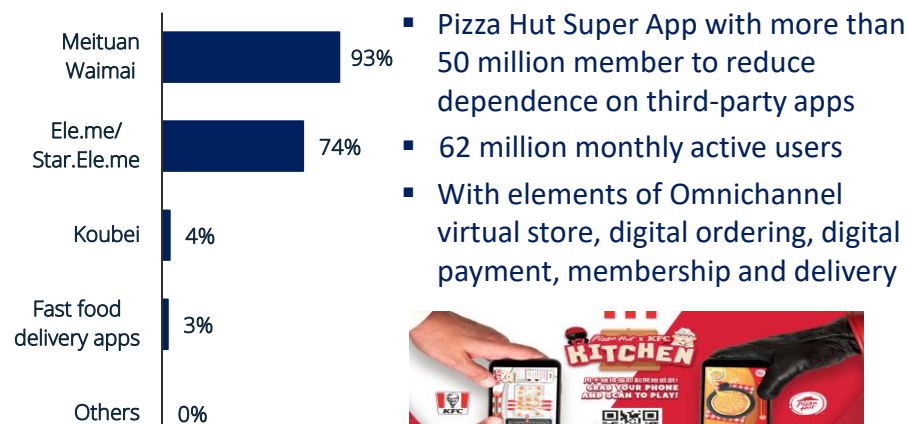
- **Baoli:** In September 2023, the company announced its plans to acquire a 40% stake in Zhejiang Bolex Food₅

EXPANSION OF COFFEE PORTFOLIO - UNDERSERVED COFFEE MARKET

- **Joint venture with Italian coffee brand Lavazza**
 - Operating over 100 coffee shops in 11 cities, offering a premium and authentic Italian Coffee experience in China – targeting premium segment consumers
- **KFC (“K-Coffee”)**
 - Offers convenience and value – targeting value seeking consumer segment



APP MARKET IN CHINA & DEVELOPMENT OF SUPER APP



Thesis III : Operational Leverage And Efficiency

Through Robust Supply Chain Network, Experienced Localization & Innovation and Successful Digital Strategies



YumChina

DIGITALIZATION TO BOOST SALES AND SERVICE QUALITY

- **Boost Sale:** It ties with membership and take-out channels and helps data collection to enable faster product innovation and expansion into white space.
- **Cost Reduction:** It enhances the system and supply chain while keeping the cost base lower. (CAPEX per KFC POS is RMB 1.5 mn, a pace of 8-9% reduction, helping cash payback in new stores stable)
- **Improve Service Quality:** It helps food safety in franchising while providing seamless experiences in client-facing scenarios.

The Power of Digitalization: From Customer Service to operations



EXPERIENCED LOCALIZATION & INNOVATION DEVELOPS HIT PRODUCTS



- With a long operating history in China, the company collects a wealth of information on how to localize and understand how to satisfy its Chinese customers.
- Menu Innovations like Durian Pizza, Beef Burger, Events like Crazy Thursday, Sunday Buy-More-Save-More (featuring a lucky draw for a Maldives trip), etc. continue to drive sales growth.

THE TOP-TIER SUPPLY CHAIN NETWORK IS READY FOR FAST EXPANSION EXPANDING INFRASTRUCTURE TO SUPPORT GROWTH

- In 2023, the company had 33 logistics centers and plans to increase to 45-50 centers with IoT, Automation, and AI for its store expansion.
- **Food Safety:** It enables a safety management system covering from farms to tables, from company-owned stores to franchise stores.
- **New Driver:** After meeting the company's needs, YUMC will be ready to serve other catering brands. The third-party logistics revenue amounted to \$24 mn in 2022, up >100% YoY.



2018

- Xi'an logistic center
- First Self-owned

2023

- Nanning Logistics Center
- 100% Green Power

2024E

- Nanxiang Logistics Center
- Automated Storage

Risk and Catalysts

Will Risks Associated With Operating in China Hurt the Company's Stock?



YumChina

RISK IN YUMC'S OPERATION

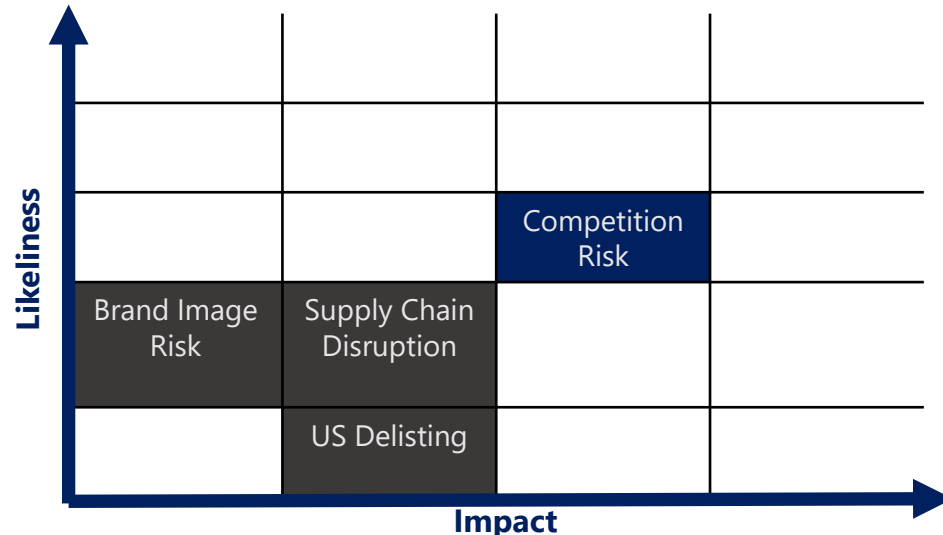
-  **Supply Chain Disruption Risk**
 - The prices of raw materials fluctuate, which may adversely impact our profit margin
-  **Brand Image Risk**
 - Food safety and foodborne illness concerns may have an adverse effect on reputation and business
-  **US Delisting Risk**
 - US-China tension and geopolitical risk may lead to Chinese companies delisted in the US index
-  **Competition Risk**
 - Rise of local brands in China QSR like Tastien is harmful for YUMC market share and margin
-  **Foreign Exchange Risk**
 - Operations, revenue and expenses are dominant in CNY; performance exposed to USD appreciation

MITIGATION

- Supply Chain Disruption Risk**
 - Competitive edge in the supply chain with more and more self-own logistic centers
- Brand Image Risk**
 - Company's strength in ESG, while digitalization and strong supply chain help reduce concern about food safety
- US Delisting Risk**
 - Delisting risks of US sanctions targets core technology and national defence; stock is also listed on HKEX
- Competition Risk**
 - YUMC's scale, robust supply chain, existing network and market leadership act as economic moat
- Foreign Exchange Risk**
 - Short term investments and hedging solutions provide risk mitigation, and domestic operations not exposed to FX risks

CATALYSTS

- Emphasis on experiences and memory-related consumption:
 - We observed strong travelling demand during the Holidays
- Benefit from Consumption Downgrade:
 - Consumer shift towards "value " and cost-effective goods or downgrade their consumption – benefiting fast food KFC and Pizza Hut
- Strong Demand in Prepaid Meals:
 - Prepaid meals market has increased dramatically due to the convenience and lockdown experiences of the pandemic helping them capture the tailwind



Valuation & Recommendation

Discounted Cash Flow Analysis and Comparable Company Analysis



FREE CASH FLOW PROJECTIONS

| Selected Financials - DCF Base Case | Actual | | | | Forecast | | | |
|--|---------|---------|---------|----------|----------|----------|----------|----------|
| | FY20 | FY21 | FY22 | FY23 | FY24 | FY25 | FY26 | FY27 |
| Revenue | 8,263.0 | 9,853.0 | 9,569.0 | 10,663.4 | 11,765.6 | 12,985.9 | 14,337.1 | 15,833.2 |
| COGS & Other Expenses | 7,554.0 | 9,119.0 | 8,911.0 | 9,754.8 | 10,763.1 | 11,879.4 | 13,115.5 | 14,484.1 |
| EBITDA | 709.0 | 734.0 | 658.0 | 908.6 | 1002.5 | 1106.5 | 1221.6 | 1349.1 |
| D&A | 421 | 466 | 498 | 525 | 579 | 639 | 705 | 779 |
| EBIT | 288.0 | 268.0 | 160.0 | 384.0 | 423.7 | 467.6 | 516.3 | 570.2 |
| Taxes | 295.0 | 369.0 | 207.0 | 80.6 | 89.0 | 98.2 | 108.4 | 119.7 |
| NOPAT | -7.0 | -101.0 | -47.0 | 303.4 | 334.7 | 369.4 | 407.9 | 450.4 |
| (+) D&A | 421.0 | 466.0 | 498.0 | 524.6 | 578.8 | 638.8 | 705.3 | 778.9 |
| (-) Net WC | -2869.0 | -2333.0 | -1774.0 | -332.7 | -367.1 | -405.2 | -447.3 | -494.0 |
| (-) CAPEX | -419.0 | -689.0 | -679.0 | -557.4 | -541.2 | -525.7 | -510.7 | -496.4 |
| Unlevered Free Cash Flow | -2874.0 | -2657.0 | -2002.0 | -62.2 | 5.2 | 77.4 | 155.1 | 239.0 |
| Discount Factor | | | | 0.92 | 0.85 | 0.78 | 0.72 | 0.66 |
| Discounted UFCF | | | | -57.2 | 4.4 | 60.3 | 111.2 | 157.7 |

PUBLIC COMPARABLE COMPANY ANALYSIS

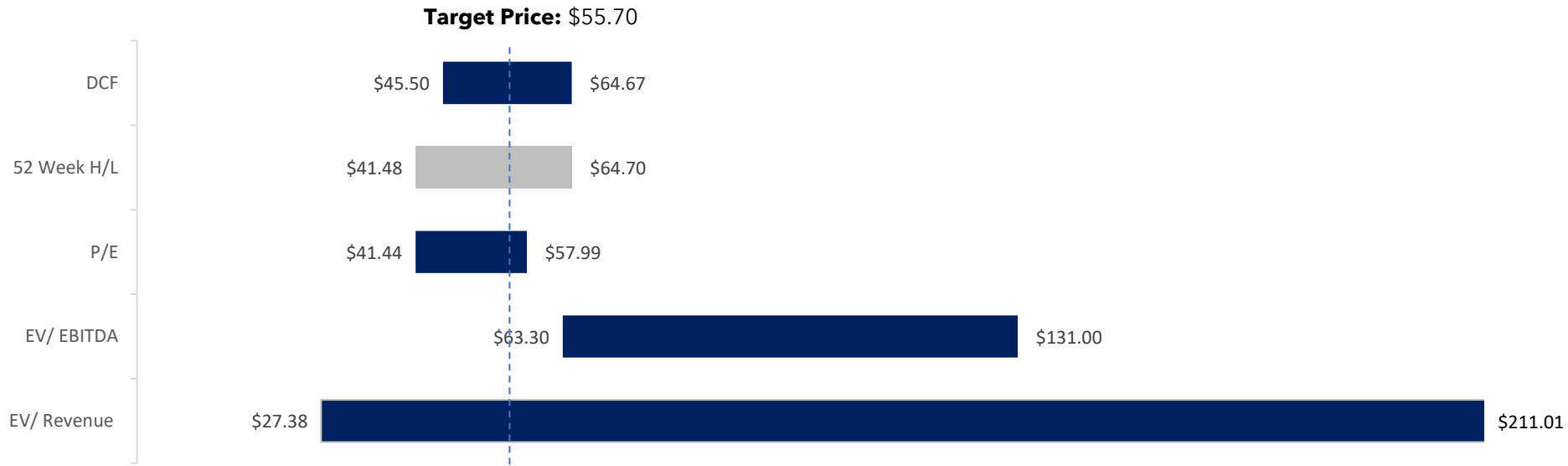
| Company Name | Ticker | Share Price | Equity Value | Enterprise Value | EV/ Revenue | EV/ EBITDA | P/E |
|----------------------------------|----------------|-------------|-------------------|-------------------|--------------|---------------|---------------|
| McDonald's | MCD-US | \$267.87 | \$195,555.69 | \$230,202.49 | 9.51x | 17.67x | 24.66x |
| Restaurant Brands Intl LP | QSP.UT-CA | \$66.32 | \$30,039.79 | \$41,513.78 | 6.03x | 17.66x | 20.76x |
| Jiumaojiu International Holdings | 9922-HK | \$1.10 | \$1,583.57 | \$1,536.83 | 2.30x | 10.10x | 56.40x |
| Haidilao International Holdings | 6862-HK | \$2.18 | \$12,137.22 | \$11,736.18 | 2.40x | 10.90x | 21.80x |
| Domino's Pizza | DPZ-US | \$361.94 | \$12,761.16 | \$17,329.13 | 3.88x | 19.89x | 24.75x |
| DPC Dash | 1405-HK | \$8.31 | \$1,096.71 | \$982.58 | 2.75x | 27.58x | - |
| Papa John's | PIZZA-US | \$68.00 | \$2,244.72 | \$3,007.43 | 1.44x | 13.88x | 29.05x |
| Maximum | | | \$195,555.69 | \$230,202.49 | 9.51x | 27.58x | 56.40x |
| 75th Percentile | | | \$30,039.79 | \$41,513.78 | 6.03x | 23.74x | 42.72x |
| Median | | | \$12,137.22 | \$11,736.18 | 2.75x | 15.77x | 24.66x |
| 25th Percentile | | | \$1,583.57 | \$1,536.83 | 2.30x | 10.70x | 21.28x |
| Minimum | | | \$1,096.71 | \$982.58 | 1.44x | 10.10x | 20.76x |
| Mean | | | \$36,488.41 | \$43,758.35 | 4.04x | 16.30x | 30.53x |
| Median | | | \$12,137.22 | \$11,736.18 | 2.75x | 15.77x | 24.66x |
| Yum China Holdings | YUMC-US | | \$18,606.7 | \$17,690.1 | 1.66x | 11.4x | 20.1x |

Valuation & Recommendation

Weighted Valuation Based on our DCF and Comparable Analysis Yield a **23%** Upside



FOOTBALL FIELD ANALYSIS



| Implied Enterprise to Equity Value Bridge | |
|---|-----------|
| Enterprise Value | 9,980.4 |
| (+) Cash & Cash Eqv | 1,131.0 |
| (-) Debt | (2,038.0) |
| (-) Non-Controlling Interests | 0.0 |
| (-) Underfunded Pensions | 0.0 |
| (-) Preferred Shares | 0.0 |
| Implied Equity Value | 9,073.4 |

| Valuation Scenarios | Implied Price | Implied Upside |
|---------------------|-----------------|----------------|
| Bull Case | \$ 64.67 | 42.50% |
| Base Case | \$ 55.70 | 22.70% |
| Bear Case | \$ 45.50 | 0.30% |

| Implied Share Price | |
|------------------------------------|---------|
| Implied Equity Value | 9,073.4 |
| Shares Outstanding (Fully Diluted) | 162.9 |
| Implied Share Price | 55.70 |
| Current Share Price | 45.38 |
| Implied Upside | 22.7% |

| Sensitivity Analysis | | | | | | | |
|----------------------|-------|----------|---------|---------|---------|---------|--------|
| | | WACC | | | | | |
| | | \$ 55.70 | 6.68% | 7.68% | 8.68% | 9.68% | 10.68% |
| Exit Multiple | 21.7x | \$56.96 | \$53.99 | \$51.20 | \$48.59 | \$46.14 | |
| | 22.7x | \$59.48 | \$56.37 | \$53.45 | \$50.72 | \$48.16 | |
| | 23.7x | \$61.99 | \$58.74 | \$55.70 | \$52.85 | \$50.17 | |
| | 24.7x | \$64.50 | \$61.12 | \$57.95 | \$54.97 | \$52.19 | |
| | 25.7x | \$67.01 | \$63.49 | \$60.19 | \$57.10 | \$54.20 | |

Appendix

Appendix

Discounted Cash Flow & WACC



| Terminal Value - Gordon Growth | |
|--------------------------------|---------|
| Terminal Growth Rate | 2.5% |
| Terminal Year UFCF | 213.7 |
| Discount Rate | 8.72% |
| Terminal Value | 3,436.2 |
| Time Period | 6 |
| PV of Terminal Value | 2,080.9 |

| Terminal Value - Exit Multiple | |
|--------------------------------|----------|
| Exit Multiple | 23.7x |
| Terminal Year EBITDA | 1206.2 |
| Discount Rate | 8.72% |
| Terminal Value | 28,627.7 |
| Time Period | 6 |
| PV of Terminal Value | 17,336.4 |

| Terminal Value | |
|----------------|----------|
| Gordon Growth | 2,080.9 |
| Exit Multiple | 17,336.4 |
| Average | 9,708.7 |

| Implied Enterprise Value, Equity Value, and Share Price | |
|---|---------|
| Implied Enterprise Value | |
| PV of Projected | 240.8 |
| as a % of TEV | 0.8% |
| PV of Terminal | 9,708.7 |
| as a % of TEV | 33.9% |
| Enterprise Value | 9,949.5 |

| Implied Enterprise to Equity Value Bridge | |
|---|-----------|
| Enterprise Value | 9,949.5 |
| (+) Cash & Cash Eqv | 1,131.0 |
| (-) Debt | (2,038.0) |
| (-) Non-Controlling Interests | 0.0 |
| (-) Underfunded Pensions | 0.0 |
| (-) Preferred Shares | 0.0 |
| Implied Equity Value | 9,042.5 |

| Implied Share Price | |
|------------------------------------|---------|
| Implied Equity Value | 9,042.5 |
| Shares Outstanding (Fully Diluted) | 162.9 |
| Implied Share Price | 55.51 |
| Current Share Price | 45.38 |
| Implied Upside | 22.3% |

Appendix

Consolidated Revenue Forecast



| Segment | FY2016 | FY2017 | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 | FY2032 |
|------------------------------------|--------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Revenue Breakdown | | | | | | | | | | | | | | | | | |
| KFC | | 5066 | 5688 | 6039 | 5821 | 7003 | 7219 | 7847 | 8471 | 9146 | 9875 | 10663 | 11514 | 12433 | 13427 | 14501 | 15662 |
| Pizza Hut | | 2093 | 2111 | 2054 | 1730 | 2109 | 1960 | 2102 | 2226 | 2358 | 2497 | 2645 | 2802 | 2968 | 3145 | 3331 | 3529 |
| All Other | | 106 | 99 | 121 | 173 | 227 | 155 | 173 | 193 | 216 | 241 | 269 | 300 | 335 | 373 | 417 | 465 |
| Corporate & Unallocated | | 504 | 517 | 562 | 539 | 514 | 235 | 235 | 235 | 235 | 235 | 235 | 235 | 235 | 235 | 235 | 235 |
| Total Revenue | | 7769 | 8415 | 8776 | 8263 | 9853 | 9569 | 10357 | 11125 | 11954 | 12848 | 13811 | 14851 | 15971 | 17180 | 18484 | 19891 |
| YoY Growth | | | | | | | | | | | | | | | | | |
| KFC | | | 12.28% | 6.17% | -3.61% | 20.31% | 3.08% | 8.70% | 7.96% | 7.96% | 7.97% | 7.98% | 7.98% | 7.99% | 7.99% | 8.00% | 8.00% |
| Pizza Hut | | | 0.86% | -2.70% | -15.77% | 21.91% | -7.06% | 7.22% | 5.92% | 5.92% | 5.92% | 5.93% | 5.93% | 5.93% | 5.93% | 5.94% | 5.94% |
| All Other | | | -6.60% | 22.22% | 42.98% | 31.21% | -31.72% | 11.62% | 11.62% | 11.62% | 11.62% | 11.62% | 11.62% | 11.62% | 11.62% | 11.62% | 11.62% |
| Corporate & Unallocated | | | 2.58% | 8.70% | -4.09% | -4.64% | -54.28% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Total Revenue Growth | | | 8.32% | 4.29% | -5.85% | 19.24% | -2.88% | 8.23% | 7.42% | 7.45% | 7.48% | 7.50% | 7.52% | 7.55% | 7.57% | 7.59% | 7.61% |
| Revenue Mix | | | | | | | | | | | | | | | | | |
| KFC | | 65.21% | 67.59% | 68.81% | 70.45% | 71.07% | 75.44% | 75.77% | 76.14% | 76.51% | 76.86% | 77.20% | 77.53% | 77.85% | 78.16% | 78.45% | 78.74% |
| Pizza Hut | | 26.94% | 25.09% | 23.40% | 20.94% | 21.40% | 20.48% | 20.29% | 20.01% | 19.72% | 19.44% | 19.15% | 18.87% | 18.59% | 18.30% | 18.02% | 17.74% |
| All Other | | 1.36% | 1.18% | 1.38% | 2.09% | 2.30% | 1.62% | 1.67% | 1.74% | 1.80% | 1.87% | 1.94% | 2.02% | 2.09% | 2.17% | 2.25% | 2.34% |
| Corporate & Unallocated | | 6.49% | 6v.14% | 6.40% | 6.52% | 5.22% | 2.46% | 2.27% | 2.11% | 1.97% | 1.83% | 1.70% | 1.58% | 1.47% | 1.37% | 1.27% | 1.18% |
| Total | | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| COGS Breakdown | | | | | | | | | | | | | | | | | |
| COGS/R ev | | | -75.85% | -77.30% | -76.69% | -77.01% | -79.14% | -82.17% | -80.38% | -80.38% | -80.38% | -80.38% | -80.38% | -80.38% | -80.38% | -80.38% | -80.38% |
| Total COGS | | (5,893) | (6,505) | (6,730) | (6,363) | (7,798) | (7,863) | (8,324) | (8,942) | (9,608) | (10,327) | (11,101) | (11,936) | (12,837) | (13,809) | (14,857) | (15,988) |
| GP Margin | | 24% | 23% | 23% | 23% | 21% | 18% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% | 20% |
| Total GP | | 1,876 | 1,910 | 2,046 | 1,900 | 2,055 | 1,706 | 2,032 | 2,183 | 2,346 | 2,521 | 2,710 | 2,914 | 3,134 | 3,371 | 3,627 | 3,903 |

Appendix

Revenue Forecast by Segments - KFC & Pizza Hut



| Scenarios | FY2023 | FY2024 | FY2025 | FY2026 | FY2027 | FY2028 | FY2029 | FY2030 | FY2031 | FY2032 | FY2033 |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Revenue Growth | | | | | | | | | | | |
| KFC | 7847 | 8471 | 9146 | 9875 | 10663 | 11514 | 12433 | 13427 | 14501 | 15662 | 16916 |
| % of change in Revenue | | 7.96% | 7.96% | 7.97% | 7.98% | 7.98% | 7.99% | 7.99% | 8.00% | 8.00% | 8.01% |
| CAGR 8% | | | | | | | | | | | |
| Bull Store Growth | 6.27% | 6.27% | 6.27% | 6.27% | 6.27% | 6.27% | 6.27% | 6.27% | 6.27% | 6.27% | 6.27% |
| Bull SSSG | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% | 5% |
| Bull New Store Productivity | 111% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% | 95% |
| Base Store Growth | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% | 4.77% |
| Base SSSG | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% | 4% |
| Base New Store Productivity | 101% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% |
| Bear Store Growth | 3.27% | 3.27% | 3.27% | 3.27% | 3.27% | 3.27% | 3.27% | 3.27% | 3.27% | 3.27% | 3.27% |
| Bear SSSG | 2% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| Bear New Store Productivity | 76% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% | 60.00% |
| Pizza Hut | 2102 | 2226 | 2358 | 2497 | 2645 | 2802 | 2968 | 3145 | 3331 | 3529 | 3739 |
| % of change in Revenue | | 5.92% | 5.92% | 5.92% | 5.93% | 5.93% | 5.93% | 5.93% | 5.94% | 5.94% | 5.94% |
| CAGR 6% | | | | | | | | | | | |
| Bull Store Growth | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% | 7.80% |
| Bull SSSG | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% | 3% |
| Bull New Store Productivity | 110% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% | 85% |
| Base Store Growth | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% | 5.30% |
| Base SSSG | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% | 2% |
| Base New Store Productivity | 100% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% |
| Bear Store Growth | 2.80% | 2.80% | 2.80% | 2.80% | 2.80% | 2.80% | 2.80% | 2.80% | 2.80% | 2.80% | 2.80% |
| Bear SSSG | 1% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |
| Bear New Store Productivity | 75% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% | 50.00% |

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