

YUM ! BRANDS, INC

www.yum.com

- Reuters code : **YUM.N**
- Bloomberg code : **YUM UN**
- ISIN code : **US9884981013**
- Stock Exchange: **NYSE**
- Sector : **Consumer cyclical**
- Index : **S&P 500**
- Number of employees : **Around 378'000**
- Market cap: **USD 25.01 B**
- Beta: **0.92**
- Dividend: **1.14**
- Ownership by institutionals : **78%**
- PER : **21.63**
- BVPS : **2.46**

Yum! Brands, Inc.



Yourportfolio101 20.09.2011

China consuming class is expected to grow from 450 millions today to around 650 millions in 2020.

Yum Brands! is a true international company with more than 65% of the profit coming from outside the United States.

Yum! Brands Inc is composed of several brands.

The major brands are KFC, Pizza Hut and Taco Bell.

KFC is the world's most popular chicken restaurant chain.

Pizza Hut has more than 6'000 restaurants in the U.S and more than 5'600 restaurants worldwide.

Taco bell has more

than 6'500 restaurants worldwide.

Long John Silver's has more than 1'000 restaurants worldwide.

We think that Yum! Brands has a good mix of products and is well positioned to answer the challenges of tomorrow.

Company description

Yum! Brands is the world's largest quick service restaurant. In January 1997, PepsiCo announced its decision to spin-off its restaurant businesses to shareholders as an independent public company. On May 16, 2002, following receipt of shareholder approval, the Company

changed its name from TRICON Global Restaurants, Inc. to YUM! Brands, Inc. KFC operates in more than 109 countries. Every day, it serves more than 12 millions customers.

Pizza Hut inc. is the world largest pizza restaurant company. Pizza hut is representing around

30 of the U.S operating profit. Taco Bell is the leading Mexican-style restaurant in the U.S (with 54%). Taco bell is representing around 64 % of the operating profits.

Long John Silver's is the world QSR seafood chain.

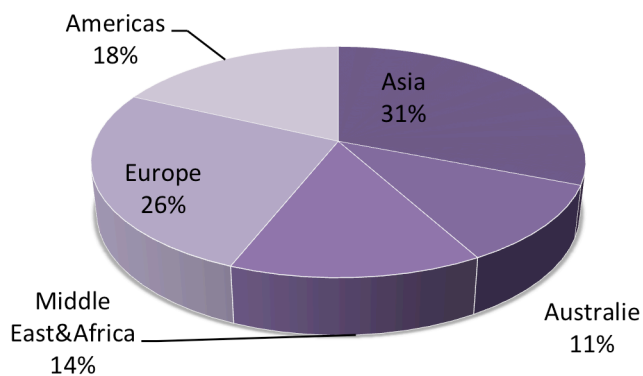
A&W restaurants specialized in pure-beef hamburgers and hot dogs. There is approximately 359 restaurants in the U.S and more than 267 in 11 other countries.

WingStreet was created in 2003 and is a delivery-based wing chain. The company has more than 2'220 locations in the United States.

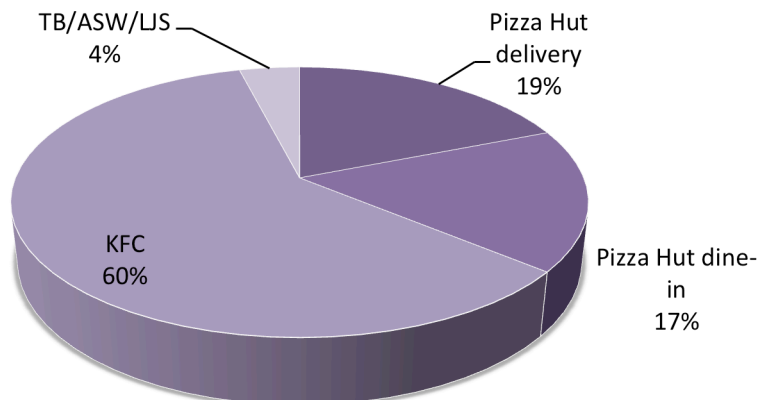
Activities

KFC represents more than 60% of the total sales.

Systeme Sales



Systeme Brands



SWOT analysis

Strengths

- Good product mix.
- A worldwide network.
- Leader in some markets.

Weaknesses

- Foreign currency transactions.
- Cost of refranchising.

Opportunities

- Growing middle class in Asia.
- % of people using QSR services.
- A worldwide network.

Threats

- Food safety, food-borne illness.
- China stability:
Wages/commodities inflation.
- Cannibalization between various restaurants.

Industry comparison

Yum Brands is one of the best performer of its industry.

| | YUM Brands | Industry | Sector |
|-------------------|------------|----------|--------|
| P/E (TTM): | 21.58 | 31.64 | 14.52 |
| ROI: | 21.88 | 10.58 | 1.37 |
| ROE: | 69.38 | 13.87 | 2.14 |

Financials

| YUM Brands Inc. | | | | | |
|----------------------|--------|--------|----------|--------|-----------|
| | 2010 | 2009 | 2008 | 2007 | Evolution |
| LIQUIDITY | | | | | |
| Quick Ratio | 83% | 54% | 45% | 65% | positive |
| DEBT | | | | | |
| Debt to assets | 0.43 | 0.46 | 0.55 | 0.45 | stable |
| Interest coverage | 10.11 | 8.20 | 6.71 | 7.60 | positive |
| Profitability | | | | | |
| ROA | 13.92% | 14.98% | 14.77% | 12.65% | negative |
| ROE | 69.38% | 96.14% | -884.40% | 79.81% | positive |
| Efficiency | | | | | |
| Total asset turnover | 1.36 | 1.52 | 1.73 | 1.45 | negative |

Comments:

Even if the quick ratio is improving, it is going close to one. The current assets are growing faster than the current liabilities. Regarding the Interest coverage ratio again this indicator is improving but it is above 10, the burden of interest is very small. ROA is deteriorating but still above 13%, which is very good. ROE is at an incredible 69.38%; it is incredible as an potential investment. The total asset turnover ratio is deteriorating, but it is still over the industry average (around 1.26) meaning that for every dollar invested, the 1.36 is generated is sales.

Dividend Discount Model

Using the dividend discount model with very conservative inputs like 3% as a sustainable growth rate to perpetuity and a 6% inflation adjusted equity discount rate, we get the following:

$$V = \frac{1.14(1.04)}{0.06-0.03} = 39.52 \text{ USD}$$

According the DDM, the price should be around 39.52 USD. For now the stock price is evolving between 52 and 54 USD.

Your Portfolio 101 . com

Please feel free to contact us

EMAIL :
contact@yourportfolio101.com

Notes

YUM Brands rating is BBB- with a stable outlook. This is the limit to be considered as investment grade. If the rating will be downgraded, it will cost much more to the company relying on the debt market.

USD 201 Millions underfunds the pension plan, an increase of interest should low the underfunded status.

Yum Brands Inc. is subject to various claims and contingencies related to lawsuits arising in the normal course of business. Nearly all lawsuits are related to possible employees allegations on remunerations and shouldn't pose a threat to the company.

Conclusion

The financial situation of the company seems ok. Even if the China's growth is decreasing, Yum Brands can count on further expansion in Asia (thanks also to the acquisition of Little sheep).

Furthermore, Taco bell still need to be developed outside of United States.

Unfortunately the stock price seems already correctly priced.

Your Portfolio 101.com philosophy

With this analysis, we are only checking the economics of the financial statements. We don't want to predict any future value

of stock. Because we think that an analyst should focus on reviewing the financial statements and not trying to predict the

future.
The dividend discount model is only provided as information.

Disclosure of Interest Statement

- Analyst ownership of the stock: None
- Commercial relationship with the company covered: NONE

DISCLAIMER

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.