

What's Hot Today:

► **Yum China (9987 HK, HK\$370.80, HK\$137bn) solid 2Q25 performance**

Yum China is the largest restaurant operator in China, with the exclusive rights of KFC, Pizza Hut and Taco Bell in China. It also owns Little Sheep and Huang Ji Huang and partner with coffer brand Lavazza.

SSSG continued to improve. Total revenue in 2Q25 reached US\$2.8bn, up 4% YoY and inline with market expectations. This topline growth was driven by a 10% YoY expansion in store count and 1% SSSG. Overall SSS in Q2 continued to improve, compared to flat SSSG recorded in 1Q25. Specifically, KFC's SSSG expanded to 1%, while Pizza Hut's SSSG improved to 2%. OPM widened by 1ppts YoY to 10.9%, hitting a new high for Q2, supported by enhanced store operating efficiency and lower admin. expenses. Net profit grew by 1% YoY to US\$215mn, with a NPM of 7.7%, down 0.2 ppts YoY.

Expecting more store opening in 2H. It added 336 stores during 2Q25 to 16,978, comprising 12,238 KFC and 3,864 Pizza Hut. KFC opened 295 net new stores during the quarter, primarily in remote areas, lower-tier cities, and key strategic locations, while Pizza Hut added 95 net new stores. Given that Yum China only opened a net of 583 stores in H1, it is expected to accelerate store expansion in H2 to meet its FY25 guidance of 1,600–1,800 net new stores. It also projects that the franchise mix of net new stores will gradually rise to 40–50% for KFC and 20–30% for Pizza Hut over the next few years.

KFC: Revenue in 2Q25 increased by 4% YoY to US\$2.1bn, accounting for 75% of total, on the back of 12% growth in stores count and 1% SSSG. Same-store transaction stayed flat yet ASP delivered a 1% increase. Delivery segment remained the key driver, up 25% YoY for the quarter, accounting for 45% of segment revenue. OPM improved 0.9ppts YoY to 14%.

Pizza Hut: revenue grew by 3% YoY to US\$554mn supported by 10% stores growth and 2% SSSG. Pizza Hut continued its value-for-money menu as the strategy to attract price sensitive consumers and to achieve transaction growth. The decision led to robust a 17% same-store transaction growth but a 13% decline in ASP in Q2. OPM rose 0.9ppts YoY to 8.3%.

China & HK Indices	CLOSE	1D	YTD
HSI	24,902	0.7%	24.1%
HSCBI	8,951	0.6%	22.8%
HSCCI	4,228	0.5%	11.8%
CSI300	4,103	0.8%	4.3%
Shanghai A	3,792	1.0%	0.4%
Shanghai B	268	0.5%	0.4%
Shenzhen A	2,311	0.8%	12.9%
Shenzhen B	1,299	0.6%	7.1%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	44,111	-0.1%	3.7%
S&P 500	6,299	-0.5%	7.1%
Nasdaq	20,916	-0.7%	8.3%
NIKKEI Index	40,569	0.1%	1.7%
FTSE Index	9,142	0.2%	11.9%
CAC Index	7,621	-0.1%	3.3%
DAX Index	23,846	0.4%	19.8%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	3,380	0.2%	28.9%
STEEL (US\$/oz.)	2,033	0.6%	13.8%
SILVER (US\$/oz.)	37	1.1%	30.8%
CRUDE OIL (US\$/bbl)	65	-1.7%	-9.0%
COPPER (US\$/oz.)	9,638	0.1%	9.9%
ALUMINIUM (US\$/oz.)	2,562	-0.1%	0.4%
PLATINUM (US\$/oz)	1,322	-0.9%	45.3%
ZINC (US\$/oz.)	2,758	1.1%	-7.4%
WHEAT (US\$/bu)	508	-1.6%	-7.8%
CORN (US\$/bu)	402	-1.2%	-9.5%
SUGAR (US\$/lb)	N/A	N/A	
SOYBEAN (US\$/bu)	990	-0.4%	-3.4%
PVC (US\$/t.)	N/A	N/A	-8.1%
CRB	293	-0.7%	3.0%
BDI			97.6%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.850	0.864	147.620	0.808	7.184
HKD	0.127		0.110	18.804	10.286	0.915
EUR	1.158	9.087		170.870	1.070	8.314
JPY	0.007	5.318	0.585		0.547	0.049
CHF	1.238	9.722	1.070	182.794		8.893
RMB	0.139	1.093	0.120	20.548	0.112	

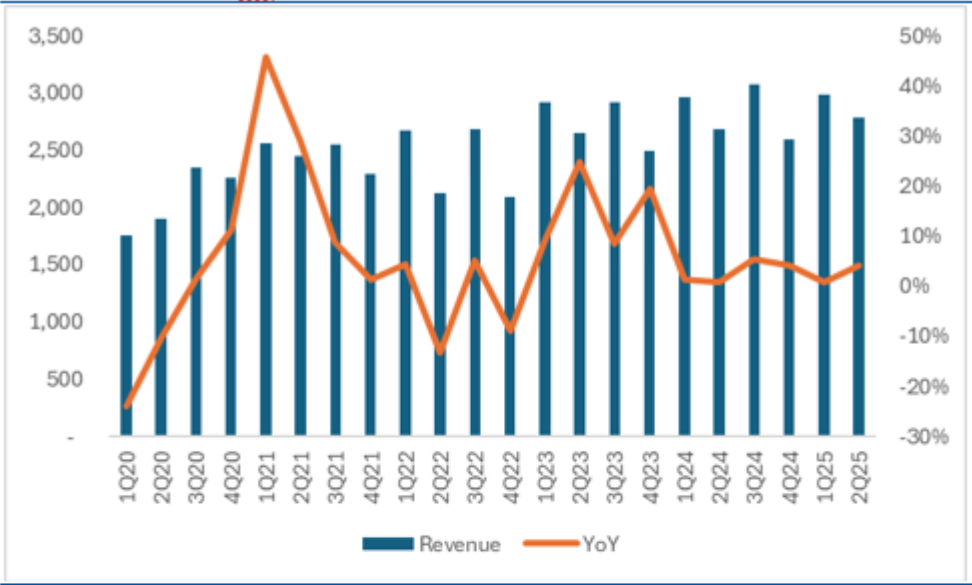
Market Sentiment	CURRENT	5D
CDS Monitor - USD SR 5Y		
Greece	N/A	N/A
Ireland	83	-2.4%
Italy	139	-0.6%
Portugal	207	-0.0%
Spain	108	0.3%
VIX	17	11.7%

Source: Bloomberg

Our view: With SSSG improvement on track and further expansion into lower-tier cities, it is believed Yum China will sustain its growth momentum in FY25. However, as China’s delivery platforms Meituan, JD.com and Alibaba escalate their price competition, Chinese consumers are growing ever more price-sensitive. Given Yum China’s heavy focus on fast food chains, this shift in spending behavior is likely to pressure ASP in H2.

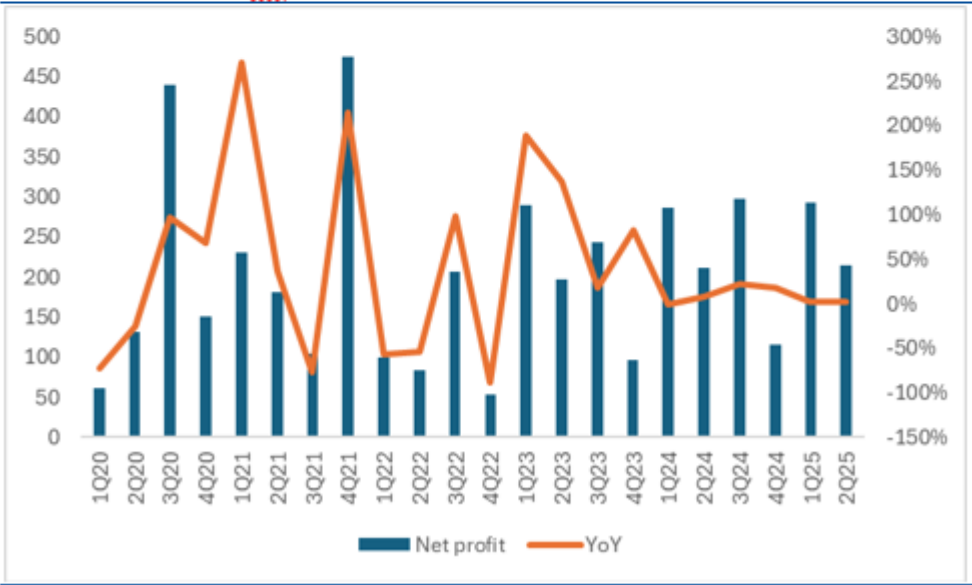
Yum China returned approximately US\$274mn to shareholders through US\$184mn in share repurchases and US\$90mn in cash dividends in Q2. The company plans to return US\$1.5bn to shareholders in FY25, which provides a certain degree of downside protection. As of 30 June 2025, the company has US\$2.8bn net cash in hand. The counter is trading at 18x FY25E P/E.

Fig 1: Revenue (US\$'mn) and YoY



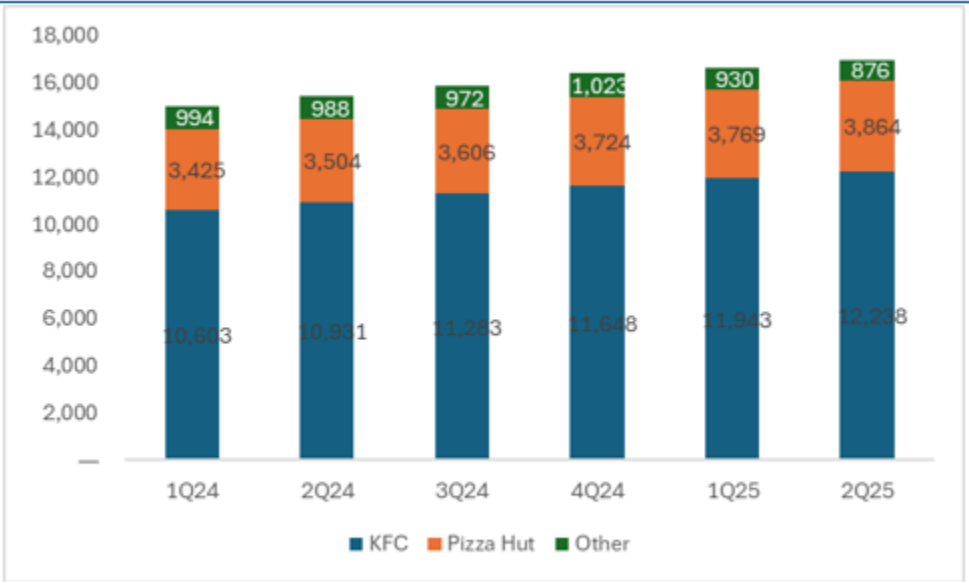
Source: Company Data, Sunwah Kingsway Research

Fig 2: Net profit (US\$'mn) and YoY



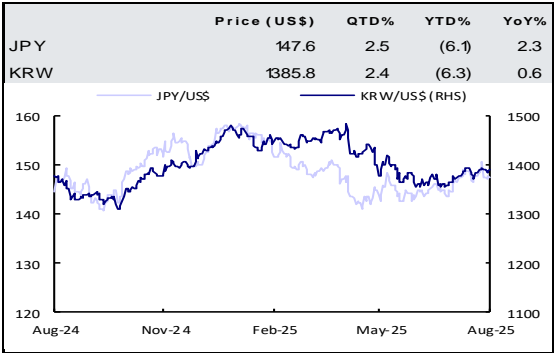
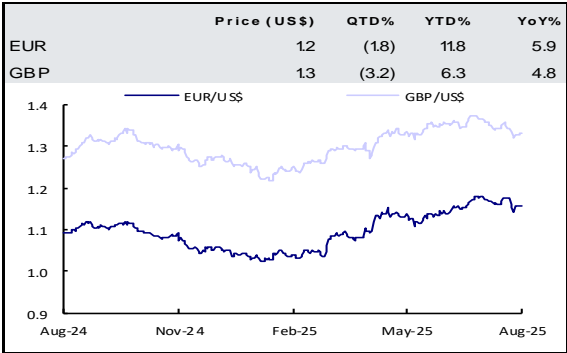
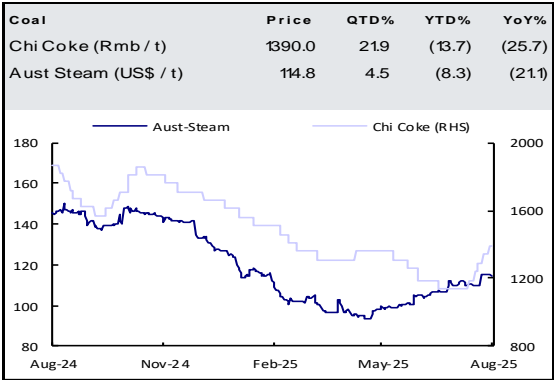
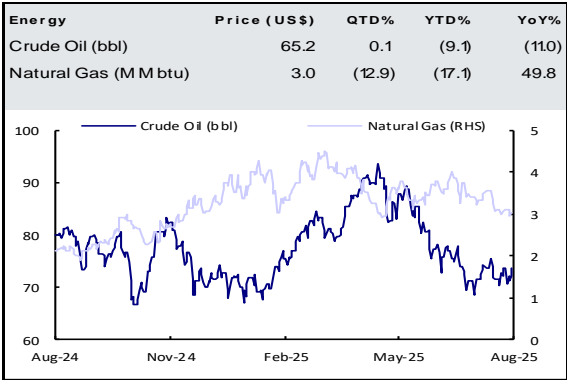
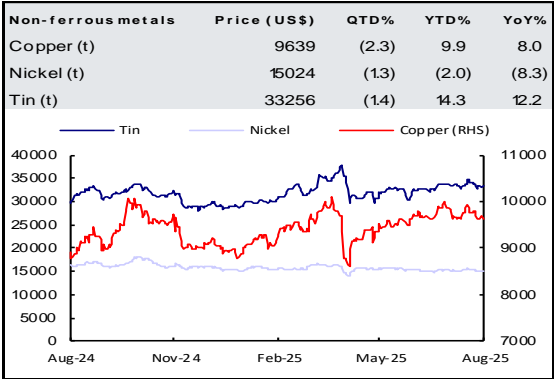
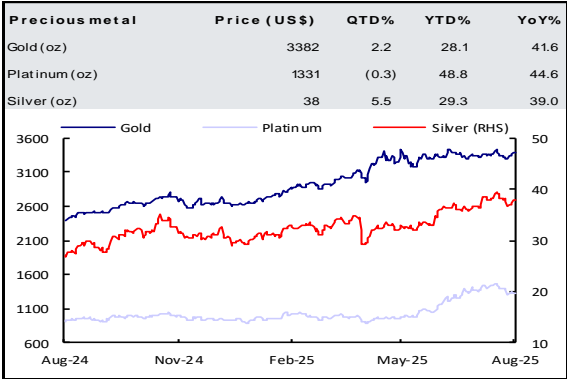
Source: Company Data, Sunwah Kingsway Research

Fig 3: Store breakdown



Source: Company Data, Sunwah Kingsway Research

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Trade Balance	MoM		5-Aug-25
Initial Jobless Claims	WoW		7-Aug-25
Wholesale Inventories	MoM		7-Aug-25
CPI	MoM		12-Aug-25
PPI	MoM		14-Aug-25
Business Inventories	MoM		15-Aug-25
Retail Sales	MoM		15-Aug-25
Industrial Production	MoM		15-Aug-25
Housing Starts / Building Permits	MoM		19-Aug-25
Existing Home Sales	MoM		21-Aug-25
New home Sales	MoM		25-Aug-25
Durable Goods Orders	MoM		26-Aug-25
Consumer Confidence	MoM		26-Aug-25
GDP	QoQ		28-Aug-25
Personal Income & Spending	MoM		29-Aug-25
ISM Manufacturing PMI	MoM		2-Sep-25
Factory Orders	MoM		3-Sep-25
Employment Report	MoM		5-Sep-25
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Foreign Exchange Reserves	QoQ		7-Aug-25
Trade Balance	MoM		7-Aug-25
Money Supply - M2	MoM		9-Aug-25
PPI	MoM		9-Aug-25
CPI	MoM		9-Aug-25
Retail Sales	MoM		15-Aug-25
Industrial Production	MoM		15-Aug-25
PMI Manufacturing	MoM		31-Aug-25
GDP	YoY		20-Oct-25

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Foreign Currency Reserve	MoM		7-Aug-25
GDP	QoQ		15-Aug-25
Unemployment Rate	MoM		19-Aug-25
CPI	MoM		21-Aug-25
Trade Balance	MoM		26-Aug-25
Money Supply - M2	MoM		29-Aug-25
Retail Sales	MoM		1-Sep-25
PMI	MoM		3-Sep-25
Producer Prices Index	QoQ		15-Sep-25
Industrial Production	QoQ		15-Sep-25
Composite Interest Rate	MoM		

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