

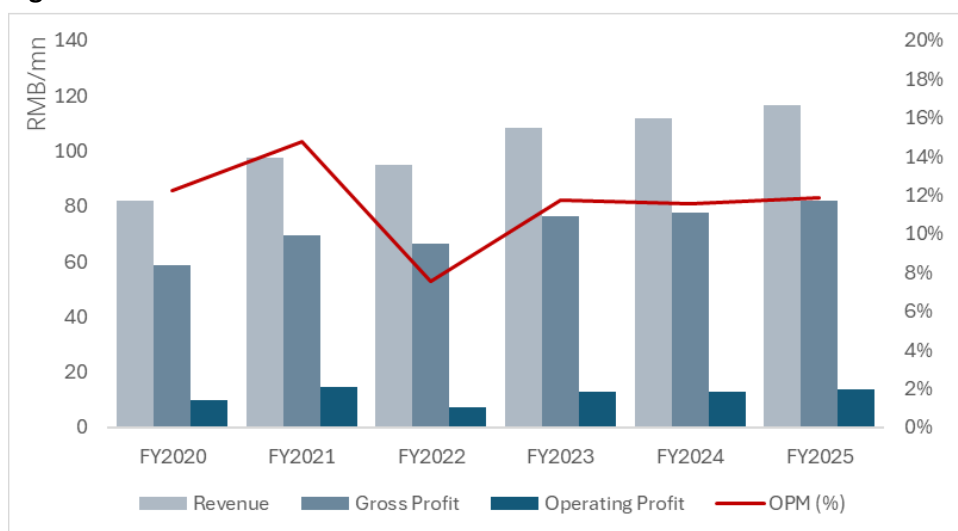
What's Hot Today:

► Yum China (9987 HK, HK\$430.60, HK\$'154.89bn) - FY25

saw resilient growth and steady expansion

Stable Growth in FY25 - Yum China, the operator of KFC and Pizza Hut in China, reported a set of largely in-line FY25 results with revenue up by 4% YoY to US\$11.8bn. Operating profit rose by 11% YoY to US\$1.3bn, with OPM expanded by 60bps to 10.9%. The restaurant margin reached 16.3%, up 60 bps YoY, primarily driven by lower food and rental costs. In 4Q25, SSS grew for the third consecutive quarter, while same-store transactions increased for the 12th consecutive quarter.

Fig1: Revenue and Profit



Source: Company Data, Sunwah Kingsway Research

Delivery sales drives OPM improvement - The improvement in FY25 OPM has largely been resulted from by cost controls and operation efficiency. A significant contributor is the rapid growth of delivery sales. The proportion of sales from delivery increased to 48% in FY25, up from 39% in the prior year. While a higher delivery contribution involves associated rider costs, Mgt proactively managed the margin impact through mild, targeted price adjustments on delivery menus. The company expects continued slight YoY margin improvement in 2026 despite a further anticipated increase in delivery sales.

More franchise stores in the pipeline - Net new store openings reached 1,706 for the year, in line with expectations, bringing the total store count to 18,101 as of the end of 2025. The company is actively promoting a franchised model to accelerate asset-light expansion into lower-tier cities. Franchised stores accounted for 31% of full-year net new openings, and the company plans to increase this proportion to 40%–50% for both KFC and Pizza Hut in 2026. It aims to surpass 20k total stores in 2026, targeting a faster expansion than in 2025.

China & HK Indices	CLOSE	1D	YTD
HSI	26,559	-1.2%	3.6%
HSCEI	9,031	-0.7%	1.3%
HSCCI	4,360	-0.3%	8.6%
CSI300	4,643	-0.6%	0.3%
Shanghai A	4,263	-0.3%	3.6%
Shanghai B	262	-0.3%	3.6%
Shenzhen A	2,772	-0.0%	4.7%
Shenzhen B	1,244	0.0%	-1.6%

Key Int'l Indices	CLOSE	1D	YTD
Dow Jones	50,115	2.5%	4.3%
S&P 500	6,932	2.0%	1.3%
Nasdaq	23,031	2.2%	-0.9%
Nikkei Index	56,861	4.8%	13.0%
FTSE Index	10,369	0.6%	4.4%
CAC Index	8,273	0.4%	1.5%
DAX Index	24,721	0.9%	0.9%

Commodities	CLOSE	1D	YTD
GOLD (US\$/oz.)	4,964	3.9%	16.2%
STEEL (US\$/oz.)	3,025	0.7%	18.9%
SILVER (US\$/oz.)	77	9.8%	11.3%
CRUDE OIL (US\$/bbl)	63	0.4%	9.9%
COPPER (US\$/oz.)	12,994	-0.4%	4.6%
ALUMINIUM (US\$/oz.)	3,085	0.5%	3.0%
PLATINUM (US\$/oz)	2,102	5.6%	3.5%
ZINC (US\$/oz.)	3,345	1.1%	7.3%
WHEAT (US\$/bu)	529	0.6%	4.5%
CORN (US\$/bu)	430	0.2%	-2.3%
SUGAR (US\$/lb)	75	4.5%	
SOYBEAN (US\$/bu)	1,115	2.1%	6.5%
PVC (US\$/t.)	4,987	-2.1%	4.2%
CRB	309	-1.1%	3.0%
BDI		-1.6%	2.5%

Exchange Rates	USD	HKD	EUR	JPY	CHF	RMB
USD		7.813	0.846	157.220	0.776	6.935
HKD	0.128		0.108	20.125	9.930	0.888
EUR	1.182	9.232		185.740	1.091	8.200
JPY	0.006	4.969	0.538		0.493	0.044
CHF	1.289	10.072	1.091	202.589		8.940
RMB	0.144	1.127	0.122	22.650	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	1.8%

Source: Bloomberg

The company has introduced new asset-light investment models such as “Dual-Brand Stores,” with capital expenditure for two stores ranging between RMB700k and 800k. By leveraging KFC’s “K COFFEE” and Pizza Hut’s “WOW” store formats, Yum China has successfully penetrated new consumption models as well as enhanced its value-for-money proposition in lower-tier cities.

Fig2: Number of Stores by Brand

	KFC	Pizza Hut	Others	Total
Company-owned	11,032	3,830	198	15,060
Franchisees	1,965	338	738	3,041
Total	12,997	4,168	936	18,101

Source: Company Data, Sunwah Kingsway Research

Fig3: New Stores Format

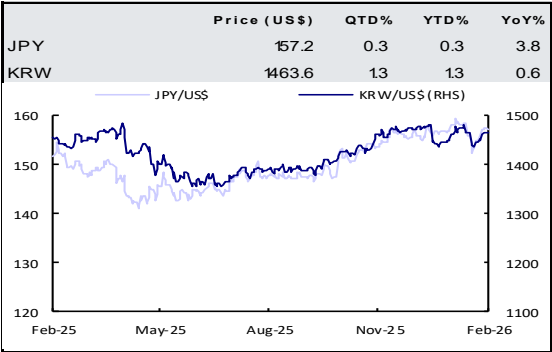
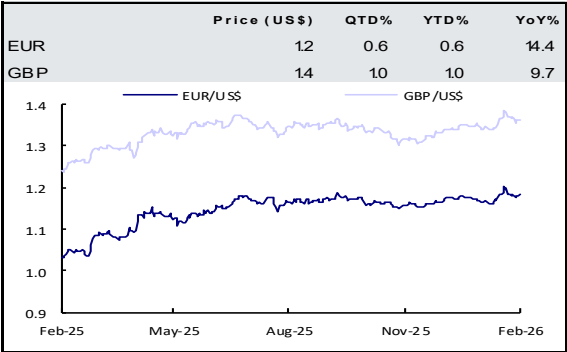
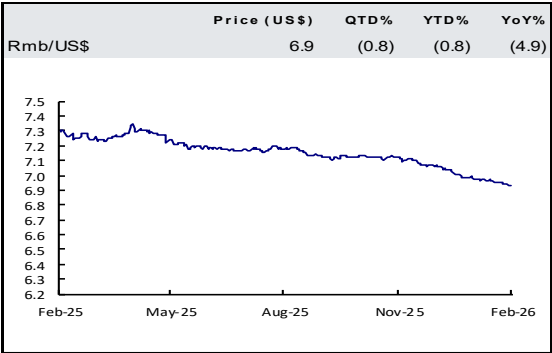
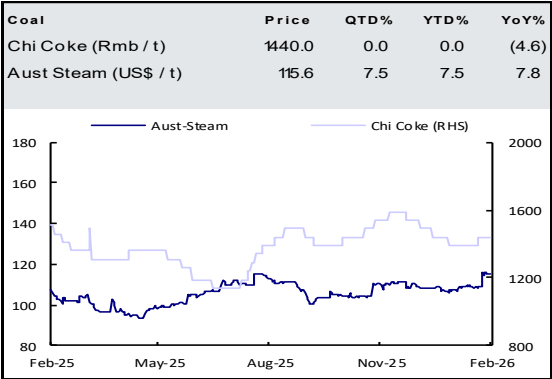
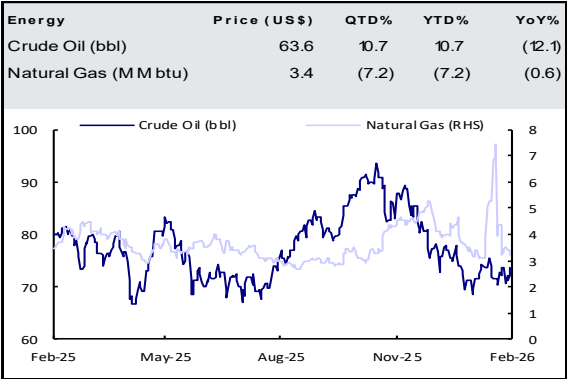
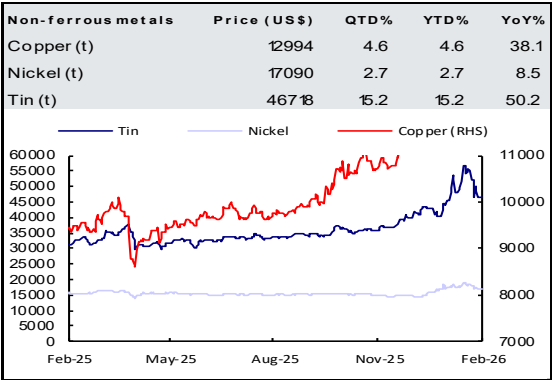
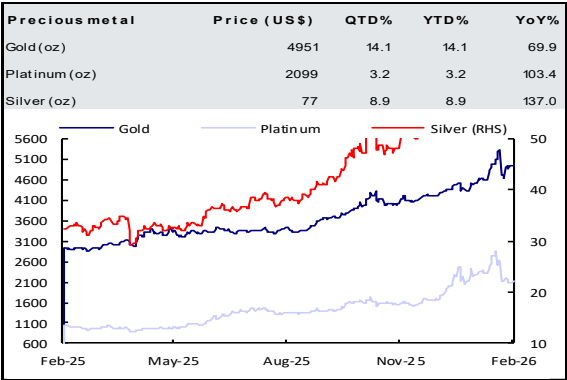
Store Format	FY25 Expansion Status	Core Contribution	Business Description
K COFFEE	Year-end total reached 2,200 stores	Delivered MSD sales growth for its host KFC stores.	A professional coffee sub-brand under KFC, primarily offering freshly ground coffee and light meals, aimed at broadening consumption occasions and dayparts.
KPRO	Added over 200 new stores, with the total surpassing 200 stores	Contributed double digit sales growth to its host KFC stores.	A healthy light meal concept introduced by KFC, focusing on items like salads and paninis to attract health-conscious consumers.
Pizza Hut WOW	Helped the brand enter over 100 new cities	Effectively drove the penetration of the Pizza Hut brand in lower-tier markets.	A smaller, flexible store format for Pizza Hut with lighter investment, focusing on takeaway and delivery, suitable for rapid expansion in lower-tier markets.
Dual-Brand Stores	Approximately 40 pairs opened in 2025	Expansion is expected to accelerate in 2026.	Co-located or integrated stores featuring both KFC and Pizza Hut, sharing operational resources to enhance trade area coverage and synergy.

Source: Company Data, Sunwah Kingsway Research

Enhanced and Predictable Capital Returns - Yum China demonstrates strong commitment to shareholders. It has returned some US\$1.5bn to shareholders in FY25 via dividends and share repurchases and about US\$460mn in 1H26. It plans to raise its FY26 quarterly cash dividend by 21%. It has also announced a new policy effective 2027 to return approximately 100% of its annual free cash flow to shareholders, providing significant visibility on future returns.

Our view: Yum China’s resilient FY25 performance has demonstrated an efficient growth where OPM expanded despite the number of stores growing by more than 10% YoY. Looking ahead, the growth of franchisee and “dual-brand store” are likely to fuel further OPM improvement while unlocking potential in lower-tier cities. Combined with a strong balance sheet and a committed shareholder returns policy, the company is well-positioned for sustainable long-term growth. We maintain a positive outlook on its ability to consolidate market leadership. The counter is trading at 19x FY26E P/E. (Research Department)

Market Watch – Major Commodities and Currencies



Source: Bloomberg

US Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Retail Sales	MoM		10-Feb-26
Employment Report	MoM		11-Feb-26
Initial Jobless Claims	WoW		12-Feb-26
Existing Home Sales	MoM		12-Feb-26
Durable Goods Orders	MoM		18-Feb-26
Housing Starts / Building Permits	MoM		18-Feb-26
Industrial Production	MoM		18-Feb-26
Trade Balance	MoM		19-Feb-26
Wholesale Inventories	MoM		19-Feb-26
Personal Income & Spending	MoM		20-Feb-26
Factory Orders	MoM		23-Feb-26
PPI	MoM		27-Feb-26
ISM Manufacturing PMI	MoM		2-Mar-26
CPI	MoM		13-Feb-26
GDP	QoQ		20-Feb-26
Consumer Confidence	MoM		24-Feb-26
New home Sales	MoM		20-Feb-26
Business Inventories	MoM		10-Feb-26
Auto Sales	MoM		

China Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Money Supply - M2	MoM		9-Feb-26
PPI	MoM		11-Feb-26
CPI	MoM		11-Feb-26
PMI Manufacturing	MoM		4-Mar-26
Foreign Exchange Reserves	QoQ		7-Mar-26
Trade Balance	MoM		14-Apr-26
Retail Sales	MoM		16-Apr-26
Industrial Production	MoM		16-Apr-26
GDP	YoY		16-Apr-26

Hong Kong Economic Calendar

Indicators	Freq	Obs Date	Expected Release Date
Unemployment Rate	MoM		20-Feb-26
CPI	MoM		25-Feb-26
GDP	QoQ		25-Feb-26
Trade Balance	MoM		27-Feb-26
Money Supply - M2	MoM		27-Feb-26
Retail Sales	MoM		4-Mar-26
PMI	MoM		4-Mar-26
Foreign Currency Reserve	MoM		6-Mar-26
Producer Prices Index	QoQ		13-Mar-26
Industrial Production	QoQ		13-Mar-26
Composite Interest Rate	MoM		

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