Restaurant Research®

Concept Analysis & Benchmark Report

KFC 2024

Executive Summary

KFC is a leader in traditional hand-breaded, bone-in Southern fried chicken (34% share of $1B+ QSR chicken segment) with considerable brand equity around its Original Recipe (top selling menu option) and Extra Crispy breaded taste profiles. Its buckets (distinguished by red & white stripes and the Colonel's portrait) of chicken provide an indulgent/nostalgic home meal replacement option bolstered by the Colonel's high standards, with taste representing a key brand differentiator ("Finger Lickin' Good"). Increased menu relevancy reflects new boneless & portable menu options such as the Signature Chicken Sandwich in 2021 followed by chicken wraps, nuggets, different sandwich variations, and the ongoing testing of new & improved tenders. A recent and substantial increase in product innovation builds brand excitement while extending brand reach which also benefits from advertising collaborations with famous sports personalities as well as improvements to its digital order platform. Going forward sales prospects benefit from KFC's ability to: (1) offer compelling value; (2) increase brand penetration among younger consumers with relevant menu innovation & marketing; and (3) increase digital/reward traction. Having said all this, KFC's market share has declined by -15% ($1B+ chicken segment domestic sales) over the last 10 years through 2022 and the system incurred 17 consecutive years of domestic net unit count declines through 2020. Further, ongoing AUV underperformance reflects the impact of low volume stores within the KFC system. In conclusion, while KFC is currently performing well, its ongoing sales prospects are dependent upon the brand's continued ability to: increase its relevancy among younger consumers; offer value to its core customer base; and launch its new RED (Relevant, Easy, Distinctive) prototype store which is more cost effective and convenient than previous designs.

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Parent Company Summary

Parent Company	Ticker	Corp. Debt Rating	Net Debt [(1)]/ EBITDA	EV/ EBITDA	Stock Performance		
					2022	TTM	Dec-23
Yum! Brands, Inc.	YUM	Ba2	4.97	19.50	-7.8%	2.0%	
$1B+ Chains			5.53	14.15	-18.7%	23.1%	

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(1) Net Debt includes operating leases.

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