

ModernGraham Valuation

Company Name:

Yum! Brands, Inc.

Company Ticker YUM

Date of Analysis

8/4/2016



Stage 1: Is this company suitable for the Defensive Investor or the Enterprising Investor?

Defensive Investor; must pass 6 out of the following 7 tests.

1. Adequate Size of the Enterprise	Market Cap > \$2Bil	\$34,497,236,031	Pass
2. Sufficiently Strong Financial Condition	Current Ratio > 2	0.82	Fail
3. Earnings Stability	Positive EPS for 10 years prior		Pass
4. Dividend Record	Dividend Payments for 10 years prior		Pass
	Increase of 33% in EPS in past 10 years using 3 year averages at beginning and end	50.17%	Pass
5. Earnings Growth	PEmg < 20	29.78	Fail
6. Moderate PEmg Ratio	PB Ratio < 2.5 OR PB*PEmg < 50	-94.78	Fail
7. Moderate Price to Assets			

Enterprising Investor; must pass 4 out of the following 5 tests, or be suitable for the Defensive Investor.

1. Sufficiently Strong Financial Condition	Current Ratio > 1.5	0.82	Fail
2. Sufficiently Strong Financial Condition	Debt to NCA < 1.1	-13.31	Fail
3. Earnings Stability	Positive EPS for 5 years prior		Pass
4. Dividend Record	Currently Pays Dividend		Pass
5. Earnings Growth	EPSmg greater than 5 years ago		Pass

Suitability

Defensive	No
Enterprising	No

Stage 2: Determination of Intrinsic Value

EPSmg	\$2.97
MG Growth Estimate	1.14%
MG Value	\$32.00
MG Value based on 3% Growth	\$43.06
MG Value based on 0% Growth	\$25.24
Market Implied Growth Rate	10.64%

MG Opinion

Current Price	\$88.42
% of Intrinsic Value	276.35%
Opinion	Overvalued
MG Grade	D+

Stage 3: Information for Further Research

Net Current Asset Value (NCAV)	-\$16.05
Graham Number	\$0.00
PEmg	29.78
Current Ratio	0.82
PB Ratio	-94.78
Current Dividend	\$1.79
Dividend Yield	2.02%
Number of Consecutive Years of Dividend Growth	13

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EPS History		EPSmg History	
Next Fiscal Year Estimate	\$3.56	Next Fiscal Year Estimate	\$2.97
Dec2015	\$2.92	Dec2015	\$2.70
Dec2014	\$2.32	Dec2014	\$2.60
Dec2013	\$2.36	Dec2013	\$2.70
Dec2012	\$3.38	Dec2012	\$2.76
Dec2011	\$2.74	Dec2011	\$2.37
Dec2010	\$2.38	Dec2010	\$2.10
Dec2009	\$2.22	Dec2009	\$1.88
Dec2008	\$1.96	Dec2008	\$1.64
Dec2007	\$1.68	Dec2007	\$1.43
Dec2006	\$1.46	Dec2006	\$1.27
Dec2005	\$1.28	Dec2005	\$1.13
Dec2004	\$1.21	Dec2004	\$1.01
Dec2003	\$1.01	Dec2003	\$0.91
Dec2002	\$0.94	Dec2002	\$0.85
Dec2001	\$0.81	Dec2001	\$0.73
Dec2000	\$0.69	Dec2000	\$0.61
Dec1999	\$0.98	Balance Sheet Information 6/1/2016	
Dec1998	\$0.71	Total Current Assets	\$1,879,000,000
Dec1997	-\$0.19	Total Current Liabilities	\$2,279,000,000
Dec1996	\$0.00	Long-Term Debt	\$5,324,000,000
		Total Assets	\$8,184,000,000
		Intangible Assets	\$913,000,000
		Total Liabilities	\$8,573,000,000
		Shares Outstanding (Diluted Average)	417,000,000





Disclaimer:

This valuation is not investment advice. Anyone who is considering making an investment decision should speak to a registered investment advisor.

The author did not hold a position in any company mentioned in this article at the time of publication and had no intention of changing those holdings within the next 72 hours.

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