

Yum! Brands - Who Should Operate KFC U.K. & Ireland?

Internal ID: S&F-STR-601

Topic: Mergers & Acquisitions, Business Models, Corporate Strategy

Industry: Restaurants

Source: Strategy & Finance

Publication date: 5 October 2026

License: Not specified

Decision date and information cutoff: February 19, 2025, 11:59 p.m. Eastern Time

Decision scope: Ownership model for 216 acquired KFC restaurants in the U.K. and Ireland

Case convention: This is an author-created classroom decision exercise based on public information. Yum did not disclose this specific ownership decision or a plan to rebrand the restaurants. All later outcomes are excluded.

The decision

On April 29, 2024, Yum! Brands acquired all shares of two entities operating 216 KFC restaurants in the U.K. and Ireland. Nearly ten months later, its strategy team must decide what operating model should follow. Should Yum retain the restaurants as a company-operated platform, begin returning them to franchise ownership in stages, or test both models for a defined period? What evidence should determine the choice?

Yum described the acquisition as a significant opportunity to accelerate KFC's growth strategy in a large and growing chicken market. That is management's characterization; the public record does not establish a market growth rate or disclose a decision to sell the restaurants. The operating-model alternatives in this case are assigned for analysis.

The choice matters because Yum's system is highly franchised. At year-end 2024, 98% of its 61,346 system restaurants were operated by franchisees or licensees. KFC had 31,981 restaurants and was 99% franchised. The acquired estate represents about 0.7% of KFC's year-end units (216 divided by 31,981, a derived comparison), but its concentration in one market may give it value beyond its share of global units. [1]

What the acquisition tells-and does not tell-Yum

Yum reported \$177 million of allocated consideration for the acquisition. The accounting note describes \$180 million of net cash consideration-\$174 million paid in 2024 and \$6 million in 2025-offset by a \$3 million settlement of a pre-existing contractual liability. These figures describe the transaction accounting, not the estate's total investment needs or its stand-alone return. [1]

The purchase-price allocation included \$124 million of operating-lease right-of-use assets and \$115 million of operating-lease liabilities. Those are aggregate acquisition-date balances. Yum did not provide store-level lease schedules, maturities, or restaurant-specific obligations, so neither balance can be allocated across the 216 units from the public record. [1]

The 2024 KFC segment results show the broader operating context. KFC generated \$34.452 billion in system sales; same-store sales declined 2%, while the year-end unit count grew 7%.

The segment reported \$801 million in company sales, \$1.685 billion in franchise and property revenue, and \$98 million in company restaurant profit, for a 12.2% company restaurant margin, down from 13.7% in 2023. These figures combine markets and ownership forms and are not the acquired estate's results. Company restaurant margin also excludes some supporting general and administrative costs and impairment or closure expenses. [1]

Yum attributed the increase in KFC company sales partly to the U.K. and Ireland acquisition, offset in part by a 3% company same-store sales decline. It attributed the lower company restaurant margin to higher labor and restaurant operating costs, partly offset by commodity deflation. Those explanations do not isolate the acquired units' economics or establish that the acquisition caused the segment margin movement. Yum also said higher general and administrative costs associated with operating the acquired restaurants partly offset lower costs elsewhere, without giving a separate amount. [1]

Exhibit 1. Selected reported measures

Measure	2024 / year-end 2024
Yum system restaurants	61,346
Yum franchised or licensed	98%
KFC system restaurants	31,981
KFC franchised	99%
Acquired KFC U.K. and Ireland restaurants	216
Allocated acquisition consideration	\$177 million
Acquired operating-lease ROU assets / liabilities	\$124 million / \$115 million
KFC company restaurant profit / margin	\$98 million / 12.2%

Sources: Yum 2024 Form 10-K, Item 1, “Overview of Business,” p. 4; Item 7, KFC Division table and discussion, pp. 39-40; Note 3, “KFC United Kingdom and Ireland Restaurant Acquisition,” pp. 72-73. The restaurant profit and margin are KFC segment measures, not acquired-estate results. Lease balances are aggregate acquisition-date balances, not store-level schedules. [1]

Three plausible operating models

Retain the estate as a company-operated platform

Direct operation could give Yum control over investment, execution and measurement across a sizeable local cluster. It might help the company test remodels, digital adoption, labor practices, menu changes or service initiatives, then transfer successful practices to franchisees. This option is stronger if company operation produces measurable improvement or transferable learning that could not be achieved through franchise agreements and support.

The cost is greater exposure to labor, restaurant operating costs, capital spending, lease commitments and local execution. Company restaurant margin is not a complete return measure: it excludes some support costs and impairment or closure expense. Any claimed platform value therefore needs evidence that it exceeds the incremental capital and risk of operating these units directly.

Refranchise in stages

Qualified local franchisees could contribute operating effort, market knowledge and investment while shifting restaurant-level execution and some capital requirements away from Yum. The model would fit the low-investment economics of Yum's wider franchise system. It could also weaken control or investment incentives if contract terms, operator quality and monitoring are inadequate.

Yum stated that franchise operations require limited company investment and that operating cash flow supports growth and shareholder returns. Its 2024 operating cash flow was \$1.689 billion. This company-wide capital-allocation context does not show that refranchising these particular stores would create more value. The public record includes no franchisee bids, proposed royalty or property terms, or stand-alone store cash flows. [1]

Run a time-bounded hybrid test

Yum could retain a defined company-operated cohort and offer other restaurants or markets to vetted franchisees, then compare results at a pre-set review date. This could preserve a direct-learning platform while testing franchise economics. But the stores offered to each model may differ in location, condition or lease terms; selection effects could make the comparison misleading. Two operating models also require management capacity and clear rules for support, data, reinvestment and brand standards.

A useful test would set cohort-selection rules before observing results, compare like-for-like stores, and measure the full cost and benefit of each model. It would also define how a franchise agreement preserves access to operating data and enables transfer of proven practices. No public document establishes that Yum is already running such a test.

What research suggests

Restaurant ownership research does not support a universal answer. Sveum and Sykuta's study of U.S. restaurant establishments found a robust franchisee-ownership efficiency association among full-service restaurants, but little robust difference among limited-service restaurants. KFC is limited-service, so the study cautions against assuming franchising automatically improves productivity. It is based on cross-sectional 2007 U.S. data and a relative efficiency measure, not cash return or KFC U.K. & Ireland results. [2]

Other research frames franchising as context-specific: chains may use it to obtain capital and local management, preserve control in complex operations, or maintain a mixed system. A newer study of a casual-dining chain reports a revenue increase after franchising, but it uses Texas alcohol-sales data and is not a forecast for KFC. Some studies were available only as abstracts, and one hybrid-system study was reviewed through secondary descriptions. These sources help identify questions; none supplies a transferable ownership target or a Yum-specific performance estimate. [2]

Decision assignment

Prepare a recommendation for Yum's strategy team. Choose among continued company operation, staged refranchising, or a time-bounded hybrid test. Explain:

1. What strategic capabilities direct ownership could create, and how Yum would know they are transferable.
2. What store-level economics and lease obligations are needed to compare ownership forms on a full, risk-adjusted basis.

3. How franchisee incentives, investment, local knowledge, standards and monitoring affect the alternatives.
4. What comparison design, review date and evidence gates should govern a staged test or transition.
5. Which assumption is most important to your recommendation, and what evidence would change it.

Do not treat segment-wide margins or franchise revenue as comparable stand-alone returns. Do not infer restaurant-level lease obligations from the aggregate \$124 million ROU asset and \$115 million lease-liability balances. Any forecasts, bids, hurdle rates, transition schedule or performance thresholds must be labeled as student assumptions. The public record does not contain enough acquired-estate data to calculate a definitive answer.

Sources and conventions

[1] Yum! Brands, Inc., [2024 Form 10-K](#), filed February 19, 2025; Item 1, “Overview of Business,” pp. 3-4; Item 7, KFC Division table and discussion, pp. 39-40; “Liquidity and Capital Resources,” pp. 47-48; Note 3, “KFC United Kingdom and Ireland Restaurant Acquisition,” pp. 72-73.

[2] See the companion Yum! Brands research register and evidence extraction for academic citations, reading depth, locators and limitations. Key studies include Sveum and Sykuta (2016), Tables 5-8, pp. 16-20, and Ackermann (2024), publisher abstract.

The cutoff is February 19, 2025, 11:59 p.m. ET. Company evidence, management explanations, derived comparisons and student assumptions are distinguished. Later company events and outcomes are excluded.