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**GLOSSARY OF TERMS**

# Franchise Restaurants

* Restaurants established through franchise and license.

# Franchise Sales

* Franchisee Sales represent combined estimated sales of restaurants operated by franchisees and licensees.

# Company Restaurants

* Company or Company-owned restaurants are owned and operated by a single entity YUM.

# Company Sales

* Company Sales represent the sales of restaurants operated by YUM.

# System Restaurants

* Company-owned, franchise and license restaurants

# Refranchising

* Refranchising is a business strategy in which a company, often a franchisor, sells company-owned stores or operations to independent franchisees. This process involves transitioning from owning and operating company-owned outlets to having a greater focus on a franchise model where independent entrepreneurs, known as franchisees, own and operate individual locations.

# Market Capitalization

* Calculated using:
  + **Outstanding Shares \* Current Share Price**
* Updated through *Google Finance Website,* only if current data is available, else used the above calculation with the available data.

# Net Profit Margin

* Calculated Using:
  + **[(Total Revenue – Total Expenditure)/Total Revenue] \* 100**
  + The net profit margin is a key financial metric that represents the percentage of revenue that remains as profit after all expenses have been deducted.
  + The net profit margin is a critical measure of a company's profitability and efficiency in managing its costs. A higher net profit margin indicates that a company is more effective at converting revenue into profit, while a lower margin suggests higher costs relative to revenue.

# Operating Margin

* Calculated Using:
  + **[(Total Revenue – Operating Expenditure)/Total Revenue] \* 100**
* The operating margin, also known as operating profit margin or operating income margin, is a financial metric that measures the profitability of a company's core operating activities.
* The operating margin provides insights into the efficiency and profitability of a company's core operations, excluding non-operating items such as interest and taxes. A higher operating margin generally indicates that a company is effectively managing its operating costs, while a lower margin may suggest challenges in controlling expenses.

# Return on Investments (ROI)

* Calculated Using:
  + **[(Total Revenue – Total Expenditure)/Cost of Investments ] \* 100**
  + Cost of Investments:
    - All except Other pension income/expense and Company restaurant expenses
* Return on Investment (ROI) is a financial metric used to evaluate the profitability or efficiency of an investment. It measures the return generated on an investment relative to its cost.

# Earnings Per Share (EPS)

* Calculated using:
  + **((Total Revenue – Total Expenditure) – Dividends per share)/Average of Outstanding Shares**
* Earnings Per Share (EPS) is a financial metric that represents the portion of a company's profit allocated to each outstanding share of common stock.

# Current Ratio

* Calculate Using:
  + **Current Assets/Current Liabilities**
* The current ratio is a liquidity ratio that measures a company's ability to cover its short-term obligations with its short-term assets.
* Interpreting Current Ratio
  + **Current Ratio < 1**: This suggests that a company may have liquidity challenges and may struggle to meet its short-term obligations with its current assets.
  + **Current Ratio = 1**: The company's current assets are equal to its current liabilities. While this might indicate a balance, it is generally considered safer to have a current ratio greater than
  + **Current Ratio > 1:** This indicates that the company has more current assets than current liabilities, suggesting a potentially strong liquidity position. However, an excessively high current ratio might also imply that the company is not efficiently using its assets.

# Debt to Equity Ratio

* Calculated Using:
  + **Total Liabilities/Total Equity/Deficit**
* The Debt-to-Equity (D/E) ratio is a financial metric that compares a company's total debt to its total equity. It is used to assess a company's financial leverage, indicating the proportion of debt used to finance its assets relative to equity.

# Return on Assets

* Calculated Using:
  + **[(Total Revenue – Total Expenditure)/Total Assets]**
* Return on Assets (ROA) is a financial ratio that measures a company's ability to generate profit from its assets. It indicates how efficiently a company uses its assets to generate earnings.

# Return on Equity

* Calculated Using:
  + **[(Total Revenue – Total Expenditure)/Total Equity]**
* Return on Equity (ROE) is a financial ratio that measures a company's profitability relative to its shareholders' equity. It provides insight into how efficiently a company is using its equity capital to generate profit.

# GAAP

* GAAP (Generally Accepted Accounting Principles) and non-GAAP (Non-GAAP Financial Measures) refer to different sets of financial reporting standards and metrics used by companies in presenting their financial information to stakeholders. Here's an overview of each:
* GAAP (Generally Accepted Accounting Principles):
  + Definition: GAAP is a set of standardized accounting principles, standards, and procedures that companies use to compile their financial statements. These principles are established by various standard-setting bodies, such as the Financial Accounting Standards Board (FASB) in the United States.
  + Purpose: GAAP provides a common framework for financial reporting, ensuring consistency, comparability, and transparency in financial statements. Companies that adhere to GAAP standards are expected to follow specific rules and guidelines when preparing their financial statements.
  + GAAP: GAAP is a set of rules and principles that are regulated by accounting standard-setting bodies. Adherence to GAAP is often required for external financial reporting, such as annual reports filed with regulatory authorities.
* Non-GAAP (Non-GAAP Financial Measures):
  + Definition: Non-GAAP financial measures are financial metrics that are presented by a company in addition to, or in lieu of, the standard GAAP metrics. These measures are not defined by GAAP and often involve adjustments to reported GAAP figures.
  + Purpose: Companies use non-GAAP measures to provide additional insights or perspectives on their financial performance that they believe may not be fully reflected in the GAAP measures. Non-GAAP measures are often used to highlight specific operating metrics, exclude one-time items, or adjust for certain accounting treatments.
  + Non-GAAP: Non-GAAP measures are not regulated by accounting standard-setting bodies and are not required for external reporting. Companies have more flexibility in how they define and present non-GAAP measures.
  + Examples of Non-GAAP Measures:
    - Adjusted Earnings
    - EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization)
    - Free Cash Flow
    - Non-GAAP Net Income
    - Adjusted Operating Income