PRIFYSGOL CYMRU
Y Drindod Dewi Sant
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Trinity Saint David

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Title: "Evaluating the Financial Health of Leading Fast-Food Chains Using Profitability, Liquidity, and Efficiency Ratios: A Comparative Study of McDonald's, Starbucks, KFC (Yum! Brands Inc.), and Domino's Pizza."

Supervisor: Dr. JIA MIAO

Submitted By: SHEIKH KHOSHRUZZAMAN

ID: 2422959

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Y Drindod Dewi Sant
UNIVERSITY OF WALES
Trinity Saint David

Master's Degrees by Examination and Dissertation Declaration Form.

I, **SHEIKH KHOSHRUZZAMAN**, declare that this dissertation has been composed by myself, that the work contained herein is entirely my own except where explicitly stated otherwise in the text, and that this work has not been submitted for any other degree or qualification, in whole or in part, except as specified.

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Date: **03/02/2026**

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Abstract

This study examines the financial performance of leading multinational fast-food companies through a comparative ratio analysis. The research focuses on McDonald's Corporation, Starbucks Corporation, Domino's Pizza Inc., KFC (Yum! Brands Inc.), and Burger King (Restaurant Brands International) over the period 2021–2024. A deductive and quantitative research approach is adopted, drawing on established financial theories related to profitability, liquidity, and operational efficiency. Secondary data are obtained from publicly available, audited annual reports, ensuring reliability and comparability.

Key financial ratios, including profitability, liquidity, and efficiency measures, are calculated and analysed to identify performance patterns and differences across firms. The study also considers moderating factors such as franchising structures, technology adoption, inflationary pressures, and the impact of global disruptions, including the COVID-19 pandemic. The findings reveal significant variation in financial performance driven by differences in business models and asset intensity. Franchised and asset-light firms demonstrate higher profitability and efficiency, while company-owned models exhibit stronger liquidity but higher operating costs.

The study contributes to the existing literature by addressing the lack of cross-company financial comparisons within the global fast-food industry. By integrating financial theory with industry-specific dynamics, the research provides valuable insights for investors, managers, and academics seeking to understand how structural and strategic differences influence financial performance.

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List of Abbreviations

AI – Artificial Intelligence

COVID-19 – Coronavirus Disease 2019

GAAP – Generally Accepted Accounting Principles

IFRS – International Financial Reporting Standards

NPM – Net Profit Margin

ROA – Return on Assets

ROE – Return on Equity

QSR – Quick Service Restaurant

USD – United States Dollar

CHAPTER ONE: INTRODUCTION

1.1 Background and Context

The global fast-food industry is one of the most dynamic and rapidly expanding sectors within the food service market. In 2024, the global fast-food market was estimated at around USD 860–900 billion, and forecasts suggest it could exceed USD 1.1 trillion by 2030 (Smith, 2023). The industry's sustained growth is driven by urbanisation, rising disposable incomes, convenience-based consumption, and the expansion of delivery and digital ordering systems. Major fast-food corporations, including McDonald's, Starbucks, KFC, Burger King, and Domino's Pizza, operate globally, serving millions of customers daily and generating significant revenue streams.

The competitive nature of the industry means that companies must continually optimise their operations and financial performance to remain profitable. Factors such as food inflation, labour shortages, supply-chain disruptions, and technological investments place increasing pressure on financial sustainability (Johnson & Lee, 2022). As a result, financial health evaluation has become essential for understanding a company's resilience and operational strength.

Financial ratio analysis offers a systematic and widely recognised method for assessing a company's performance. Profitability ratios help reveal a firm's ability to generate earnings, liquidity ratios show its capacity to meet short-term obligations, and efficiency ratios measure how effectively it utilises its assets (Brigham & Ehrhardt, 2019). In the context of fast-food chains where high volumes, thin margins, and asset-heavy operations are common these ratios provide crucial insights into long-term viability. By analysing multiple global leaders side-by-side, this study aims to provide a deeper understanding of the financial strengths and weaknesses of key players in the sector.

1.2 Problem Statement

While individual fast-food companies publish detailed annual reports, there remains a lack of comparative academic research evaluating the financial health of multiple global chains using a consistent and rigorous ratio-based framework. Much of the existing literature focuses on marketing strategies, consumer behaviour, or franchise expansion (Ali & Hassan, 2021). However, fewer studies examine how these

organisations differ financially in terms of liquidity management, profitability trends, and operational efficiency especially over a multi-year horizon.

This gap limits the ability of investors, policymakers, and managers to benchmark performance effectively. Without a clear comparative understanding of financial health, stakeholders may overlook structural weaknesses or misinterpret the strength of a firm's financial position. This research seeks to address this gap by conducting a systematic comparative analysis of five major fast-food chains using key financial ratios.

1.3 Research Aim and Objectives

Aim

To evaluate and compare the financial health of McDonald's, Starbucks, KFC, Burger King, and Domino's Pizza using profitability, liquidity, and efficiency ratios.

Objectives:

1. To examine trends and patterns in these ratios to identify changes in financial performance.
2. To compare the financial strengths and weaknesses of the five fast-food chains.
3. To provide recommendations for improving financial performance and operational sustainability in the fast-food industry.

Research Questions

1. How do the selected companies differ in terms of profitability, liquidity, and efficiency?
2. Which firms show the strongest financial performance over the past five years?
3. What internal or external factors might explain these differences?
4. How can financially weaker firms improve their performance?

1.4 Rationale and Significance of the Study

This study is important for several academic and practical reasons:

Theoretical Significance:

The research contributes to financial management literature by applying ratio analysis in a comparative, cross-company context. While ratio analysis is a widely used tool (Atrill & McLaney, 2022), its application within the global fast-food sector remains

under-explored in academic studies. The study also incorporates perspectives from the Resource-Based View (RBV), which suggests that internal financial capabilities influence competitive advantage (Barney, 1991).

Practical Significance:

Managers within these companies can use findings to benchmark performance against competitors and identify opportunities for improving operational efficiency or liquidity management. The insights may also help strategic planners understand how financial performance relates to long-term competitiveness.

Investor Significance:

Investors rely heavily on financial metrics to assess company stability. A clear comparative analysis across five leading corporations helps investors make more informed decisions regarding portfolio selection and risk assessment.

Policy Significance:

For policymakers or franchise regulators, understanding financial vulnerabilities in major chains could help guide regulations, labour policies, and franchise frameworks.

1.5 Scope and Limitations

Scope of the Study:

1. The study focuses on five major global fast-food chains: McDonald's, Starbucks, KFC, Burger King, and Domino's Pizza.
2. It analyses financial data from 2020 to 2024, allowing for insights into performance before, during, and after the COVID-19 pandemic.

3. The analysis includes the following ratio categories:

   Profitability: Net Profit Margin, Return on Assets, Return on Equity

   Liquidity: Current Ratio, Quick Ratio

   Efficiency: Asset Turnover, Inventory Turnover

4. Data will be sourced from publicly available annual reports, financial statements, and investor documents.

Limitations:

1. The study relies solely on secondary data, which may be affected by varying accounting practices across companies (Gitman & Zutter, 2021).
2. External market conditions such as inflation, consumer behaviour shifts, or supply-chain issues may influence ratios but are beyond the study's control.
3. Ratio analysis provides a snapshot of financial health but cannot capture qualitative aspects of corporate strategy or leadership.

1.6 Structure of the Dissertation

The dissertation is organised as follows:

Chapter One introduces the research topic, background, problem statement, objectives, significance, and scope.

Chapter Two provides a comprehensive literature review, examining financial ratio theory, performance measurement frameworks, and previous studies on fast-food corporations.

Chapter Three outlines the methodological approach, data sources, ratio formulas, and analytical techniques used in the study.

Chapter Four presents the results, including ratio calculations, trends, and comparative financial analysis across the five companies.

Chapter Five discusses the findings in relation to the literature, highlighting implications for financial management and industry strategy.

Chapter Six concludes the study and offers recommendations, limitations, and directions for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction to the Literature Review

This chapter reviews the existing academic and industry literature relevant to evaluating financial performance using profitability, liquidity, and efficiency ratios. By grouping the literature into core themes financial ratio theory, profitability determinants, liquidity management, and operational efficiency this review establishes the conceptual foundation necessary to assess the financial health of five major global fast-food companies: McDonald's, Starbucks, KFC (Yum! Brands), Burger King (Restaurant Brands International), and Domino's Pizza.

2.2 Financial Health and Ratio Analysis: Theoretical Foundations

2.2.1 Importance of Ratio Analysis

Financial ratio analysis is one of the most widely used tools for assessing corporate performance because it condenses complex financial statements into clear, interpretable indicators. Brigham and Ehrhardt (2019) explain that ratios allow analysts to move beyond raw accounting numbers and understand how well a company is performing in areas such as profitability, liquidity and efficiency. Atrill and McLaney (2022) reinforce this point by noting that ratios make it possible to compare firms of different sizes and structures, which is essential in industries where competitors operate across multiple markets and adopt varied business models. By standardising key metrics, ratio analysis helps identify trends, assess managerial effectiveness and support better strategic decisions.

Its relevance becomes even more apparent in the fast-food industry. This sector relies on high customer volumes, rapid service delivery and tight cost control, which means financial performance can shift quickly if operational efficiency weakens. Because margins are often slim, even small changes in labour costs, supply-chain expenses or pricing decisions can have a significant impact. For large global brands, these effects scale across thousands of stores. McDonald's demonstrates this clearly. With over 40,000 restaurants worldwide and more than USD 23 billion in revenue in 2022, a minor percentage change in its net margin can affect profitability by hundreds of millions of dollars. Ratio analysis helps reveal whether such changes arise from

underlying cost pressures, shifts in sales performance or broader economic conditions.

Starbucks offers another strong example. The company generated roughly USD 32 billion in 2022 revenue across more than 35,000 stores, but its model differs from typical quick-service chains. It operates many of its outlets directly, carries higher labour and product costs and invests heavily in store refurbishments, digital ordering and brand experience. These factors influence both profitability and liquidity, making ratios essential for evaluating how well the company balances premium pricing with operational demands. Ratios also help track whether Starbucks' expansion strategies and capital expenditures deliver acceptable returns.

Beyond individual company performance, ratio analysis is important for investors and lenders who must compare firms across the sector. It provides a consistent framework for assessing operational efficiency, asset utilisation and financial stability, allowing stakeholders to make informed decisions despite variations in geographic reach, franchising intensity or product positioning. In a competitive, fast-moving industry like fast food, the ability to interpret ratios accurately is vital for understanding long-term sustainability and for identifying early signs of financial strength or vulnerability.

Limitations of Ratio Analysis

Although ratio analysis is widely used for evaluating financial performance, its interpretation requires careful attention to context. Gitman and Zutter (2021) point out that several limitations can easily lead analysts to draw misleading conclusions if ratios are assessed in isolation. One major issue is the variation in accounting methods across companies. Differences in depreciation policies, revenue recognition rules or inventory valuation can significantly affect reported earnings, asset values and cost structures. As a result, two companies operating in the same sector may report very different ratios even when their underlying performance is similar. This makes cross-company comparison less reliable unless the analyst understands how each firm's accounting choices influence the numbers.

Economic shocks also play a major role. Events such as the 2020–2021 pandemic caused widespread disruptions across the food service industry, temporarily altering liquidity and profitability ratios. Liquidity positions fluctuated as many restaurants faced

sudden closures, reduced customer traffic and shifts toward delivery operations. Profit margins dropped in several chains due to rising safety costs, supply-chain delays and labour shortages. These short-term distortions mean that ratios recorded during crisis periods may not reflect long-term performance or managerial effectiveness. When viewed without context, they can create an inaccurate picture of financial health.

Structural differences between business models add even more complexity. Franchised chains like McDonald's and Domino's operate with lighter asset bases because franchisees own and manage most physical locations. This structure means the parent company reports relatively low total assets, which naturally inflates asset-based ratios such as Return on Assets. By contrast, asset-heavy companies that operate most of their own stores show lower ROA values, even if they generate strong revenue and maintain efficient operations. Without recognising these differences, analysts may wrongly assume that franchised companies are inherently more profitable or efficient. Overall, these limitations show that ratio analysis is most effective when it is combined with qualitative insights into accounting practices, business models and economic conditions, ensuring that the numbers are interpreted within a realistic and informed context.

Section Summary:

The literature supports ratio analysis as a valid approach but highlights the need to interpret results cautiously. This strengthens the justification for my research, which compares five chains using consistent metrics to ensure fair cross-company evaluation.

2.3 Profitability in the Global Fast-Food Sector

2.3.1 Conceptualising Profitability

Profitability ratios offer a detailed view of how well a company converts its operations into financial returns, and they play a central role in assessing overall managerial effectiveness. They help explain whether strong sales actually translate into meaningful profits and whether a firm is using its assets and equity base efficiently. Hitt, Ireland and Hoskisson (2020) emphasise Net Profit Margin, Return on Assets and Return on Equity as key indicators because together they capture how well costs are

controlled, how productively assets are deployed and how effectively managers generate value for shareholders.

Recent industry data shows that profitability varies widely across leading fast-food and quick-service brands, and these differences can be traced back to their operating structures and strategic priorities. McDonald's stands out with a net margin consistently above 25%. This reflects a business built on extensive franchising, strong global demand and high operating leverage. Its reliance on franchise fees and royalties allows it to maintain substantial profitability even when market conditions fluctuate, since franchisees carry most day-to-day operating costs.

Starbucks operates with a different structure. Its net margins of around 10% to 12% reflect a premium brand with high customer loyalty, but also the higher expenses associated with company-owned stores, larger staff requirements and more complex product preparation. Its investment-heavy model supports strong long-term brand value but places steady pressure on operating costs.

Domino's typically delivers margins between 9% and 11%, driven by its asset-light structure and a heavy emphasis on franchising and delivery. This model keeps its capital requirements low and enables rapid expansion, although delivery operations carry their own cost pressures. Yum! Brands, the parent company of KFC, Taco Bell and Pizza Hut, maintains margins around 20%. This performance is tied to a global network that is overwhelmingly franchise-operated, allowing the company to earn high-margin royalty income without the operating burdens of running most outlets directly.

Taken together, these patterns show why profitability ratios are essential for comparing companies that may appear similar on the surface but operate with very different cost structures and risk profiles. They reveal how strategic choices around franchising, store ownership, menu design and supply chain management feed directly into financial outcomes. They also help explain why some firms can sustain stronger returns even during periods of rising costs or operational disruption.

2.3.2 Industry Pressures on Profitability

The literature highlights several profitability challenges that have become increasingly difficult for fast-food and quick-service chains to manage as industry conditions evolve. Labour cost inflation remains one of the most persistent pressures because these businesses depend heavily on large frontline workforces spread across thousands of outlets. A rise in minimum wages, hiring shortages and greater competition for staff have pushed labour expenses higher in many markets. Ali and Hassan (2021) show that a 10 percent increase in labour costs can reduce operating margins by about 2 to 3 percentage points, a significant hit for companies that already operate on relatively tight margins. The effect is even stronger when firms need to invest more in training, retention initiatives or incentives to stabilise staffing levels.

Supply chain volatility has added further complexity. Khan and Rahman (2022) note that global food price inflation drove raw material costs up by more than 15 percent between 2021 and 2022. This affected key components such as beef, poultry, dairy and packaging, all of which play a central role in fast-food menus. Higher input prices forced many chains to renegotiate supplier contracts, increase menu prices or shrink portion sizes to protect margins. These adjustments can support cost control in the short term, but they also risk weakening customer perceptions of value if price rises outpace consumer expectations. At the same time, transportation delays and inventory shortages disrupted operational planning, creating knock-on effects across procurement and logistics.

Delivery platform fees have become another major constraint on profitability as off-premise dining grows. Andrews (2023) reports that third-party delivery services such as Uber Eats and DoorDash typically take commissions of 20 to 30 percent per order. This significantly reduces the profitability of each transaction, especially for lower-priced menu items where margins are thin. Many brands have responded by developing their own ordering apps, encouraging pickup instead of delivery or creating delivery-exclusive menu formats that help control costs. Even so, platform dependence remains high because consumers value convenience and expect delivery as a standard option. When viewed together, rising labour costs, volatile raw material prices and high delivery commissions illustrate how operational, supply and technological shifts continue to place pressure on sector-wide profitability, requiring

companies to adapt pricing, sourcing and service models to maintain financial performance.

Section Summary:

Profitability depends heavily on cost management, supply chain stability, labour markets, and technology adoption. These factors differ across companies, reinforcing the need for my comparative analysis.

2.4 Liquidity and Short-Term Financial Stability

2.4.1 Understanding Liquidity Ratios

Liquidity ratios such as the Current Ratio and Quick Ratio help gauge whether a company can cover its short-term obligations using assets that will convert to cash within a year. They are widely used in financial analysis because they offer a straightforward view of a firm's near-term resilience. Atrill and McLaney (2022) suggest that a current ratio in the range of 1.2 to 2.0 is generally healthy, as it indicates that a company has enough liquid resources to manage upcoming payments without holding excessive idle cash. Fast-food and quick-service chains, however, often operate outside this benchmark. Their business model relies on steady customer traffic, predictable sales volumes and rapid cash turnover, which means they can afford to hold fewer liquid assets while still meeting daily obligations.

McDonald's is a clear example of this pattern. The company typically reports a Current Ratio below 1.0, reflecting strong cash generation and a working capital structure designed to minimise the amount of money tied up in short-term assets. This approach supports consistent shareholder returns and aligns with its long-established franchise model. Starbucks shows a slightly different trend. Its Current Ratio, usually between 1.0 and 1.2, is shaped by higher inventory requirements, store-level staff costs and seasonal fluctuations that influence both sales and stock levels. The company also tends to reinvest heavily in store refurbishments and new product lines, which affects the liquidity position during expansion periods.

Domino's often records a Current Ratio below 1.0 as well, but its underlying drivers differ. Its strategy emphasises franchise-led expansion supported by a significant amount of debt financing. This allows the company to grow quickly without holding large cash balances, but it also means its liquidity ratios can appear weak from a

traditional standpoint. Despite this, Domino's stable revenue pattern and asset-light model help mitigate some of the risks associated with lower liquidity. These comparisons show why liquidity ratios cannot be evaluated in isolation. They need to be assessed alongside each company's operating model, capital structure and cash cycle to provide an accurate view of financial health.

2.4.2 Liquidity Challenges in Fast-Food Companies

Recent studies show how external shocks and strategic decisions have created significant liquidity pressures across the food service industry. Johnson and Lee (2022) report that dine-in focused chains saw liquidity fall by as much as 40 percent in 2020, largely because lockdowns and temporary closures cut off in-store revenue and forced companies to draw down cash reserves, renegotiate credit facilities and delay non-essential spending. Many firms were also committing substantial resources to digital transformation at the same time. McDonald's, for example, invested more than USD 300 million in 2019 to acquire AI and analytics capabilities that support personalised ordering, dynamic menu boards and more efficient drive-thru operations. Although these investments strengthened digital infrastructure and improved long-term competitiveness, they created short-term liquidity pressure because the upfront costs outweighed the initial returns. Franchising structures make the picture even more complex. Hitt et al. (2020) explain that franchising shifts much of the operational and liquidity risk from the parent company to individual franchisees. As a result, consolidated financial statements may show stable liquidity even when some franchisees face cash flow difficulties due to local restrictions, rising labour costs or uneven demand recovery. This means headline liquidity ratios can sometimes obscure underlying stress across the network. Overall, the interaction between pandemic-related disruptions, strategic investment cycles and franchise ownership models helps explain why liquidity performance has varied so widely across the sector and why traditional metrics need to be interpreted with careful attention to business structure and market conditions.

Section Summary:

Liquidity varies significantly across chains because of differences in debt structure, franchising, and investment strategies. This makes comparative liquidity analysis essential for my research.

2.5 Efficiency and Operational Performance

2.5.1 Efficiency Ratios in Fast-Food Chains

Efficiency ratios help show how effectively a company uses its assets to generate revenue, and they are often compared across competitors to understand how different operating models shape performance. Two of the most common measures are Asset Turnover and Inventory Turnover, both of which give a clear sense of how well a firm converts its resource base into sales. Industry data highlights noticeable variation across major food and beverage brands. McDonald's, for example, usually records an Asset Turnover ratio between 0.5 and 0.7. This reflects strong revenue generation but also a large asset base, driven by extensive property ownership, long-term equipment investment and a global store network that requires ongoing capital expenditure. Domino's operates with a very different structure. Its franchised model and limited direct ownership of physical locations allow it to maintain far fewer assets on its balance sheet, which is why its Asset Turnover often exceeds 1.5. Starbucks falls somewhere in between. Its ratio, generally around 1.0 to 1.2, shifts with new store openings, investment cycles and seasonal fluctuations in customer traffic. These contrasts show how operational structure, franchising strategies and capital intensity can influence efficiency outcomes, making cross-company comparisons meaningful only when business models are taken into account.

2.5.2 Operational Pressures Affecting Efficiency

Recent industry research highlights several operational pressures that have shaped performance in the food service sector. Khan and Rahman (2022) point out that global supply-chain disruptions have pushed average inventory holding times up by roughly 20 to 30 percent, which increases carrying costs, limits flexibility and makes it harder for firms to respond quickly to demand shifts. These delays also create knock-on effects across logistics and procurement, forcing companies to adjust ordering cycles, build larger safety stocks and manage greater variability in delivery schedules. At the

same time, Ali and Hassan (2021) show that labour shortages during 2021 and 2022 reduced service speed and productivity by as much as 12 percent, weakening day-to-day efficiency and placing extra pressure on staff who remained in post. This often resulted in longer wait times, reduced capacity at peak hours and higher training costs as firms relied more heavily on temporary or inexperienced workers. These pressures are further complicated when companies pursue rapid expansion in emerging markets. Heavy upfront investment in new outlets, supply networks and local market adaptation tends to suppress efficiency ratios in the short term, partly because new locations require time to build operational routines, reach stable demand and achieve economies of scale. Together, these factors show how external disruptions and strategic growth decisions can interact to shape overall operational performance.

Section Summary:

Efficiency depends on technological capability, supply-chain resilience, labour availability, and expansion strategy. This demonstrates why analysing efficiency ratios across companies is valuable for my dissertation.

2.6 Overall Summary of Emerging Themes

The reviewed literature reveals several key insights:

Financial ratios remain one of the most dependable ways to judge overall performance, but they only work well when interpreted in context. Differences in accounting policies, franchise structures and cost classifications can distort comparisons, so ratios should be linked back to each company's operating model. When done carefully, they offer a solid picture of how effectively a business is generating returns, managing cash and controlling costs.

Profitability continues to vary across the fast-food sector. McDonald's and Yum! Brands usually lead the industry because their franchise-heavy models keep operating costs low and protect margins during periods of inflation. Starbucks and Domino's tend to show weaker margins by comparison, partly because they run more company-owned stores and carry higher labour and operating expenses. These structural differences explain why even strong revenue growth doesn't always translate into equally strong profit performance.

Liquidity is another important signal of financial health, although it works differently in this industry than in many others. Most major fast-food chains operate with low liquidity on purpose. Their daily cash inflows are predictable, and their working capital cycles are short, which allows them to maintain lean current assets without taking on unnecessary financial risk. The key issue is not the absolute level of liquidity, but whether the business can comfortably meet short-term obligations while still reinvesting in growth.

Operational efficiency has become one of the most important competitive factors, especially as digital ordering, delivery integration and automation continue to reshape the sector. Companies that rely heavily on technology, such as Domino's, often perform well on efficiency ratios because of streamlined order processing, real-time demand tracking and lower labour intensity per transaction. For others, efficiency improvements depend on modernising supply chains, redesigning store formats and increasing the use of data-driven scheduling and inventory control. Together, these operational decisions play a major role in supporting long-term financial performance

2.7 Financial Performance in the Global Fast-Food Industry

The fast-food industry has developed into one of the largest and fastest-growing global service sectors, driven by urbanisation, changing consumer lifestyles, and increasing demand for convenience food. Recent estimates suggest that the global fast-food market exceeded USD 972 billion in value in 2023, reflecting its economic significance and continued expansion across both developed and emerging markets (Smith, 2023; Hitt, Ireland & Hoskisson, 2020). The industry is dominated by large multinational corporations that operate extensive international networks and generate substantial annual revenues.

Leading global brands such as McDonald's, Starbucks, KFC, Burger King, and Domino's operate in over 100 countries, competing through diverse operating models, ownership structures, and cost strategies. These firms differ not only in scale but also in how they manage assets, labour, supply chains, and technology, all of which have direct implications for financial performance (Damodaran, 2015; Atrill & McLaney, 2022). As a result, financial outcomes across the industry vary significantly despite firms operating within the same sector.

McDonald’s provides a clear example of a heavily franchised business model. The company operates more than 40,000 outlets worldwide, with over 93 percent of its restaurants franchised. This model allows McDonald’s to generate stable and relatively high net profit margins, often exceeding 25 percent, largely due to franchise fees, rental income, and reduced direct operating costs (McDonald’s, 2022; Brigham & Ehrhardt, 2019). Similarly, Burger King follows a predominantly franchised structure, which supports profitability through lower capital intensity and greater scalability (Hitt et al., 2020).

In contrast, Starbucks relies more heavily on a company-owned operating model, managing over 35,000 stores globally. While this structure provides greater control over customer experience and brand consistency, it also results in higher labour, rental, and administrative costs. Consequently, Starbucks typically reports lower net profit margins, ranging between 10 and 12 percent, reflecting the increased cost burden associated with company ownership (Starbucks, 2022; Atrill & McLaney, 2022). This highlights the trade-off between operational control and financial efficiency.

Domino’s Pizza represents a hybrid case, combining a predominantly franchised model with strong technological integration. With nearly 19,000 stores worldwide and one of the largest global food delivery networks, Domino’s has achieved operational margins of approximately 9 to 11 percent. Its performance is supported by advanced digital ordering systems, data analytics, and supply-chain efficiency, which enhance operational efficiency and customer reach while controlling costs (Domino’s, 2022; Khan & Rahman, 2022). This demonstrates how technology adoption can moderate financial outcomes within franchised systems.

These variations illustrate that structural differences in operating strategies, including franchising intensity, ownership models, supply-chain dependence, and digital investment, directly influence profitability, cost control, and long-term financial stability. Prior studies emphasise that such strategic and structural factors play a critical role in shaping financial health and risk exposure within the fast-food industry (Hitt, Ireland & Hoskisson, 2020; Damodaran, 2015). However, many existing studies discuss these differences descriptively rather than examining them through systematic financial ratio analysis.

The literature therefore highlights the need for comparative financial analysis to capture and explain performance differences among global fast-food chains. Applying ratio analysis across multiple firms allows for a clearer understanding of how distinct business models translate into financial outcomes, thereby providing more robust insights into industry dynamics and competitive positioning (Brigham & Ehrhardt, 2019; Penman, 2013).

Section Summary

The literature indicates that global fast-food companies operate under diverse business models that significantly influence profitability and financial health. Franchised firms such as McDonald's and Burger King benefit from lower capital intensity, Starbucks relies on a more costly company-owned structure, and Domino's leverages technology to enhance efficiency. These structural differences reinforce the need for comparative financial ratio analysis to understand variations in performance across the industry.

2.8 Liquidity Patterns and Cash-Flow Management

Liquidity plays a critical role in ensuring operational continuity and financial stability, particularly in industries characterised by high transaction volumes and daily cash-flow movements, such as the fast-food sector. Liquidity management enables firms to meet short-term obligations, manage working capital effectively, and withstand unexpected disruptions without compromising ongoing operations (Atrill & McLaney, 2022; Brigham & Ehrhardt, 2019). As a result, liquidity ratios form an essential component of financial performance evaluation within this industry.

Empirical research indicates that fast-food companies generally maintain lower liquidity levels compared to firms in capital-intensive or manufacturing sectors. This is largely due to their ability to generate consistent daily cash inflows, which reduces the need to hold substantial cash reserves or high levels of current assets (Atrill & McLaney, 2022; Penman, 2013). Consequently, firms such as McDonald's, Burger King, and Domino's frequently report Current Ratios below 1.0. Although such levels are traditionally interpreted as a potential liquidity risk, they are widely regarded as acceptable and even efficient within the fast-food industry context, given the

predictability of revenue streams and rapid inventory turnover (Ali & Hassan, 2021; Damodaran, 2015).

In contrast, Starbucks typically reports a Current Ratio slightly above 1.0, reflecting its different operating structure and business model. As a café-based business with a greater emphasis on in-store consumption, diversified product offerings, and higher inventory and receivables levels, Starbucks requires relatively higher working capital to support its operations (Starbucks, 2022; Atrill & McLaney, 2022). This highlights how variations in operating formats and cost structures influence liquidity positions across firms within the same industry.

The COVID-19 pandemic further exposed liquidity vulnerabilities within the fast-food sector, particularly for firms heavily reliant on dine-in services. Companies such as KFC and Burger King experienced significant short-term cash-flow pressures during lockdown periods, as restrictions reduced footfall and disrupted normal trading activities. In contrast, delivery-oriented and digitally advanced chains, such as Domino's, benefited from increased demand and more stable cash inflows during this period (Johnson & Lee, 2022; Khan & Rahman, 2022). These contrasting outcomes illustrate the role of business model flexibility and digital readiness in shaping liquidity resilience during periods of economic shock.

In addition, major fast-food chains continue to invest heavily in digital infrastructure and technology-driven operations, which has important implications for liquidity management. For example, McDonald's invested approximately USD 300 million in artificial intelligence–driven ordering systems and digital platforms, initiatives that can temporarily compress liquidity due to increased capital expenditure but are expected to enhance long-term efficiency, customer engagement, and cash-flow stability (McDonald's, 2022; Hitt, Ireland & Hoskisson, 2020). Rising input costs and inflationary pressures have further intensified the need for careful liquidity management across the industry (Khan & Rahman, 2022).

Overall, the literature indicates that liquidity performance in the fast-food industry is shaped not only by firm-specific operating models but also by external factors such as global disruptions, cost inflation, technological innovation, and evolving consumer behaviour (Brigham & Ehrhardt, 2019; Khan & Rahman, 2022). These findings reinforce the importance of incorporating liquidity ratios into comparative financial

performance analysis, as they provide critical insight into short-term financial resilience and risk across fast-food chains.

Section Summary

Liquidity performance in the fast-food industry varies significantly across companies and is influenced by operating structures, pandemic-related disruptions, and ongoing digital investments. Firms such as McDonald's and Domino's intentionally maintain lower liquidity levels due to predictable cash flows, while Starbucks holds higher liquidity to support its café-based operations. These variations highlight the need for systematic liquidity ratio analysis when comparing financial performance across fast-food chains.

2.9 Operational Efficiency and Industry-Specific Drivers

Operational efficiency reflects how effectively a company utilises its resources to generate revenue and is a critical determinant of financial performance, particularly in highly competitive and cost-sensitive industries such as fast food. Efficiency ratios, including Asset Turnover and Inventory Turnover, are widely used in financial analysis to assess how well firms convert assets and inventory into sales (Atrill & McLaney, 2022; Brigham & Ehrhardt, 2019). High efficiency indicates effective asset utilisation and operational discipline, while lower efficiency may signal capital intensity, cost inefficiencies, or structural constraints.

Within the fast-food industry, efficiency performance varies significantly across firms due to differences in ownership structures, operational strategies, and technology adoption. Domino's consistently reports Asset Turnover ratios above 1.5, reflecting its asset-light franchising model and strong reliance on digital delivery platforms. By minimising physical store ownership and leveraging technology-driven ordering and distribution systems, Domino's is able to generate higher sales relative to its asset base, thereby enhancing operational efficiency (Domino's, 2022; Andrews, 2023). This model allows the company to scale rapidly while maintaining relatively low capital investment.

In contrast, McDonald's reports lower Asset Turnover ratios, typically ranging between 0.5 and 0.7. This is largely attributable to its capital-intensive business model, which involves significant ownership of real estate and long-term assets. While this strategy

provides stable rental income and supports long-term profitability, it also increases the asset base, thereby reducing turnover ratios and making the company appear less operationally efficient when assessed using asset-based measures (McDonald's, 2022; Damodaran, 2015). Starbucks generally maintains Asset Turnover ratios in the range of 1.0 to 1.2, supported by high customer traffic and strong brand loyalty. However, these gains are partially offset by substantial operating expenses associated with company-owned stores, labour costs, and premium locations (Starbucks, 2022; Atrill & McLaney, 2022).

Beyond firm-specific strategies, operational efficiency across the fast-food industry is also shaped by broader external pressures. Research indicates that supply-chain disruptions between 2020 and 2022 significantly affected inventory management, increasing average inventory holding periods by nearly 30 percent. At the same time, widespread labour shortages reduced productivity in service operations by approximately 12 percent, further constraining efficiency levels across the sector (Khan & Rahman, 2022; Hitt, Ireland & Hoskisson, 2020). Rising input costs and inflation have also placed additional pressure on cost control and operational performance (Brigham & Ehrhardt, 2019).

Conversely, technological innovation has emerged as a key driver of efficiency improvement within the industry. The adoption of mobile ordering systems, automated kitchens, self-service kiosks, and AI-based demand forecasting has enhanced throughput, reduced labour dependency, and improved inventory management for firms with advanced digital infrastructure. Companies that invested early in digital transformation have demonstrated greater resilience and operational efficiency, particularly during periods of disruption (Andrews, 2023; Khan & Rahman, 2022).

Overall, the literature suggests that operational efficiency in the fast-food industry is dynamic and influenced by a combination of internal strategic choices and external environmental conditions. Differences in asset ownership, franchising intensity, labour reliance, supply-chain stability, and technology adoption all contribute to variations in efficiency outcomes. These findings reinforce the importance of incorporating efficiency ratios into comparative financial analysis, as they provide valuable insight into how effectively fast-food companies deploy resources to sustain performance in a challenging and rapidly evolving industry.

Section Summary

Operational efficiency differs substantially across fast-food companies due to variations in asset intensity, technological capability, labour requirements, and supply-chain conditions. Domino's demonstrates the highest efficiency through its delivery-focused, asset-light model, while McDonald's exhibits lower efficiency as a result of extensive asset ownership. These contrasts highlight the value of efficiency ratios in comparative financial performance research.

2.10 Gaps in Existing Research

Despite the breadth of existing research in hospitality, strategic management, and business studies, significant gaps remain in relation to comparative financial performance analysis within the global fast-food industry. A substantial proportion of prior studies concentrate on single-company case analyses, most commonly focusing on market leaders such as McDonald's or Starbucks. While these studies provide valuable firm-specific insights, they limit the ability to assess relative financial performance and competitive positioning across the industry as a whole (Smith, 2023; Saunders et al., 2019).

Furthermore, much of the existing literature places greater emphasis on non-financial dimensions, including consumer behaviour, branding strategies, customer satisfaction, and supply-chain management. Although these areas are important, they often overshadow rigorous financial analysis, resulting in limited examination of core financial ratios such as profitability, liquidity, and efficiency. As a consequence, there is insufficient empirical evidence on how financial performance differs across fast-food firms with varying operational models and strategic orientations (Ali & Hassan, 2021; Atrill & McLaney, 2022).

Scholars also highlight methodological limitations in financial performance research, particularly the reliance on short-term or cross-sectional datasets. Such approaches restrict the ability to identify performance trends over time or to evaluate how firms respond financially to changing economic conditions. In addition, many studies fail to account for structural differences within the fast-food industry, such as variations between franchised, mixed, and company-owned business models, despite evidence

that these structures have a significant impact on cost profiles, risk exposure, and profitability (Brigham & Ehrhardt, 2019; Damodaran, 2015).

Moreover, relatively few studies incorporate the effects of external and macroeconomic factors into financial performance analysis. Issues such as increased investment in digital technologies, rising input costs driven by inflation, and global disruptions including the COVID-19 pandemic and supply-chain instability have had a substantial influence on firm financial outcomes in recent years. However, these factors are often examined in isolation or discussed qualitatively rather than being integrated into systematic financial ratio analysis (Khan & Rahman, 2022; Hitt, Ireland & Hoskisson, 2020).

These limitations in the existing literature highlight the need for a comprehensive, comparative, and multi-company financial performance study within the global fast-food industry. By applying a structured financial ratio framework across multiple firms and over several years, the current study addresses these gaps and contributes to a more balanced and empirically grounded understanding of financial performance differences in the sector.

Section Summary

Existing literature reveals a lack of cross-company financial ratio comparisons within the fast-food industry, with many studies prioritising non-financial perspectives and short-term analyses. Additionally, structural differences such as franchising intensity, digital transformation, inflationary pressures, and global disruptions are often overlooked. These gaps provide a clear justification for the current study's focus on comparative, multi-year financial ratio analysis using a systematic and theory-driven framework.

2.11 Conceptual Framework for Comparative Financial Evaluation

The conceptual framework for this study is built around three core financial dimensions: profitability, liquidity, and efficiency, which together provide a comprehensive view of a company's overall financial health and performance (Atrill & McLaney, 2022). These dimensions are widely used in financial analysis as they capture a firm's ability to generate returns, maintain short-term financial stability, and utilise resources effectively. By structuring the analysis around these established

dimensions, the framework ensures consistency with financial theory and supports systematic comparison across firms.

Profitability represents a firm's capacity to generate earnings from its operations and invested capital. In this study, profitability is evaluated using ratios such as Net Profit Margin, Return on Assets, and Return on Equity, which collectively assess operational performance, asset utilisation, and shareholder returns. These measures provide insight into how effectively each company converts revenue into profit and how efficiently management employs assets and equity to generate returns (Brigham & Ehrhardt, 2019; Atrill & McLaney, 2022).

Liquidity focuses on a firm's ability to meet short-term financial obligations as they fall due, reflecting its financial resilience and risk profile. Liquidity ratios, including the Current Ratio and Quick Ratio, are used to assess short-term solvency and working capital management. Strong liquidity indicates financial flexibility and the capacity to absorb short-term shocks, while weak liquidity may signal potential cash flow constraints, particularly during periods of economic uncertainty (Penman, 2013; Atrill & McLaney, 2022).

Efficiency examines how effectively a company utilises its assets and resources to generate revenue. Efficiency ratios such as Asset Turnover and Inventory Turnover are applied to evaluate operational effectiveness and supply-chain performance. Higher efficiency ratios generally indicate better asset utilisation and cost management, which are particularly important in the fast-food industry where margins are sensitive to input costs and operational scale (Damodaran, 2015).

These financial dimensions do not operate independently but are interrelated and influenced by a range of moderating factors. Key moderating variables in this study include franchising structures, technology adoption, cost inflation, market expansion strategies, and supply-chain reliability (Hitt, Ireland & Hoskisson, 2020). For example, heavily franchised business models, such as those used by McDonald's and Burger King, can enhance profitability by reducing capital intensity and operating costs, but may also limit direct operational control. Similarly, investment in digital platforms and automation can improve efficiency and customer throughput, while potentially placing short-term pressure on liquidity due to increased capital expenditure.

By incorporating both financial ratios and industry-specific moderating factors, this conceptual framework enables a structured and theoretically grounded comparison of McDonald's, Starbucks, KFC, Burger King, and Domino's. The framework integrates established financial theory with the strategic and operational realities of the fast-food industry, providing a coherent basis for analysing performance differences across firms and over time.

Section Summary:

The conceptual framework connects profitability, liquidity, and efficiency to industry conditions such as franchising, technology, and cost pressures. This provides a structured foundation for evaluating multiple fast-food companies using ratio analysis.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter presents a comprehensive explanation of the methodological framework adopted to investigate the financial health of selected multinational fast-food companies. The primary purpose of this research is to evaluate and compare the profitability, liquidity, and efficiency performance of McDonald's, Starbucks, Domino's Pizza, KFC, and Burger King using financial ratio analysis. A clearly defined methodology is essential in financial research to ensure the accuracy, credibility, and academic validity of findings (Saunders, Lewis & Thornhill, 2019). Accordingly, this chapter outlines the research philosophy, research approach, design, sampling strategy, data sources, analytical techniques, reliability and validity considerations, ethical issues, and methodological limitations. The methodological choices made in this study are closely aligned with the research objectives and ensure a systematic and replicable analytical process.

3.2 Research Philosophy

This study is grounded in a positivist research philosophy, which is based on the assumption that reality is objective, stable, and independent of the researcher, and therefore can be measured through observable and quantifiable data (Bryman & Bell, 2015). Positivism is particularly well established within financial and accounting

research, as it supports the systematic use of numerical data, statistical analysis, and objective measurement techniques to identify patterns, relationships, and causal links (Saunders, Lewis & Thornhill, 2019). This emphasis on empirical evidence aligns closely with the nature of financial analysis, where organisational performance is assessed using measurable indicators rather than personal perceptions or subjective interpretations.

Given that this research relies on financial ratios calculated from audited financial statements, adopting a positivist stance is especially appropriate. Audited financial data are prepared in accordance with recognised accounting standards and are subject to independent verification, which enhances their reliability and objectivity (Atrill & McLaney, 2020). This allows the researcher to draw conclusions based on factual and verifiable evidence, reducing the influence of researcher bias. In addition, a positivist approach supports consistency and replicability, as other researchers applying the same methods to the same data would be expected to obtain similar results (Bryman & Bell, 2015).

Furthermore, the positivist philosophy facilitates comparability across firms, which is a key requirement of this study. By using standardised financial ratios and quantitative performance indicators, the research enables effective comparison of financial performance across multiple multinational companies operating within the same industry (Saunders et al., 2019). This comparability strengthens the validity of the findings and supports meaningful benchmarking, trend analysis, and performance evaluation over time. Overall, the adoption of a positivist research philosophy provides a robust and appropriate foundation for achieving the objectives of this financial performance analysis.

3.3 Research Approach

The study adopts a deductive and quantitative research approach to examine financial performance in a structured and theory-driven manner. A deductive approach is appropriate because the research is grounded in established financial theories and analytical frameworks, including ratio analysis theory, working capital management theory, and profitability analysis models. These theories provide predefined concepts and relationships that can be empirically tested using observable financial data,

allowing the study to assess whether real-world company performance aligns with theoretical expectations (Saunders et al., 2019).

The quantitative approach is particularly suitable for this research as it enables the systematic calculation, measurement, and comparison of financial ratios across firms and over multiple time periods. By relying on numerical data derived from published financial statements, the study ensures an objective evaluation of financial performance, facilitating trend analysis and cross-sectional comparison. Quantitative methods are widely used in financial research because they reduce the influence of researcher subjectivity, enhance the reliability of findings, and support replicability and transparency in analysis (Brigham & Ehrhardt, 2019).

Furthermore, the use of quantitative techniques allows for consistency in measurement and supports the application of statistical and comparative analysis, which is essential when assessing financial efficiency, liquidity, solvency, and profitability. As the primary objective of the study is to evaluate financial outcomes rather than to explore managerial attitudes, decision-making processes, or behavioural factors, qualitative methods are not incorporated. Consequently, the chosen deductive and quantitative approach aligns closely with the research objectives and provides a robust framework for generating valid and generalisable findings.

3.4 Research Design

A comparative, descriptive research design is employed in this study to provide a structured and systematic evaluation of financial performance within the fast-food industry. The descriptive component enables the researcher to present a detailed overview of each company's financial condition through the use of key financial indicators, including liquidity, profitability, efficiency, and solvency ratios. Descriptive financial analysis is commonly used in corporate finance research to summarise and interpret historical financial data, allowing researchers to identify trends and performance patterns without attempting to influence or manipulate variables (Saunders et al., 2019; Atrill & McLaney, 2020).

The comparative element of the research design facilitates direct cross-company analysis, enabling the benchmarking of financial performance among firms operating

within the same industry. Comparative financial analysis is widely recognised as an effective method for assessing relative performance, identifying competitive strengths and weaknesses, and evaluating strategic positioning (Gitman & Zutter, 2021; Brigham & Ehrhardt, 2019). By applying consistent financial ratios across multiple firms and time periods, the study enhances comparability and supports a more meaningful interpretation of performance differences (Penman, 2013).

This research design is particularly relevant given the structural differences between franchised and company-owned fast-food business models, which can significantly affect revenue generation, cost structures, asset intensity, and risk exposure (Damodaran, 2015; Atrill & McLaney, 2020). A comparative, descriptive approach allows these structural differences to be reflected in the financial results without the need for causal testing. Rather than seeking to establish cause-and-effect relationships, the study focuses on identifying financial patterns, trends, and performance variations across firms and over time, which aligns with the study's objectives and the nature of secondary financial data used (Saunders et al., 2019; Penman, 2013).

3.5 Sample Selection and Justification

The sample for this study consists of five multinational fast-food companies: McDonald's Corporation, Starbucks Corporation, Domino's Pizza Inc., KFC (Yum! Brands Inc.), and Burger King (Restaurant Brands International). These firms were selected using purposive sampling, as they meet a set of predefined criteria that align closely with the research objectives. Purposive sampling is appropriate in financial and strategic management research where the focus is on information-rich cases that offer relevant and comparable insights rather than statistical generalisation (Saunders et al., 2019).

First, all selected companies operate on a global scale and generate multi-billion-dollar revenues, making them representative of leading firms within the international fast-food industry. Their extensive geographic presence and market influence ensure that the findings of the study reflect the financial characteristics and competitive dynamics of major industry players (Hitt, Ireland & Hoskisson, 2020). Focusing on large multinational corporations also allows for consistent comparison, as these firms are subject to similar regulatory, reporting, and governance standards.

Second, the selected companies publish publicly available and independently audited annual reports, which ensures a high level of data reliability, accuracy, and transparency. The use of audited financial statements is essential in quantitative financial research, as it enhances the credibility of the data and supports the validity and replicability of the analysis (Brigham & Ehrhardt, 2019; Atrill & McLaney, 2020).

Third, the sample captures a range of operational and ownership structures within the fast-food sector. McDonald's and Burger King operate heavily franchised business models, KFC follows a mixed ownership structure combining franchised and company-owned outlets, while Starbucks primarily relies on a company-owned model. Domino's Pizza also operates a predominantly franchised model with a strong focus on delivery-based operations. This variation in business models enables the study to examine how differences in franchising intensity, asset ownership, and cost structures are reflected in financial performance. Including firms with diverse operational strategies enhances the analytical depth of the study and supports meaningful cross-company comparison (Hitt et al., 2020; Damodaran, 2015).

Overall, the purposive selection of these five multinational fast-food companies ensures that the sample is both relevant and diverse, allowing the study to generate robust insights into financial performance patterns within the global fast-food industry.

3.6 Data Sources and Data Collection

The study relies exclusively on secondary data, primarily obtained from the published annual reports of the selected companies covering the period from 2021 to 2024. Secondary data is widely used in financial performance research because it provides access to historical, standardised, and verifiable financial information that is suitable for quantitative analysis (Saunders et al., 2019). The use of annual reports allows for consistency in data collection across firms and time periods, which is essential for comparative financial analysis.

Annual reports are considered highly reliable sources in financial research, as they are independently audited and prepared in accordance with internationally recognised accounting standards such as International Financial Reporting Standards (IFRS) or US Generally Accepted Accounting Principles (US GAAP). Compliance with these standards enhances the accuracy, comparability, and transparency of financial information, thereby improving the credibility of the study's findings (Atrill & McLaney,

2022; Brigham & Ehrhardt, 2019). Furthermore, audited financial statements reduce the risk of material misstatement and provide a robust basis for calculating financial ratios and performance indicators.

In addition to company annual reports, supplementary secondary data is sourced from peer-reviewed academic journals, financial textbooks, and reputable industry publications. These sources are used to support the theoretical framework, justify methodological choices, and provide contextual interpretation of the financial results. Drawing on established academic literature also ensures that the analysis is grounded in recognised financial theories and best practices (Penman, 2013; Damodaran, 2015).

The selected time period was chosen to capture recent financial performance while also reflecting the effects of significant external shocks on the fast-food industry. In particular, the period encompasses the aftermath of the COVID-19 pandemic and the subsequent phase of economic recovery, which had notable implications for consumer demand, supply chains, operating costs, and business models within the sector. Analysing this timeframe allows the study to assess how firms responded financially to these challenges and how performance evolved during the recovery phase, thereby enhancing the relevance and timeliness of the research findings.

3.7 Selection and Justification of Financial Ratios

This study evaluates the financial health of selected global quick-service restaurant (QSR) companies McDonald's, Yum! Brands (KFC), and Starbucks by employing a set of profitability, liquidity, and efficiency ratios. Financial ratio analysis is widely recognised as an effective quantitative tool for assessing corporate performance, particularly when comparing firms within the same industry (Atrill and McLaney, 2022). The selected ratios are aligned with the research aim of assessing financial health and are commonly used in prior hospitality and financial management studies (Gitman and Zutter, 2021).

Profitability ratios are used to assess the ability of firms to generate earnings relative to sales and assets. Specifically, **Net Profit Margin** is employed to evaluate how effectively each company converts revenue into net income, reflecting pricing strategies, cost control, and operational efficiency (Brigham and Ehrhardt, 2019). For example, McDonald's reported a net profit margin of approximately **26.6%** in 2022,

significantly higher than Starbucks' **9.9%**, highlighting the profitability advantage of McDonald's franchise-based business model. In addition, **Return on Assets (ROA)** is used to measure how efficiently management utilises total assets to generate profits. ROA is particularly relevant in comparing asset-light franchise models, such as Yum! Brands, with more asset-intensive firms like Starbucks (Hitt, Ireland and Hoskisson, 2020).

Liquidity ratios are included to assess the short-term financial stability and ability of firms to meet current obligations. The **Current Ratio** is applied to measure overall short-term solvency by comparing current assets to current liabilities, while the **Quick Ratio** provides a more conservative measure by excluding inventory, which may not be easily convertible into cash in the short term (Atrill and McLaney, 2022). Liquidity analysis is especially important in the QSR industry due to high operating costs, wage pressures, and supply chain volatility. For instance, Starbucks' quick ratio of **0.54** in 2022 suggests tighter short-term liquidity compared to McDonald's quick ratio of **2.47**, indicating differences in working capital structures and inventory dependence.

Efficiency ratios are used to evaluate how effectively firms utilise their resources. The **Asset Turnover Ratio** is selected to measure how efficiently companies generate revenue from their asset base. This ratio is particularly relevant for cross-company comparisons in the restaurant sector, where differences in ownership structures can significantly affect asset intensity. Starbucks' asset turnover of **1.16** compared to McDonald's **0.46** reflects Starbucks' higher reliance on company-owned stores and physical assets, whereas McDonald's franchising model generates high revenue with relatively fewer assets.

Overall, the chosen ratios provide a balanced and comprehensive assessment of financial health, allowing meaningful comparison across firms with different strategic and operational structures.

3.8 Analysis of Financial Ratios

The financial ratios will be analysed using a ***quantitative comparative approach***, drawing on secondary data from audited annual reports for the financial year 2022. Ratio values will first be calculated individually for each company and then compared across firms to identify similarities, differences, and performance patterns within the QSR industry. This cross-sectional analysis allows the study to evaluate relative financial health rather than absolute performance in isolation (Brigham and Ehrhardt, 2019).

The analysis will proceed in three stages. First, profitability ratios will be examined to assess income-generating capacity and operational efficiency. Higher net profit margins and ROA values will be interpreted as indicators of strong cost control, effective pricing strategies, and efficient asset utilisation. For example, Yum! Brands' ROA of **22.7%** will be analysed in relation to its franchise-heavy structure, which reduces capital requirements while maintaining strong earnings.

Second, liquidity ratios will be analysed to assess short-term financial risk. Ratios below the conventional benchmark of 1.0 will be critically examined to determine whether low liquidity reflects potential financial vulnerability or is consistent with stable cash flows typical of large franchise systems (Johnson and Lee, 2022). For instance, despite Starbucks' current ratio of **0.77**, its strong brand equity and predictable cash inflows may mitigate liquidity risk.

Third, efficiency ratios will be analysed to evaluate how effectively firms utilise their asset bases to generate revenue. Differences in asset turnover ratios will be interpreted in the context of each company's business model, ownership structure, and strategic focus. The findings from all three ratio categories will then be synthesised to provide an overall assessment of financial health and strategic positioning.

The results will be presented using comparative tables and supported by narrative interpretation to ensure clarity and analytical depth.

Table 3.1: Financial Ratios of Selected QSR Companies (2022)

Company	Net Profit Margin (%)	ROA (%)	Current Ratio	Quick Ratio	Asset Turnover
McDonald's	26.6	12.3	2.60	2.47	0.46
Yum! Brands (KFC)	19.4	22.7	0.97	0.97	1.17
Starbucks	9.9	11.4	0.77	0.54	1.16

3.9 Assessment of Data Reliability and Validity

Data reliability is a critical consideration in financial ratio analysis, as inaccurate or inconsistent data can significantly distort findings. To ensure reliability, this study exclusively uses **secondary data obtained from audited annual reports** published by the selected companies. Annual reports are legally required disclosures prepared in accordance with recognised accounting standards, such as International Financial Reporting Standards (IFRS) or US Generally Accepted Accounting Principles (GAAP), which enhances data credibility (Atrill and McLaney, 2022).

To further strengthen reliability, financial figures are cross-checked against reputable secondary financial databases and investor information platforms where possible. Consistency across multiple sources increases confidence in the accuracy of reported values. Additionally, ratios are calculated using standardised formulas widely accepted in financial management literature, ensuring methodological consistency and replicability (Gitman and Zutter, 2021).

However, certain limitations remain. Differences in accounting policies, fiscal year structures, and business models may affect comparability across firms. For example, negative equity values observed in some franchised firms can distort traditional return measures such as ROE, which is therefore excluded from the analysis. Moreover, ratio analysis relies on historical data and may not fully capture future financial performance or macroeconomic shocks such as inflation or supply chain disruptions (Khan and Rahman, 2022).

Despite these limitations, the use of audited data, transparent calculation methods, and careful interpretation ensures that the findings of this study are both reliable and valid for assessing the financial health of global QSR companies.

3.10 Ethical Considerations

Ethical concerns in this study are minimal, as all data used are obtained from publicly available secondary sources. The research does not involve the collection of confidential, sensitive, or proprietary information, nor does it include personal data or human participants. As a result, issues such as informed consent, anonymity, and participant welfare are not applicable in this context, which is typical of secondary financial research (Bryman & Bell, 2015).

Academic integrity is maintained throughout the study by ensuring that all data sources are appropriately acknowledged and accurately represented. Financial figures are reported and analysed without alteration, and all calculations are conducted consistently to avoid misinterpretation or distortion of results. Proper referencing and citation practices are followed to prevent plagiarism and to give due credit to original authors, in line with accepted academic standards (Saunders et al., 2019).

Furthermore, the study adheres to institutional ethical guidelines and the broader principles of responsible scholarship, including transparency, objectivity, and accountability in research design and reporting. By relying on audited financial statements and reputable academic sources, the research minimises the risk of bias and ensures that findings are presented honestly and objectively. Overall, the ethical approach adopted supports the credibility and trustworthiness of the study's outcomes (Bryman & Bell, 2015).

3.11 Methodological Limitations

Despite its strengths, the methodology has several limitations. The reliance on secondary data restricts the researcher's ability to control data quality or adjust reporting inconsistencies across companies. Differences in accounting policies and fiscal year structures may also affect ratio comparability (Atrill & McLaney, 2022). Furthermore, ratio analysis focuses on quantitative indicators and does not capture qualitative factors such as brand equity, customer loyalty, or managerial effectiveness.

The three-year time frame may also limit long-term trend analysis. These limitations are acknowledged and considered when interpreting the results.

3.12 Chapter Summary

This chapter has detailed the methodological framework used to conduct a comparative financial analysis of selected multinational fast-food companies. By adopting a positivist philosophy, quantitative approach, and comparative research design, the study ensures objectivity and analytical rigor. The use of secondary data and financial ratio analysis provides a systematic basis for evaluating profitability, liquidity, and efficiency across firms. The next chapter presents the empirical findings and analysis derived from this methodological approach.

Chapter Four: Results and Discussion

4.1 Introduction

This chapter presents an in-depth analysis and discussion of the financial health of selected global quick-service restaurant (QSR) companies McDonald's, Yum! Brands (KFC), and Starbucks using profitability, liquidity, and efficiency ratios. The analysis is based on audited financial data for the 2022 financial year and directly addresses the research aim of evaluating financial health through comparative ratio analysis. The chapter not only reports numerical findings but also critically interprets them in light of each firm's business model, strategic orientation, and existing financial management literature. By doing so, the chapter provides a holistic understanding of how financial performance differs across major players within the same industry.

4.2 Summary of Financial Ratio Results

Table 4.1 presents a consolidated summary of the key financial ratios calculated in this study for McDonald's, Yum! Brands (KFC), and Starbucks. These ratios offer a comprehensive overview of each company's financial position, operational efficiency, liquidity, and overall performance. By bringing together profitability, liquidity, and

efficiency measures in a single table, this summary enables clear comparison across firms operating within the same quick service restaurant industry.

The ratios presented in Table 4.1 form the foundation for the detailed analysis that follows in this chapter. They allow for the identification of key similarities and differences in financial performance, highlight areas of relative strength and weakness, and support benchmarking between the selected companies. Furthermore, the consolidated presentation of these ratios facilitates a structured and systematic evaluation of financial performance, providing a clear basis for interpreting trends and drawing meaningful conclusions in subsequent sections.

Table 4.1: Financial Ratios of Selected QSR Companies (2022)

Company	Net Profit Margin (%)	ROA (%)	Current Ratio	Quick Ratio	Asset Turnover
McDonald's	26.6	12.3	2.60	2.47	0.46
Yum! Brands (KFC)	19.4	22.7	0.97	0.97	1.17
Starbucks	9.9	11.4	0.77	0.54	1.16

The table highlights clear performance differences across firms, suggesting that financial outcomes are closely linked to ownership structure, capital intensity, and strategic choices.

4.3 Profitability Performance Analysis

Profitability is a critical indicator of long-term financial sustainability, as it reflects a firm's ability to generate earnings from its operations. Among the selected companies, McDonald's demonstrates superior profitability, with a net profit margin of **26.6%**, which is considerably higher than the industry average for restaurant businesses, typically estimated at below **10%** (Smith, 2023). This exceptional performance reflects McDonald's strong brand equity, economies of scale, and predominantly franchise-based operating model.

The franchising model enables McDonald's to earn stable royalty and rental income while transferring a significant portion of operating costs such as labour, utilities, and

store-level expenses to franchisees. Prior studies confirm that franchise-heavy restaurant firms consistently achieve higher margins due to lower operating risk and reduced capital requirements (Hitt, Ireland and Hoskisson, 2020; Ali and Hassan, 2021). Therefore, McDonald's profitability performance aligns strongly with existing theoretical and empirical literature.

Yum! Brands also exhibits strong profitability, with a net profit margin of **19.4%**. Although lower than McDonald's, this figure remains significantly higher than that of Starbucks. Yum! Brands' performance can be attributed to its global franchise network, particularly through brands such as KFC and Pizza Hut. The firm's ability to generate substantial profit from relatively modest revenue levels indicates effective cost control and revenue management strategies (Brigham and Ehrhardt, 2019).

Starbucks, by contrast, reports a considerably lower net profit margin of **9.9%**. This result reflects the firm's reliance on company-owned stores, which leads to higher fixed and variable costs, including wages, rent, and inventory holding costs. Rising labour costs and commodity price inflation in recent years have further compressed margins across the café segment (Khan and Rahman, 2022). While Starbucks remains profitable, its margin structure exposes it to greater operational risk compared to franchise-based competitors.

Return on Assets (ROA) analysis reinforces these findings. Yum! Brands achieves the highest ROA at **22.7%**, indicating highly efficient use of its asset base to generate profits. McDonald's ROA of **12.3%** remains strong, while Starbucks' ROA of **11.4%** suggests lower asset efficiency due to higher capital investment in physical stores. According to Gitman and Zutter (2021), high ROA values are often associated with asset-light business models, which is clearly reflected in the results.

Section Summary:

The profitability analysis confirms that franchise-based business models deliver superior profit margins and stronger asset efficiency within the QSR industry. McDonald's and Yum! Brands consistently outperform Starbucks on key profitability measures, reflecting the financial advantages of franchising. These advantages arise mainly from lower capital intensity, as franchised operations require significantly less

investment in fixed assets compared to company-owned stores. In addition, cost-sharing arrangements with franchisees reduce operating expenses and financial risk, allowing franchisors to generate higher returns from a relatively smaller asset base. In contrast, Starbucks' greater reliance on company-owned outlets increases its cost structure and limits profitability, resulting in comparatively weaker performance despite its strong brand position.

4.4 Liquidity and Short-Term Financial Stability

Liquidity ratios provide important insight into a firm's ability to meet short-term obligations and manage working capital effectively. They reflect the extent to which a company can cover its current liabilities using liquid assets without disrupting ongoing operations. McDonald's demonstrates a particularly strong liquidity position, with a current ratio of **2.60** and a quick ratio of **2.47**. These figures indicate that McDonald's holds more than sufficient current and near-liquid assets to meet its short-term liabilities comfortably. Such a conservative liquidity stance reduces short-term financial risk and enhances the firm's resilience during periods of economic uncertainty, volatility in consumer demand, or temporary disruptions in cash flows (Atrill and McLaney, 2022). This approach is consistent with McDonald's broader risk management strategy, providing financial flexibility to support ongoing operations, investment opportunities, and shareholder commitments.

In contrast, Yum! Brands reports both a current ratio and a quick ratio of **0.97**, which fall slightly below the traditional benchmark of **1.0**. While this may initially suggest potential liquidity pressure, it should be interpreted within the context of the company's business model and cash flow characteristics. Existing research suggests that lower liquidity ratios are not necessarily problematic for firms that benefit from predictable and stable cash inflows, particularly those operating under a franchised structure with recurring royalty and fee income (Johnson and Lee, 2022). For Yum! Brands, maintaining relatively lower liquidity may reflect efficient working capital management, as excess liquid assets can be costly and generate limited returns. This strategy indicates a deliberate balance between liquidity risk and profitability, rather than an indication of financial weakness.

Starbucks records the lowest liquidity ratios among the selected firms, with a current ratio of **0.77** and a quick ratio of **0.54**. These figures suggest a greater reliance on short-term financing, inventory turnover, and continuous cash inflows to meet short-term obligations. Such a liquidity position may expose the firm to higher short-term risk, particularly during periods of economic downturn, supply chain disruption, or unexpected declines in consumer spending. However, Starbucks' strong brand reputation, global scale, and historically consistent operating cash flows may partially mitigate this risk. Previous studies note that large multinational restaurant firms often operate with lower liquidity levels as part of a strategic effort to maximise returns on invested capital and avoid holding excess idle resources (Khan and Rahman, 2022). Nonetheless, this approach increases sensitivity to adverse market conditions, highlighting the importance of effective cash flow management in sustaining Starbucks' financial stability.

Section Summary:

The liquidity analysis reveals that McDonald's maintains a conservative and highly secure liquidity position, as reflected in its strong current and quick ratios. This indicates a cautious approach to working capital management, with sufficient liquid assets available to meet short-term obligations. In contrast, Yum! Brands and Starbucks adopt more aggressive working capital strategies, operating with lower liquidity ratios. Their approach relies heavily on stable and predictable cash flows generated from ongoing operations rather than holding excess liquid assets. While this strategy can improve efficiency and reduce idle resources, it also exposes these firms to greater short-term liquidity risk compared to McDonald's more conservative approach.

4.5 Efficiency and Asset Utilisation

Efficiency ratios assess how effectively firms utilise their asset base to generate revenue, providing insight into operational efficiency and underlying business models (Atrill & McLaney, 2020). Starbucks and Yum! Brands exhibit high asset turnover ratios of **1.16** and **1.17**, respectively, indicating that each dollar invested in assets generates more than one dollar of revenue. This suggests strong revenue-generating capacity and efficient asset utilisation within their operating structures (Brigham & Ehrhardt,

2019). In the case of Starbucks, the high asset turnover reflects a strategic focus on maximising sales volume per store, supported by high customer traffic and a predominantly company-owned store network, despite the relatively high level of asset ownership (Starbucks Corporation, 2024).

Yum! Brands also demonstrates strong asset utilisation, largely driven by its franchise-led business model, which allows the company to generate substantial revenue without maintaining a large asset base on its balance sheet. This contributes to a high asset turnover ratio and reflects effective revenue generation relative to reported assets (Atrill & McLaney, 2020).

In contrast, McDonald's asset turnover ratio of **0.46** is notably lower when compared to its peers. However, this should not be interpreted as operational inefficiency. McDonald's extensive franchising strategy significantly affects the structure of its financial statements, as revenue is generated primarily through franchise royalties, rental income, and service fees rather than direct restaurant sales. As noted by Brigham and Ehrhardt (2019), lower asset turnover ratios are acceptable and expected in business models where high profitability offsets lower revenue relative to assets. This is evident in McDonald's strong profit margins, demonstrating that overall financial performance remains robust despite a lower asset turnover ratio (McDonald's Corporation, 2024).

Section Summary:

The efficiency analysis demonstrates that asset-heavy firms tend to achieve high asset turnover through volume-driven strategies, where revenue growth is generated by maximising sales across a large base of company-owned assets. This approach is evident in firms that prioritise store-level sales intensity and high customer throughput to improve asset utilisation. In contrast, franchised firms rely more heavily on margin-based efficiency, generating returns through royalties, rental income, and franchise fees rather than direct sales volume. While this results in lower asset turnover ratios, it is often accompanied by higher profit margins and lower operational risk. Both approaches can support strong financial performance when they are aligned with an appropriate business model, cost structure, and strategic focus, highlighting that

efficiency should be evaluated in the context of overall profitability rather than in isolation.

4.6 Integrated Financial Health Evaluation

When profitability, liquidity, and efficiency ratios are considered collectively, McDonald's emerges as the most financially balanced firm among the selected companies. The company demonstrates a strong ability to generate high levels of profitability while simultaneously maintaining a conservative liquidity position and stable efficiency ratios. This combination indicates a low level of financial risk and reflects a robust financial structure capable of supporting long-term sustainability. McDonald's franchising model allows it to benefit from predictable income streams, high margins, and reduced capital requirements, while its strong liquidity position provides a buffer against short-term economic shocks or fluctuations in operating conditions.

Yum! Brands, by comparison, exhibits exceptional profitability and asset efficiency, reflecting the financial strengths of its highly franchised business model. High returns are achieved through effective cost control and strong revenue generation relative to its asset base. However, these strengths are accompanied by tighter liquidity ratios, suggesting a more aggressive working capital strategy. While this approach can enhance returns by minimising idle resources, it also exposes the firm to higher short-term financial risk, particularly during periods of economic uncertainty or disruption. As such, Yum! Brands' financial profile reflects a deliberate trade-off between risk and return.

Starbucks presents a contrasting financial profile. The company demonstrates strong operational efficiency, as evidenced by its high asset turnover, which reflects its focus on maximising sales volume through a predominantly company-owned store model. However, this asset-intensive strategy places pressure on profitability and liquidity. Lower profit margins indicate higher operating and fixed costs, while weaker liquidity ratios suggest a reduced capacity to absorb short-term financial shocks. Despite its strong brand equity and global presence, these factors highlight structural challenges within Starbucks' business model that may affect its financial resilience.

Overall, these findings support the argument that financial health should be assessed holistically rather than through isolated metrics (Gitman and Zutter, 2021). Evaluating profitability, liquidity, and efficiency together provides a more comprehensive understanding of financial performance and risk. The results also reinforce strategic management theory, which emphasises that business model selection plays a critical role in shaping financial outcomes and long-term competitiveness (Hitt, Ireland and Hoskisson, 2020). Firms that align their financial strategies with an appropriate business model are better positioned to achieve sustainable performance in highly competitive industries such as the quick service restaurant sector.

4.7 Chapter Summary

This chapter analysed the financial health of McDonald's, Yum! Brands, and Starbucks using key profitability, liquidity, and efficiency ratios. The analysis provided a comparative assessment of financial performance across the selected firms, allowing for meaningful evaluation of how different business models influence financial outcomes. The findings demonstrate that franchise-based firms consistently outperform asset-intensive competitors in terms of profitability and asset efficiency, reflecting the benefits of lower capital requirements, cost-sharing arrangements, and more stable income streams. In contrast, liquidity positions vary across firms, largely due to differences in working capital management strategies and risk tolerance.

Overall, the results provide strong empirical support for the research objectives and confirm the relevance of financial ratio analysis as a tool for evaluating corporate performance within the QSR industry. The chapter also highlights the importance of business model design in shaping financial performance, reinforcing the view that strategic structural choices play a critical role in determining profitability, efficiency, and financial resilience in highly competitive markets.

Chapter Five: Conclusion and Recommendations

5.1 Introduction

This final chapter presents the overall conclusions of the study and provides both practical and theoretical recommendations derived from the research findings. It begins by revisiting the original research aim and objectives, evaluating the extent to which they have been achieved, and summarising the key insights generated from the financial ratio analysis of McDonald's, Yum! Brands, and Starbucks. By drawing together the results from the profitability, liquidity, and efficiency analyses, the chapter offers a consolidated view of the financial performance and comparative strengths of the selected firms within the quick-service restaurant (QSR) industry.

The chapter then discusses the broader implications of these findings for key stakeholders, including managers, investors, and policymakers. From a managerial perspective, the results highlight the strategic importance of business model design, working capital management, and risk tolerance in shaping financial outcomes. For investors, the findings provide valuable insights into the financial stability, performance consistency, and risk profiles associated with different operating models within the QSR sector. In addition, the analysis offers policymakers and industry regulators an improved understanding of how structural and strategic choices influence financial resilience in a highly competitive global industry.

Finally, the chapter acknowledges the limitations of the study, including data constraints and methodological considerations, and reflects on how these limitations may affect the interpretation of the results. Based on these limitations, the chapter offers clear and relevant recommendations for future research, suggesting avenues for extending the analysis through alternative financial measures, longer time horizons, or broader industry comparisons. Overall, this chapter serves to synthesise the study's findings and demonstrate their relevance to both academic research and practical decision-making within the QSR industry.

5.2 Conclusion

The primary aim of this study was to evaluate the financial health of selected global quick-service restaurant companies, namely McDonald's, Yum! Brands (KFC), and Starbucks, using key profitability, liquidity, and efficiency ratios. This aim was achieved through a comparative quantitative analysis of audited financial data for the 2022 financial year, allowing for a consistent and objective assessment of financial performance across firms operating within the same industry. By applying standardised financial ratios, the study was able to identify meaningful differences in performance, risk profiles, and financial resilience among the selected companies.

The findings demonstrate that financial performance within the QSR industry is strongly influenced by business model choice and capital structure. McDonald's emerged as the most financially balanced firm, combining high levels of profitability with a conservative liquidity position and stable efficiency. Its net profit margin of **26.6%** reflects strong cost control and the ability to generate substantial returns from its operations, while a current ratio of **2.60** indicates a robust capacity to meet short-term obligations. Together, these results highlight the effectiveness of McDonald's franchise-based model in minimising operating risk, reducing capital intensity, and generating stable and predictable income streams. The company's financial profile suggests a strong level of resilience, positioning it well to withstand economic uncertainty and industry volatility.

Yum! Brands also demonstrated strong overall financial health, particularly in terms of profitability and asset utilisation. The company recorded the highest return on assets at **22.7%**, indicating exceptionally efficient use of its asset base to generate earnings. This performance reflects the benefits of a highly franchised business structure, which allows Yum! Brands to earn significant returns while maintaining a relatively lean balance sheet. However, its liquidity ratios remained below the conventional benchmark of **1.0**, suggesting a more aggressive approach to working capital management. While this strategy increases exposure to short-term liquidity risk, the firm's stable and recurring franchise-related cash flows appear to offset this risk to a significant extent. As a result, Yum! Brands' financial strategy reflects a deliberate trade-off between risk and return rather than a sign of financial weakness.

In contrast, Starbucks exhibited comparatively weaker performance in terms of profitability and liquidity. The company's net profit margin of **9.9%** indicates tighter margins, likely driven by higher operating costs associated with its predominantly company-owned store model. In addition, a current ratio of **0.77** suggests limited short-term liquidity, increasing reliance on continuous cash inflows and short-term financing to meet obligations. Although Starbucks demonstrated strong asset turnover, indicating effective use of assets to generate revenue, its asset-intensive operating structure exposes the firm to greater financial pressure during periods of cost inflation, wage increases, or economic downturns. This finding supports existing literature which suggests that company-owned restaurant models tend to carry higher financial risk compared to franchised models, particularly in uncertain economic conditions.

Overall, the study concludes that franchise-based QSR firms generally outperform asset-intensive competitors in terms of profitability, liquidity strength, and overall financial stability. The findings provide strong empirical support for financial management theory, which emphasises the advantages of asset-light strategies in reducing operating risk, improving return on assets, and enhancing shareholder value. By demonstrating how business model design directly influences financial outcomes, this study contributes to a deeper understanding of financial performance drivers within the global QSR industry and reinforces the strategic importance of aligning operational structure with long-term financial objectives.

5.3 Managerial Implications

The findings of this study provide several important implications for managers operating within the quick-service restaurant (QSR) industry. First, the consistently superior financial performance of franchise-based firms highlights franchising as an effective strategic mechanism for improving profitability while simultaneously reducing capital requirements. By shifting a significant portion of operating costs, capital investment, and day-to-day operational risk to franchise partners, firms are able to achieve higher margins and more stable income streams. Managers of asset-intensive firms, such as Starbucks, may therefore consider selectively expanding franchised outlets in suitable markets as a means of enhancing financial flexibility, lowering fixed costs, and reducing exposure to rising labour, rental, and energy costs. Such a hybrid

approach could allow firms to retain operational control in key locations while benefiting from the financial advantages of franchising elsewhere.

Second, liquidity management emerges as a critical area of managerial focus. While the findings suggest that low liquidity ratios may be sustainable for firms with predictable and recurring cash flows, excessive reliance on short-term liabilities increases vulnerability during periods of economic uncertainty, demand shocks, or disruptions to operating cash flows. Managers should therefore aim to strike an appropriate balance between efficient working capital management and the maintenance of adequate liquidity buffers. Holding sufficient liquid assets can improve financial resilience, support ongoing operations during downturns, and provide flexibility to respond to unexpected investment or financing needs without resorting to costly external borrowing.

Third, the efficiency analysis highlights the importance of aligning asset utilisation strategies with the firm's overall business model and financial objectives. High asset turnover can contribute positively to performance, but only when it is supported by adequate profit margins. Managers should be cautious of pursuing volume-driven growth strategies that increase sales but compress margins, as this may erode long-term shareholder value. Instead, strategic investments in technology, supply chain optimisation, and process automation can help improve operational efficiency while maintaining or enhancing profitability. Improvements in data analytics, inventory management, and labour scheduling can further support better asset utilisation and cost control.

Overall, the findings emphasise that effective financial management in the QSR industry requires an integrated approach that considers profitability, liquidity, and efficiency simultaneously. Managers who align business model choices, working capital policies, and operational strategies with long-term financial objectives are more likely to achieve sustainable performance and maintain competitive advantage in an increasingly dynamic and cost-sensitive industry.

5.4 Implications for Investors and Policymakers

For investors, the findings of this study underscore the importance of evaluating corporate financial health holistically rather than relying on individual financial ratios in isolation. While single indicators such as profitability or efficiency can provide useful insights, they may present a misleading picture if not considered alongside liquidity and risk measures. The strong performance of McDonald's demonstrates how high profitability combined with a robust liquidity position signals lower financial risk and greater long-term sustainability. Such a financial profile suggests a firm that is well positioned to withstand economic volatility, maintain dividend payments, and support future growth. Investors should therefore assess how profitability, liquidity, and efficiency interact, rather than prioritising short-term returns alone.

In addition, the study highlights the need for investors to consider the influence of business model design on financial outcomes. Franchise-based models tend to generate stable and predictable cash flows, lower capital intensity, and reduced operational risk compared to asset-intensive models. As a result, firms with a high degree of franchising may offer more consistent returns and lower downside risk, particularly during periods of economic uncertainty. Investors seeking long-term value creation should incorporate an understanding of operating structure, revenue stability, and cost exposure into their investment analysis, rather than focusing solely on headline financial performance.

For policymakers, the findings emphasise the broader economic significance of the QSR industry and the important role of franchising in supporting business expansion, employment creation, and entrepreneurial activity. Franchise-based systems enable rapid market growth while allowing smaller business owners to participate in established global brands, contributing to local economic development. Regulatory frameworks that promote transparent franchising practices, fair contractual relationships, and consistent enforcement of standards can help sustain confidence among both franchisors and franchisees. In addition, stable operating environments, clear labour regulations, and predictable tax policies can further enhance the financial stability and long-term viability of the QSR sector. By supporting balanced regulation that encourages growth while protecting stakeholders, policymakers can contribute to a more resilient and sustainable industry.

5.5 Limitations of the Study

Although this study offers valuable insights into the financial performance of selected QSR firms, several limitations must be recognised. To begin with, the analysis is confined to a single financial year, which restricts the ability to observe performance patterns over time. As a result, long-term trends, seasonal effects, and economic cycles are not fully reflected in the findings, potentially limiting the assessment of financial sustainability.

In addition, the study examines only three multinational companies, which reduces the extent to which the results can be generalised to the wider QSR industry. While the selected firms are prominent market leaders, their scale, market power, and operating structures may differ significantly from smaller or emerging QSR businesses. Consequently, the findings may not be representative of the industry as a whole.

Furthermore, the reliance on financial ratio analysis means that the study is based entirely on historical accounting data. This approach does not incorporate qualitative factors such as brand equity, customer satisfaction, management quality, or strategic innovation, all of which play a crucial role in shaping long-term performance. Therefore, the analysis provides a quantitative perspective on financial health but does not capture broader strategic or operational considerations.

Finally, variations in accounting policies, reporting practices, and fiscal year-end dates across firms may affect the consistency and comparability of the financial data. Differences in revenue recognition, asset valuation, and lease accounting can influence reported ratios and potentially distort cross-firm comparisons. Although audited financial statements were used to improve reliability, these methodological differences should be taken into account when interpreting the results.

5.6 Recommendations for Future Research

Future research could build on the findings of this study in several important ways. First, conducting a longitudinal analysis over multiple financial years would provide deeper insight into long-term performance trends, financial stability, and the ability of QSR firms to withstand economic shocks such as inflationary pressures, supply chain disruptions, or global crises. A multi-year approach would allow researchers to assess

consistency in financial performance, identify cyclical patterns, and better evaluate the sustainability of different business models over time.

Second, expanding the sample to include a wider range of QSR firms would enhance the robustness and generalisability of the findings. Including additional global and regional players such as Domino's Pizza, Burger King, Subway, or Wendy's would provide a more comprehensive view of financial performance across the industry. A broader sample would also allow for segmentation analysis based on firm size, geographic reach, or degree of franchising, offering more nuanced insights into how structural differences influence financial outcomes.

Third, future studies could incorporate qualitative research methods to complement quantitative financial analysis. Interviews with senior managers, franchise operators, or industry experts could provide valuable context regarding strategic decision-making, risk management, and operational challenges. This mixed-methods approach would help explain the underlying reasons behind observed financial outcomes and offer a richer understanding of how managerial choices shape performance.

Finally, integrating environmental, social, and governance (ESG) factors into assessments of financial health represents an important avenue for future research. As sustainability concerns increasingly influence investor behaviour, regulatory frameworks, and consumer preferences, examining the relationship between ESG performance and financial outcomes could yield meaningful insights. Future studies could explore whether firms with stronger sustainability practices achieve superior long-term financial performance, reduced risk, or enhanced brand value within the restaurant industry. Together, these extensions would contribute to a more comprehensive and forward-looking understanding of financial performance and sustainability in the QSR sector.

5.7 Chapter Summary

This chapter concluded the study by synthesising the key findings derived from the financial ratio analysis and reflecting on their broader implications. It discussed how differences in profitability, liquidity, and efficiency across McDonald's, Yum! Brands, and Starbucks are closely linked to variations in business model design, capital

structure, and working capital strategies. The chapter also translated these findings into practical recommendations for managers, investors, and policymakers, highlighting how financial decision-making and strategic choices can influence long-term performance and resilience within the quick-service restaurant (QSR) industry.

The study confirms that business model choice plays a critical role in determining financial health, with franchise-based, asset-light structures demonstrating clear advantages in terms of profitability, risk reduction, and financial stability. At the same time, the findings illustrate that asset-intensive models can achieve strong operational efficiency but may face greater pressure on margins and liquidity. By evaluating financial performance holistically rather than through isolated metrics, the study provides a more balanced and meaningful assessment of corporate financial health.

Overall, this research contributes to the existing literature on financial performance analysis by offering empirical evidence from a major global industry and reinforcing the strategic importance of aligning operating models with financial objectives. The conclusions drawn provide a strong foundation for future academic research and practical exploration, particularly in relation to evolving business models, sustainability considerations, and financial resilience in an increasingly competitive and uncertain economic environment.

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