



YumChina

Company Presentation

October 2020

Cautionary Statement on Forward-Looking Statements & Non-GAAP Measures

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as “expect,” “expectation,” “believe,” “anticipate,” “may,” “could,” “intend,” “belief,” “plan,” “estimate,” “target,” “predict,” “project,” “likely,” “will,” “continue,” “should,” “forecast,” “outlook” or similar terminology. These statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable under the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct. Forward-looking statements include, without limitation, statements regarding the future strategies, business plans, investment, dividend and share repurchase plans, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, and the expected impact of the COVID-19 outbreak, the anticipated effects of our innovation, digital and delivery capabilities on growth and beliefs regarding the long-term drivers of Yum China’s business. Forward-looking statements are not guarantees of performance and are inherently subject to known and unknown risks and uncertainties that are difficult to predict and could cause our actual results or events to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or assumptions will be achieved. The forward-looking statements included in this presentation are only made as of the date of this presentation, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. Numerous factors could cause our actual results or events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: whether we are able to achieve development goals at the times and in the amounts currently anticipated, if at all, the success of our marketing campaigns and product innovation, our ability to maintain food safety and quality control systems, the changes in public health conditions, including the COVID-19 outbreak, our ability to control costs and expenses, including tax costs, as well as changes in political, economic and regulatory conditions in China. In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K, subsequent Quarterly Reports on Form 10-Q and other reports we file with SEC) for additional detail about factors that could affect our financial and other results. This presentation includes certain non-GAAP financial measures. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this presentation where indicated. You are urged to consider carefully the comparable GAAP measures and reconciliations.



Overview

Q3 2020 Business Highlights

Appendix – Financial Results





KFC:
Largest QSR brand in China⁴

Today

Largest & Leading¹
restaurant player in China

10,000+
Restaurants²

2 billion+
guest visits / year³

~400,000
Employees²

¹ In terms of system sales in 2019.

² As of September 2020.

³ In 2019.

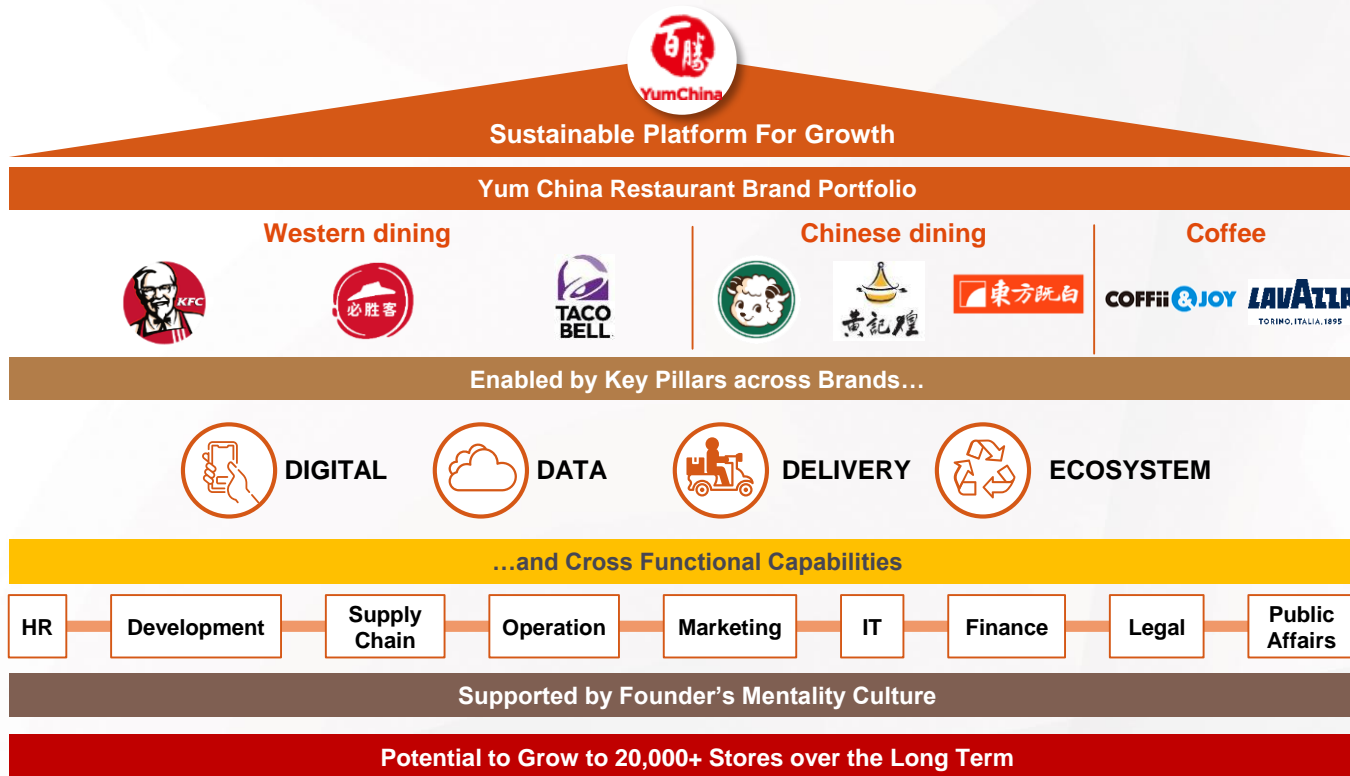
⁴ In terms of 2019 System sales according to Frost & Sullivan.
QSR refers to quick-service-restaurants.

⁵ In terms of 2019 System sales according to Frost & Sullivan.
CDR refers to casual-dining-restaurants.



Pizza Hut:
Largest CDR brand in China⁵

Powerful Platform Underpins Long-term Growth Potential



Our Vision

To become the world's
most innovative pioneer
in the restaurant industry

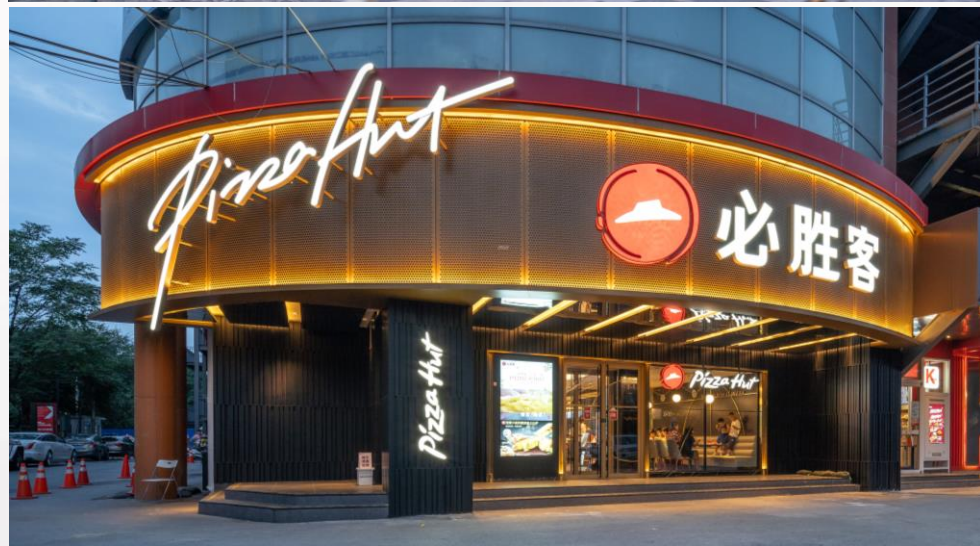




Overview

Q3 2020 Business Highlights

Appendix – Financial Results



Q3: Resilience in the Challenging Time



Resilient Performance

- Total revenue grew 1%¹
- System sales grew 1%²
- Same-store sales: **94%** of prior year²
- **99%+** of stores open
- **18.6%** restaurant margin
- US\$**556** mn Operating Profit
(US\$**781** mn YTD)



Profitable Growth

- Gross new stores: **312 (660 YTD)**
- Total stores: **10,150**
- New store cash payback periods:
 - ~2-3 years
 - ~3-5 years



Leading Digital Capabilities

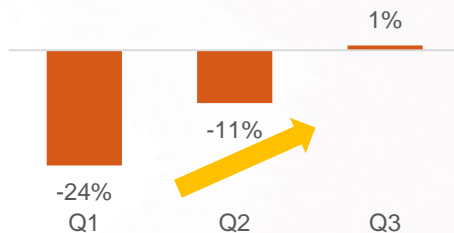
- Q3 Sales were
 - Digital payment: **97%**
 - Digital order: **~78%**
 - Delivery & takeaway: **50%+**
 - From Members: **~60%**
- Members: **285+** million
 - Privileges sold: 19 million in Q3
(45 million cumulative)

¹ Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.

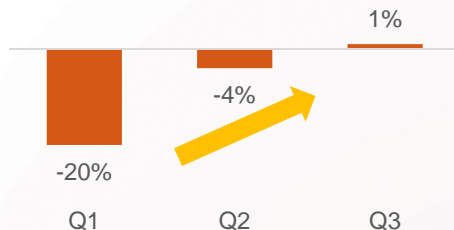
² Both stated in constant currency basis. System sales includes the consolidation of Huang Ji Huang from April 2020.

Re-establishing Momentum

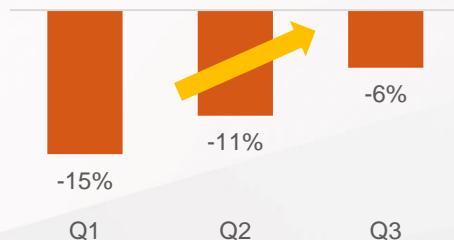
Total revenue growth¹ (%)



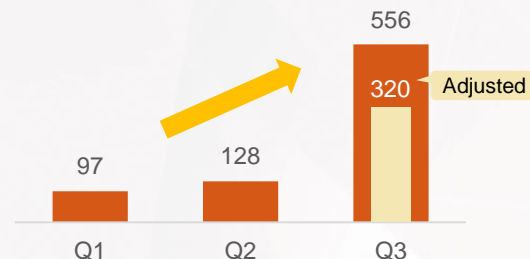
System sales growth² (%)



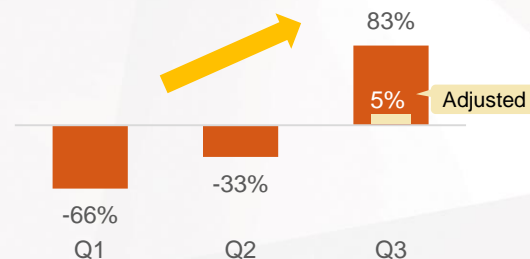
Same-store sales growth² (%)



Operating Profit (US\$mn)



Operating Profit growth² (%)



Q3 included gain from re-measurement of equity interest upon Suzhou KFC acquisition

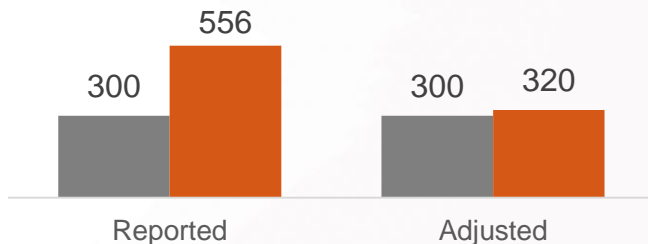
¹ Stated in reported currency, ² Stated in constant currency basis.
Note: Include the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.

Operating Profit Growth

Operating Profit (US\$ mn)

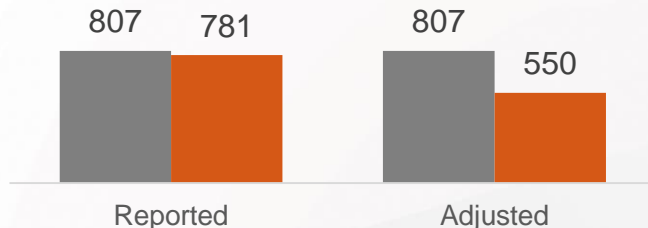
■ 2019 ■ 2020

Q3



YoY	+86%	+7%
YoY ex F/X	+83%	+5%

YTD



YoY	-3%	-32%
YoY ex F/X	-2%	-31%

Key Factors for Q3 Year-Over-Year Growth



- Re-measurement of previously held interest in Suzhou KFC
- Labor productivity improvement
- Cost structure realignment
- One-time relief provided by landlords and government agencies

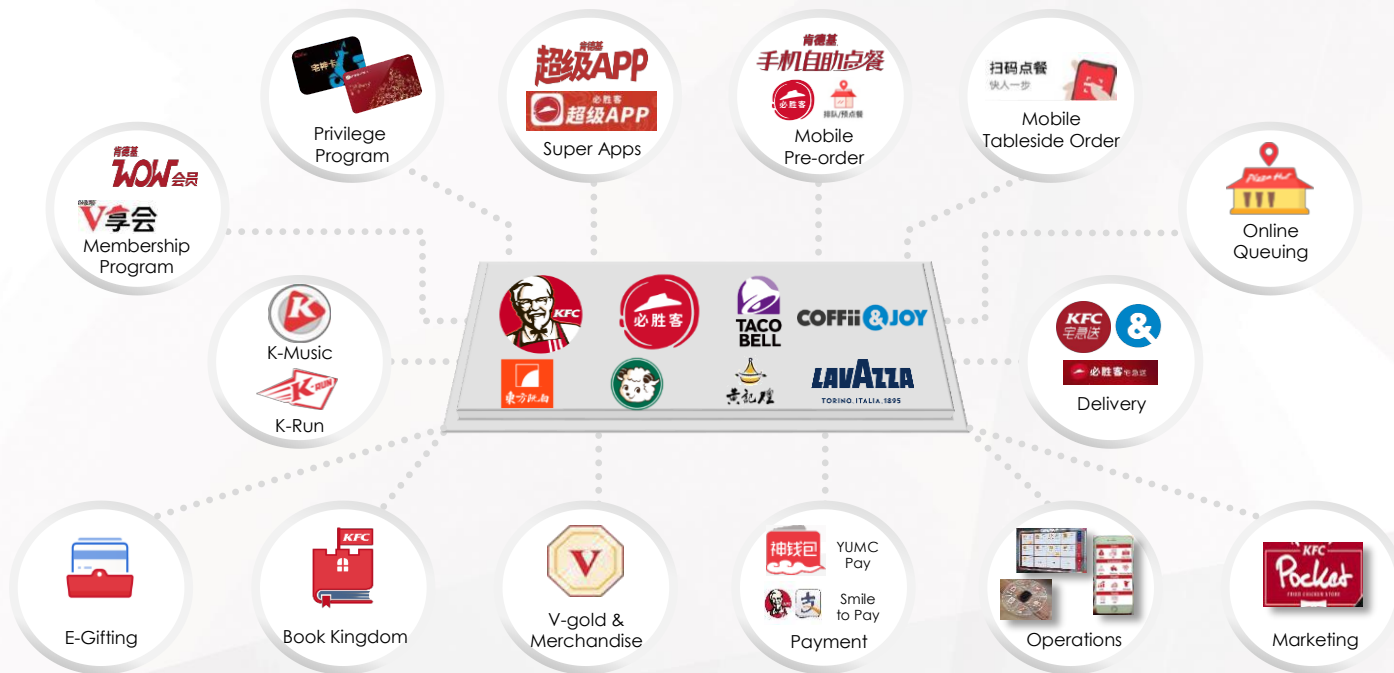


- Sales deleverage impact from same-store sales decline
- Higher promotion costs
- Wage inflation

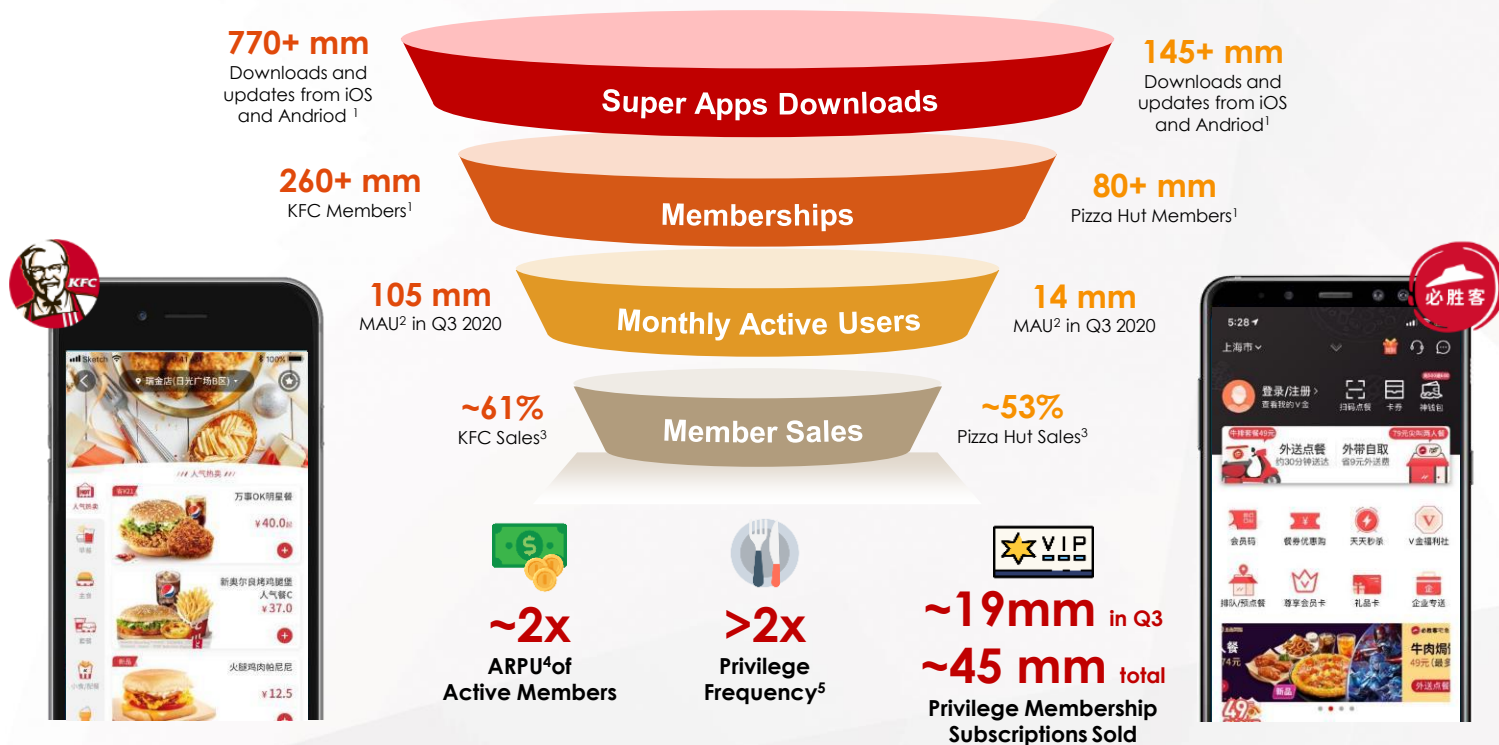
Powerful Digital Ecosystem

Improves
engagement with
customers

Improves
efficiency



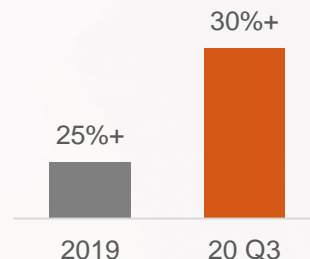
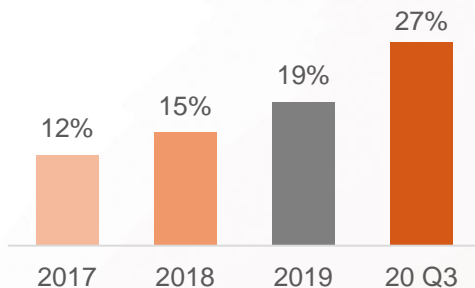
Super Apps and Membership Programs Drive Frequency and Spend



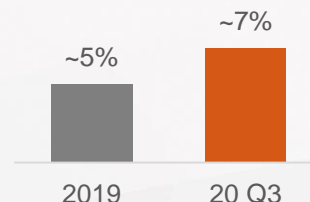
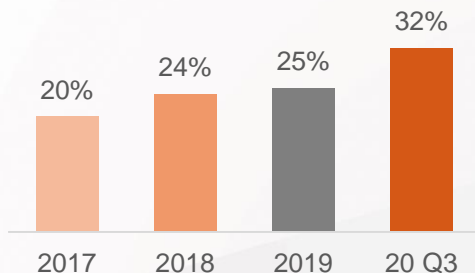
¹ Accumulative up to September 30, 2020. ² MAU refers to the monthly active users of the KFC Super App, Pizza Hut Super App, as well as the miniprograms embedded in third party applications. ³ Q3 2020.

⁴ Compare ARPU (annual spending per active member) in Q3 2020 and 2016. ⁵ After subscription vs. before subscription for privilege members.

Delivery and Takeaway are Key Growth Drivers

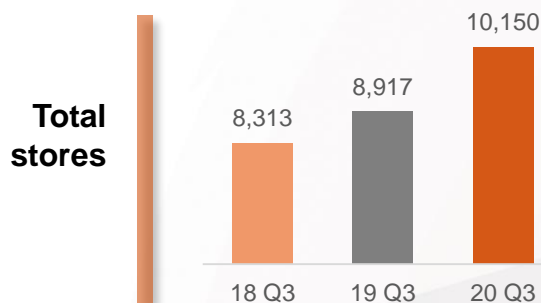
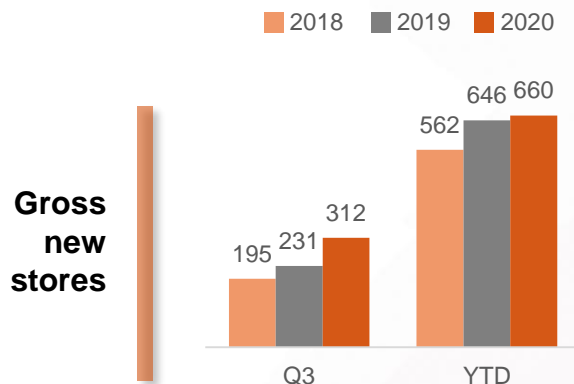


55%+ in Q3 2020



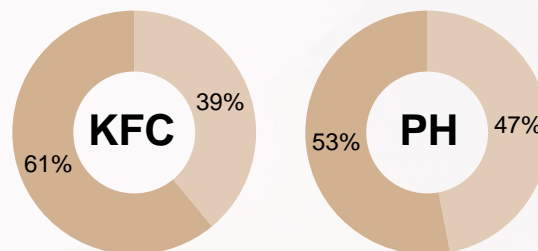
~40% in Q3 2020

New Store Growth with Attractive Paybacks

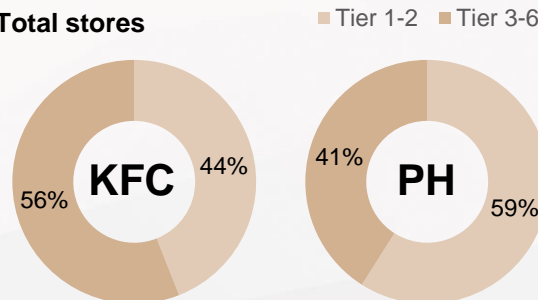


Lower Tier Penetration

YTD new stores



Total stores



New Unit Payback¹

	Tier 1-2	Tier 3-6
KFC	~2-3 yrs	~2 yrs
Pizza Hut	~4-5 yrs	~3-4 yrs

Note: Included Huang Ji Huang stores from April 2020

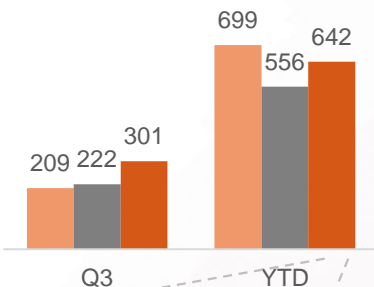
¹ Refers to Average Pre-tax Cash Payback Period; Includes units opened from July 2018 to June 2019, after deduction of 3% license fee.

Expand with Multiple Brands and Store Formats

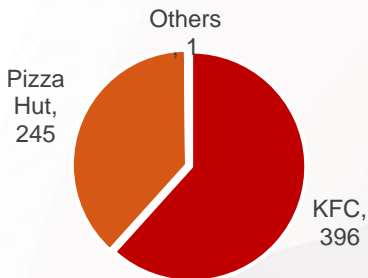


Remodeling Keeps Brands Refreshing

2018 2019 2020



2020 YTD remodel



Remodeled stores

Always Something New



KFC: Resilient Business Model and Solid Execution



Q3 2020 Highlights



System sales **-1%**¹

Same-store sales **-6%**¹

↳ Transactions **-10%**

↳ Average ticket **+4%**



Restaurant
margin

19.4%

-0.7 ppt y/y



227
Gross new
stores

179 remodels



Operating profit of
US\$286 million²



Menu innovation
Value promotions
Digital campaigns



~83% Digital orders
+17ppts y/y

~27% Delivery sales
+8ppts y/y



Members: **260+** million
Member sales: **~61%**

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs and re-measurement gain from Suzhou KFC acquisition

Tasty Food, Great Fun and Compelling Value Proposition



Innovative Products



Durian Chicken Burger / Double Burger

Value for Money



Extended Crazy Thursday
to Wednesday and Friday

Diversified Occasions



Spicy Crayfish for Late Night Delivery
Limited offer in 10 cities

Exciting Cross-over

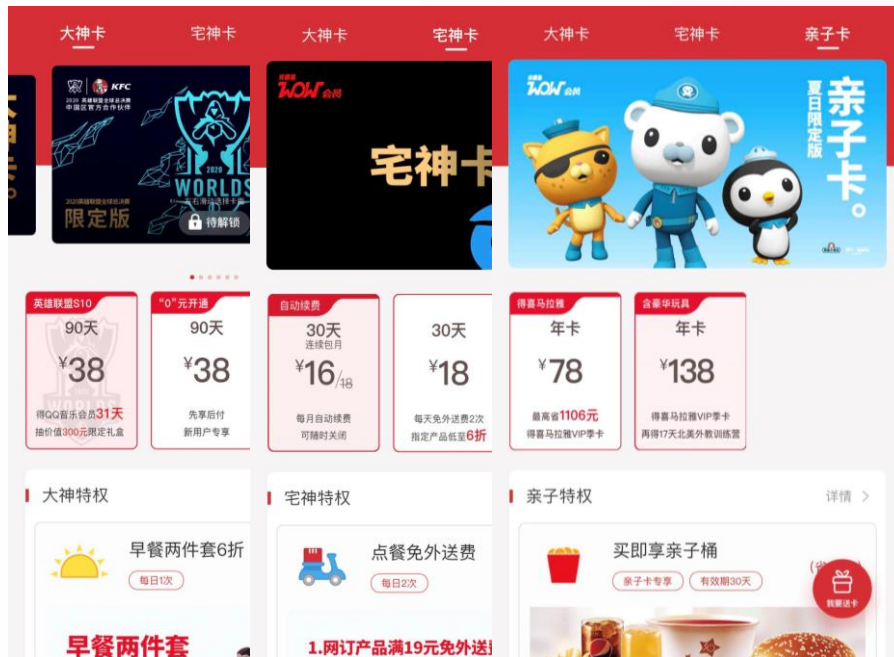


Cross-over with Karl Lagerfeld



Digital Campaigns Drive Member Spending

Various Privilege Programs Serve Different Needs



17mn privilege membership sold in Q3 (39mn cumulative)

Drive repeat purchases

Cross sell dayparts and categories

Successful LTO in Q3



¥8.8 for 2 weeks

40% discount for any one item

Free items with spending >RMB 39 / 59

Frequency 3x during subscription period

1 Super Privilege

2 Delivery Privilege

3 Family Privilege

4 Chicken Lovers

Pizza Hut: Operating Profit Grew 59%¹

Q3 2020 Highlights

System sales **-6%**¹

Same-store sales **-7%**¹

- └ Transactions **-5%**
- └ Average ticket **-1%**



Restaurant margin
16.7%
+5.3 ppt y/y



37 Gross new stores
122 remodels



Operating profit of
US\$61 million²
+ 59% y/y¹



Menu innovation with LTO
Attractive value campaign
Enhanced privilege programs



~65% Digital orders
+34 ppts y/y
~32% Delivery sales
+7 ppts y/y



Members: **80+** million
Member sales: **~53%**

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



Pizza Hut Continued to Enhance its Food and Value

Pizza LTO



Chinese-style braised (Dongpo) Beef and Pizza

Dessert Innovation



Salted Egg Yolk Volcano Cake

Abundant Value



Buffet – 5 Days Only
RMB 158 for members; Reserve Online

Regional Launch



Wuhan-style Hot Dry Noodles with Crayfish



Enhanced Digital Experience Drives Traffic

Various Privilege Programs Targeting Different Occasions

尊享卡专属特权

送优惠月卡

尊享卡季卡 ¥38 最多省6949

送喜馬拉雅月卡

尊享卡季卡 ¥38 最多省6955

手机外带专享

升级版 · 一人食饭卡 专属套餐9元起

专属特权

- 堂食外带
- 主食5折享 (每天1次)
- 外带咖啡5折 (每天1次)
- 免外送 (每天1)
- 早餐套餐减5元 (每天2次)
- 一人食套餐减10元 (每天3次)

宅享卡专属特权

周回专享

宅享卡月卡 ¥0.1 最多省28.9

宅享卡月卡 ¥18 最多省743

专属特权

- 免外送费 (免外3次)

牛人卡专属特权

牛人卡季卡 ¥49 最多省498

专属特权

- 牛排半价 (每周1次)

亲享卡专属特权

开卡送儿童餐

亲享卡年卡 ¥98 最多省3900

喜馬拉雅

亲享卡年卡 ¥98 最多省3900

专属特权

- 主食5折享 (每周2次)
- 超级飞侠餐 (礼券1张)
- 提拉米苏 (礼券1张)
- 鸡茸蘑菇汤 (礼券1张)

2mn privileges sold in Q3 (6mn+ cumulative)

Enjoy discounts on main dish, coffee-to-go, steak, one-person meal set, free delivery, etc.

Selection of duration - monthly/quarterly/annual

1 Super Privilege

2 One-person Meal Privilege

3 Delivery Privilege

4 Steak Privilege

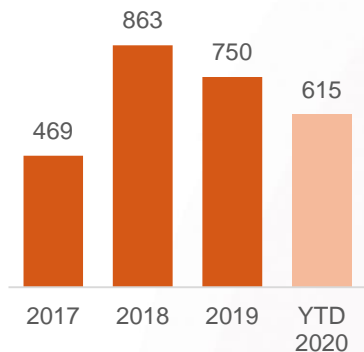
5 Family Privilege

Capital Allocation Strategy

Cash

- **US\$4.2 bn** cash and short term investment
- Include net proceeds of US\$2.2 bn from secondary listing in Hong Kong and global offering on Sept 10

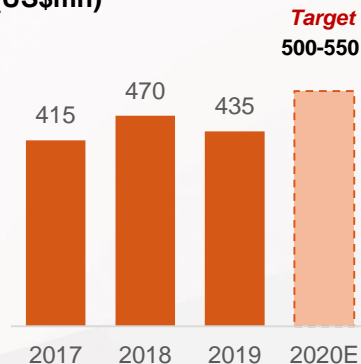
Free cash flow from operations (US\$m)



Capital Expenditure

- Store expansion and remodeling, end-to-end digitalization and supply chain

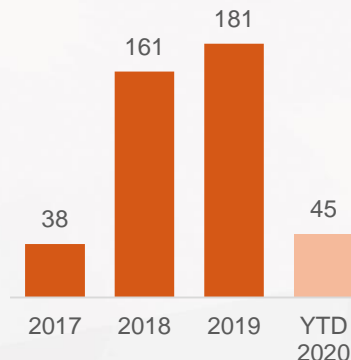
Capital expenditures (US\$m)



Cash Dividends

- **US\$426mn** (since spin-off)
- To resume cash dividends in 4Q'2020

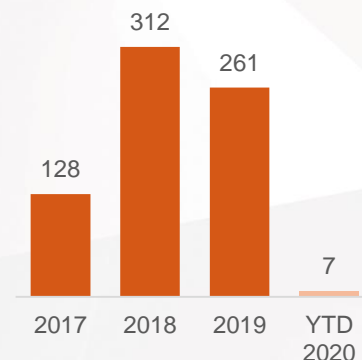
Cash dividends distributed (US\$m)



Share Repurchases

- **US\$708mn** (since spin-off)

Share repurchases (US\$m)



2020 Outlook and Strategic Priorities

2020 FINANCIAL TARGETS

- Over 900 gross new stores, including new builds of Huang Ji Huang since acquisition
- \$500-550 million Capex

STRATEGIC PRIORITIES

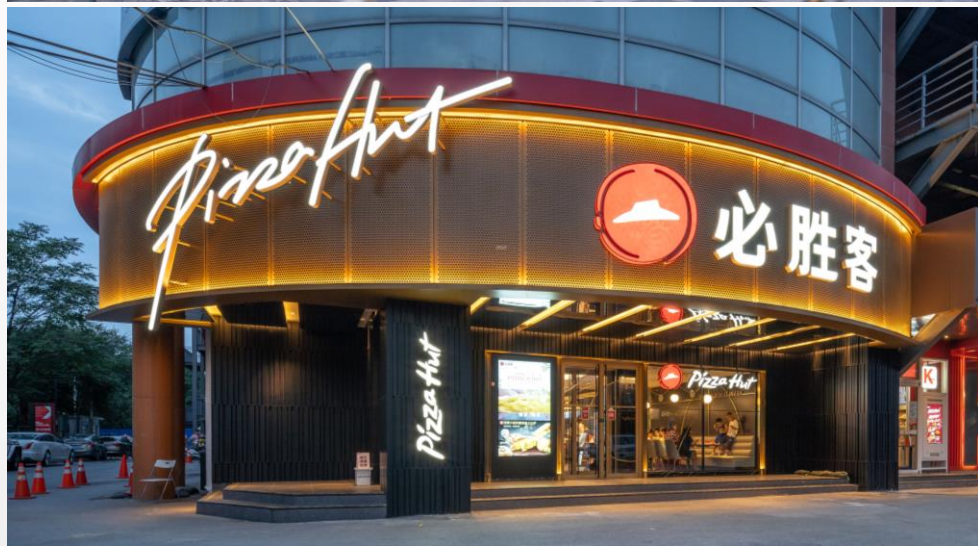
- Top priority is to safeguard the health and safety of our employees and customers
- Drive innovation across the business and adapt to evolving situations
- Leverage digital infrastructure and member base to drive frequency and ticket average
- Further capture delivery and takeaway demand
- Vigilant cost management and efficiency improvement
- Invest in key growth opportunities including new stores, digital, supply chain and technology capabilities



Overview

Q3 2020 Business Highlights

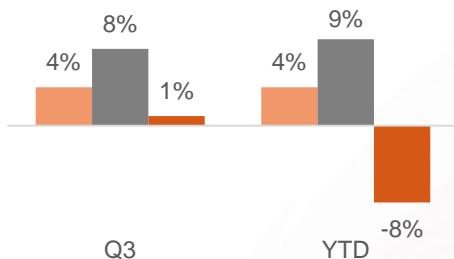
Appendix – Financial Results



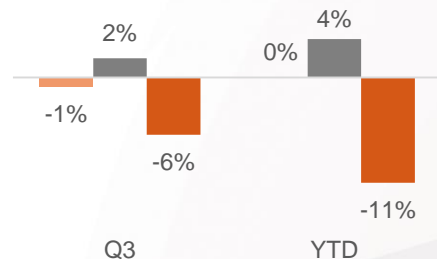
Q3 Results Improved Sequentially

Sales Growth¹

System sales growth (%)



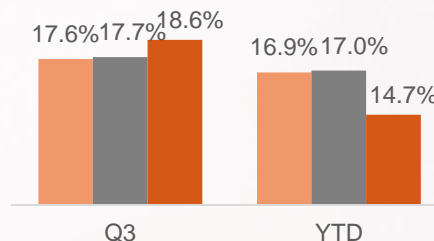
Same-store sales growth (%)



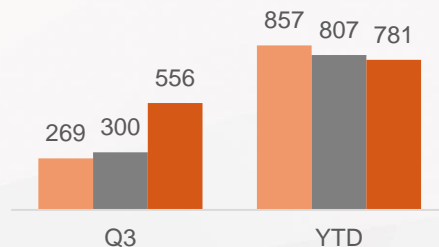
2018 2019 2020

Profit Margin

Restaurant Margin (%)

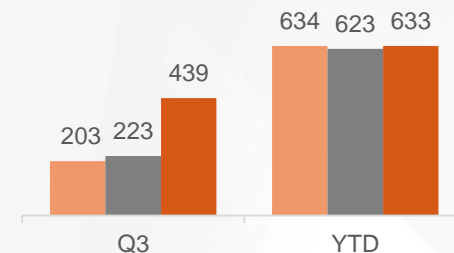


Operating Profit (OP) (US\$ mn)

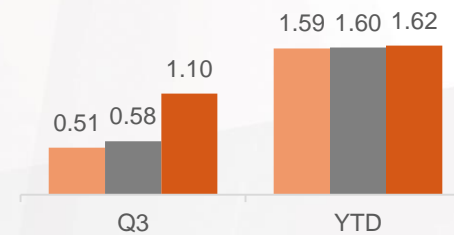


Net Income & EPS

Net Income (NI) (US\$ mn)



Diluted EPS (US\$)



Note: 2018 & 2020 OP, NI and EPS included gain from re-measurement of equity interest upon Wuxi KFC and Suzhou KFC acquisition respectively

¹ Stated in constant currency basis.

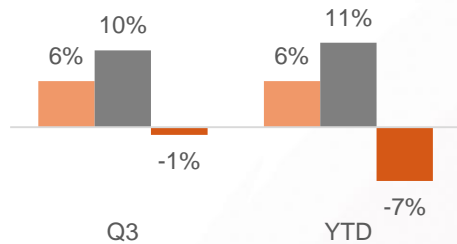
Note: Include the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.



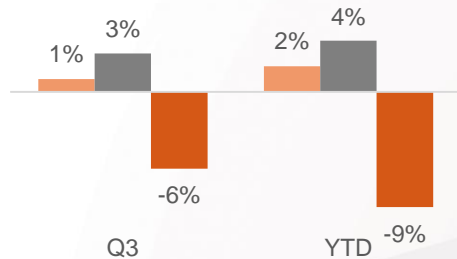
KFC Continued to Demonstrate Resilience

Sales Growth¹ (%)

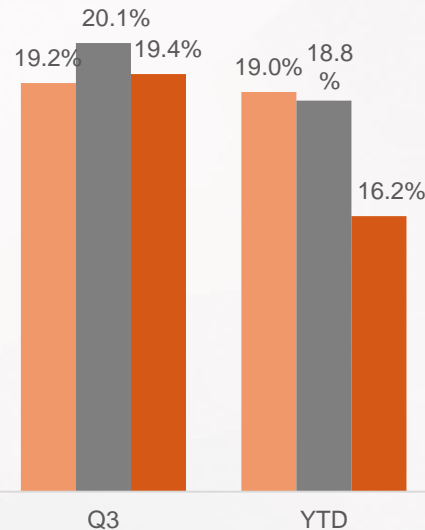
System sales growth



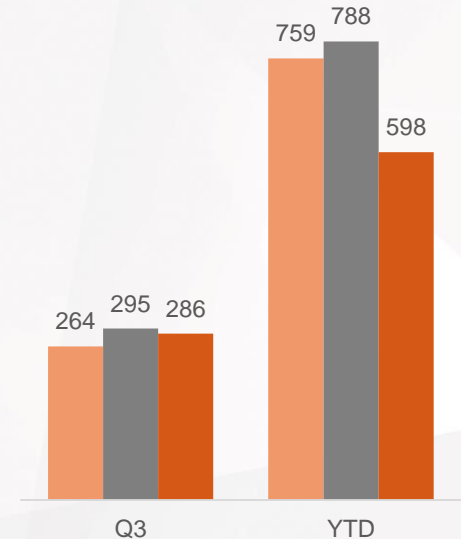
Same-store sales growth



Restaurant Margin (%)



Operating Profit² (US\$ mn)



¹ Stated in constant currency basis.

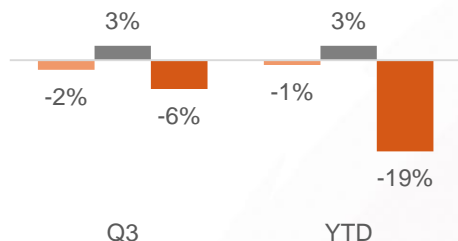
² Segment Operating Profit before unallocated shared service costs and re-measurement gain from Wuxi and Suzhou KFC acquisition

Pizza Hut: Significant Year-over-Year Improvement in Restaurant Margin

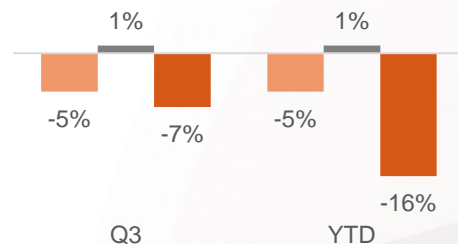


Sales Growth¹ (%)

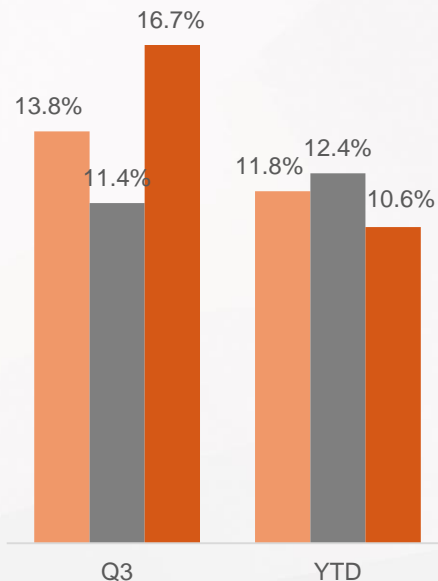
System sales growth



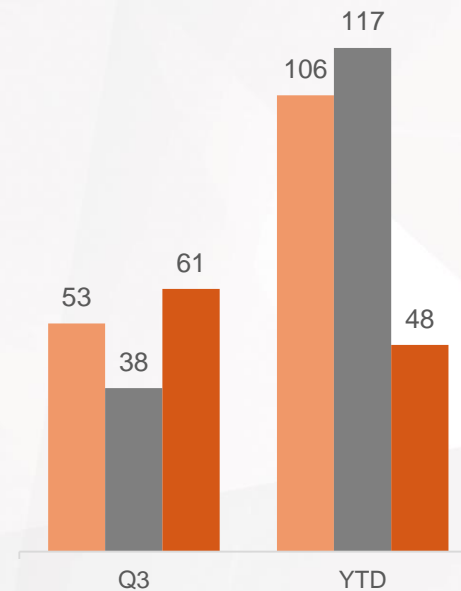
Same-store sales growth



Restaurant Margin (%)



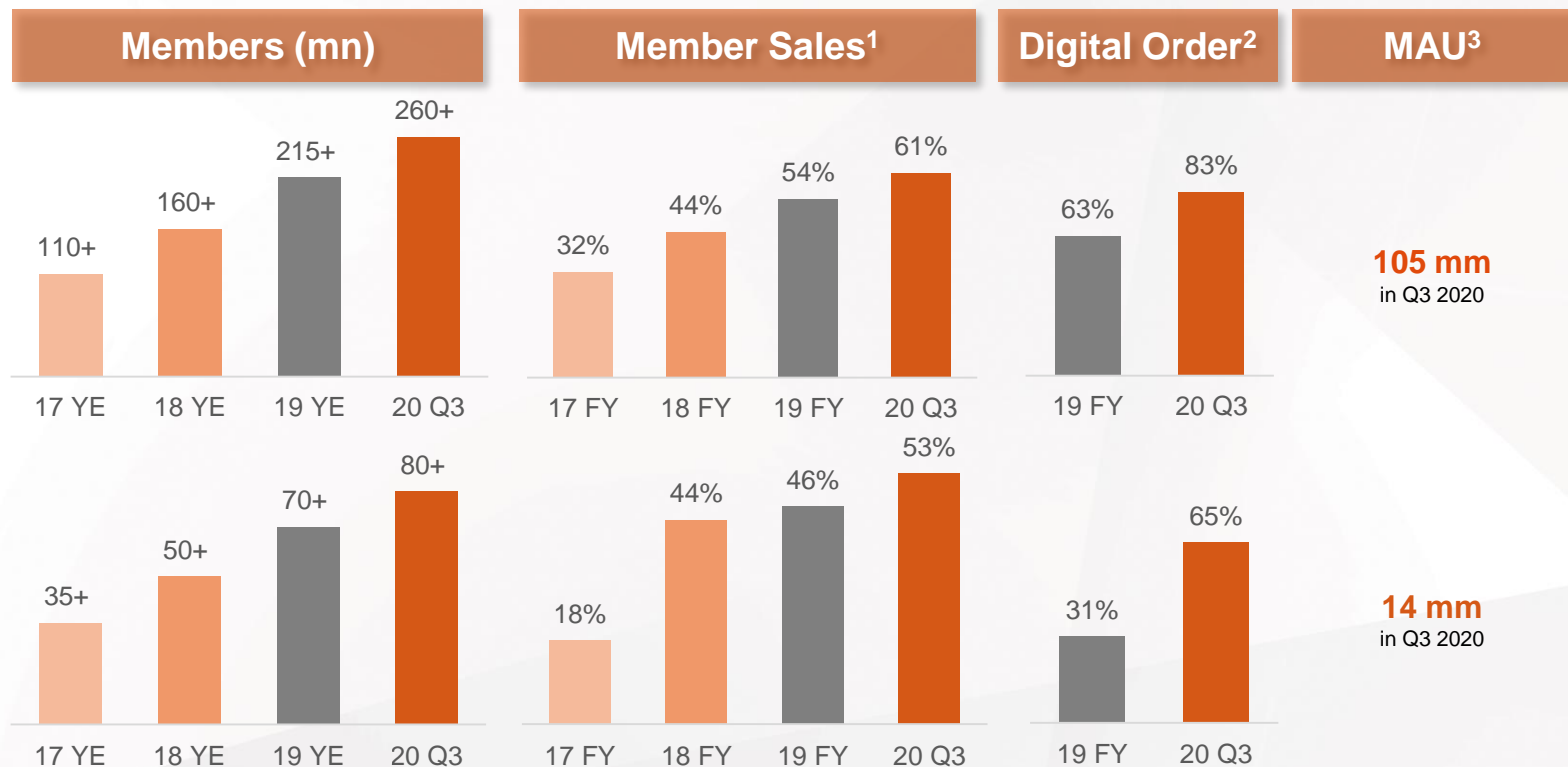
Operating Profit² (US\$ mn)



¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Growing Popularity of Membership and Digital



¹ Member sales as % of system sales

² Digital order as % of Company sales

³ MAU refers to the monthly active users of the KFC Super App, Pizza Hut Super App, as well as the mini programs embedded in third party applications.

Reconciliation of Reported Results to Non-GAAP Measures

Non-GAAP Reconciliations

Reconciliation of Operating Profit to Adjusted Operating Profit

	Quarter Ended		Year to Date Ended	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Operating Profit	\$ 556	\$ 300	\$ 781	\$ 807
Special Items, Operating Profit	236	—	231	—
Adjusted Operating Profit	\$ 320	\$ 300	\$ 550	\$ 807

Reconciliation of Net Income to Adjusted Net Income

Net Income – Yum China Holdings, Inc.	\$ 439	\$ 223	\$ 633	\$ 623
Special Items, Net Income – Yum China Holdings, Inc.	176	—	171	(8)
Adjusted Net Income – Yum China Holdings, Inc.	\$ 263	\$ 223	\$ 462	\$ 631

Reconciliation of EPS to Adjusted EPS

Basic Earnings Per Common Share	\$ 1.13	\$ 0.59	\$ 1.67	\$ 1.65
Special Items, Basic Earnings Per Common Share	0.45	—	0.46	(0.02)
Adjusted Basic Earnings Per Common Share	\$ 0.68	\$ 0.59	\$ 1.21	\$ 1.67
Diluted Earnings Per Common Share	\$ 1.10	\$ 0.58	\$ 1.62	\$ 1.60
Special Items, Diluted Earnings Per Common Share	0.44	—	0.44	(0.02)
Adjusted Diluted Earnings Per Common Share	\$ 0.66	\$ 0.58	\$ 1.18	\$ 1.62

Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate

Effective tax rate	25.6%	26.9%	26.3%	25.8%
Impact on effective tax rate as a result of Special Items	(0.1)%	—%	(0.1)%	0.9%
Adjusted effective tax rate	25.7%	26.9%	26.4%	24.9%

Details of Special Items

	Quarter Ended		Year to Date Ended	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
Gain from re-measurement of equity interest upon acquisition ⁽¹⁾	\$ 239	\$ —	\$ 239	\$ —
Share-based compensation expense for Partner PSU awards ⁽²⁾	(3)	—	(5)	—
Derecognition of indemnification assets related to Daojia ⁽³⁾	—	—	(3)	—
Special Items, Operating Profit	236	—	231	—
Tax effect on Special Items ⁽⁴⁾	(60)	—	(60)	—
Impact from the Tax Act ⁽⁵⁾	—	—	—	(8)
Special Items, net income – including noncontrolling interests	176	—	171	(8)
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income – Yum China Holdings, Inc.	\$ 176	\$ —	\$ 171	\$ (8)
Weighted-average Diluted Shares Outstanding (in millions)	400	388	391	389
Special Items, Diluted Earnings Per Common Share	\$ 0.44	\$ —	\$ 0.44	\$ (0.02)

- As a result of the acquisition of Suzhou KFC, the Company recognized a gain of \$239 million from the re-measurement of our previously held 47% equity interest at fair value, which was not allocated to any segment for performance reporting purposes.
- In February 2020, the Company granted Partner PSU Awards to select employees who were deemed critical to the Company's execution of its strategic operating plan. These PSU awards will only vest if threshold performance goals are achieved over a four-year performance period, with the payout ranging from 0% to 200% of the target number of shares subject to the PSU awards. Partner PSU Awards were granted to address increased competition for executive talent, motivate transformational performance and encourage management retention. Given the unique nature of these grants, the Compensation Committee does not intend to grant similar, special grants during the performance period. The impact from these special awards is excluded from metrics that management uses to assess the Company's performance. The Company recognized share-based compensation cost of \$3 million and \$5 million associated with the Partner PSU Awards for the quarter and year to date ended September 30, 2020, respectively.
- In the quarter ended June 30, 2020, the Company derecognized a \$3 million indemnification asset previously recorded for the Daojia acquisition as the indemnification right expired pursuant to the purchase agreement. The amount was included in Other income, net, but was not allocated to any segment for performance reporting purposes.
- The tax expense was determined based upon the nature, as well as the jurisdiction, of each Special Item at the applicable tax rate.
- We completed the evaluation of the impact on our transition tax computation based on the final regulations released by the U.S. Treasury Department and the U.S. Internal Revenue Service became effective in the first quarter of 2019, and recorded an additional tax expense of \$8 million for the transition tax accordingly.