



## Yum China and Lavazza Plan to Accelerate Expansion of Lavazza Cafés in China and Extend Partnership to Product Distribution

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**Aiming for 1,000 Lavazza cafés in China by 2025 through the existing joint venture**

SHANGHAI, Sept. 22, 2021 /PRNewswire/ -- Yum China Holdings, Inc. (the "Company" or "Yum China", NYSE: YUMC and HKEX: 9987) and Luigi Lavazza S.p.A. ("Lavazza" or "Lavazza Group") announced that they plan to accelerate the expansion of the store network of Lavazza cafés in China through the existing joint venture, aiming to open 1,000 stores by 2025. Together they will inject \$200 million initially into the joint venture to fund its future growth. In addition, the joint venture is expected to be Lavazza's exclusive distributor in mainland China to introduce more products from Lavazza's global portfolio.



In early 2020, Yum China – the largest restaurant company in China in terms of 2020 system sales, and Lavazza Group – the world-renowned family-owned Italian coffee company – formed a joint venture to explore and develop Lavazza café concept in China. The joint venture is owned by Yum China and Lavazza with a stake of 65% and 35%, respectively. The first Lavazza flagship store in Shanghai, the first store outside of Italy, opened its doors to customers in April 2020. Lavazza has since grown to over 20 stores in China across Shanghai, Hangzhou, Beijing and Guangzhou. Meanwhile, digital channels play an important role in Lavazza's initial success. Sales to Lavazza members accounted for approximately 50% of total sales for the first half of 2021.

"The recent progress of Lavazza cafés in China has been encouraging and reaffirms our belief that our partnership is well positioned to capture the significant coffee opportunity in China with accelerated store network development. We are excited about what the future holds for this iconic Italian brand," said Joey Wat, CEO of Yum China. "Leveraging Yum China's world-class supply chain, digital capabilities and in depth knowledge of Chinese consumers, we look forward to bringing Lavazza's premium and authentic Italian coffee experience and products to even more consumers in China."

"The potential for coffee in China is vast; there is a lot of unexplored white space. As the largest restaurant operator in China, Yum China is the best partner to further grow the Lavazza brand in this market given its deep understanding of local consumers and market dynamics. Likewise, we believe Lavazza is the perfect premium brand for Yum China to achieve its coffee aspirations, bringing outstanding quality products and in-depth expertise of the coffee sector, nurtured over the 126 years of our history," said Antonio Baravalle, CEO of Lavazza Group. "The strengths contributed by each partner create a solid foundation for the success of our joint venture, and we are excited to collaborate with Yum China to develop Lavazza into a leading coffee brand in China."

The next phase of Lavazza store expansion in China is to increase the density of Lavazza café network in higher tier cities with a variety of store formats for a wider range of occasions. With 22 stores as of August 31, 2021, the joint venture plans to more than double that by the end of 2021. The joint venture will further enhance capabilities to drive efficiencies, in particular in-store operation, branding and marketing efforts.

In addition, the joint venture will market, sell, and distribute Lavazza's retail products in mainland China, including coffee beans, ground coffee and coffee capsules. Leveraging Yum China's digital capabilities, operational expertise and deep China market knowledge, and Lavazza's top-quality products, the joint venture aims to further grow the Lavazza brand in China.

### Forward-Looking Statements

This press release 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," "aim," "plan,"

"estimate," "target," "predict," "project," "likely," "will," "continue," "should," "forecast," "outlook," "look forward to" 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 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 press release are only made as of the date of this press release, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. 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 and subsequent Quarterly Reports on Form 10-Q) for additional detail about factors that could affect our financial and other results.

#### **About Yum China Holdings, Inc.**

Yum China Holdings, Inc. is a licensee of Yum! Brands in mainland China. It has exclusive rights in mainland China to KFC, China's leading quick-service restaurant brand, Pizza Hut, the leading casual dining restaurant brand in China, and Taco Bell, a California-based restaurant chain serving innovative Mexican-inspired food. Yum China also owns the Little Sheep, Huang Ji Huang, East Dawning and COFFii & JOY concepts outright. In addition, Yum China has partnered with Lavazza to explore and develop the Lavazza café concept in China. The Company had 11,023 restaurants in over 1,500 cities at the end of June 2021. Yum China ranked # 363 on the Fortune 500 list and was named to TIME100 Most Influential Companies list in 2021. Yum China has been named the Industry Leader for the Restaurant & Leisure Facilities Industry in the 2020 Dow Jones Sustainability Indices. In 2021, Yum China was named to the Bloomberg Gender-Equality Index and was certified as a Top Employer 2021 in China by the Top Employers Institute, both for the third consecutive year. For more information, please visit <http://ir.yumchina.com>.

#### **About Lavazza Group**

Established in 1895 in Turin by Luigi Lavazza, the Lavazza Group is a world-renowned Italian manufacturer of coffee products. It has been owned by the Lavazza family for four generations. Among the world's most important roasters, Lavazza currently operates in more than 140 countries through subsidiaries and distributors, with 70% of revenues coming from markets outside of Italy. Lavazza employs a total of about 4,200 people with a turnover of € 2.085 billion in 2020. More information at: <http://lavazzagroup.com>.



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