



YumChina

First Quarter 2018 Results Presentation

May 2, 2018



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,” “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 business plans, earnings and performance of Yum China, anticipated effects of population and macroeconomic trends, the capital structure of Yum China, the anticipated effects of our 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, 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 “Forward-Looking Statements” in our Annual Report on Form 10-K) 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.

Agenda

- Q1 2018 Highlights
- Financial Results
- Q&A



KFC Grew from Strength to Strength; Pizza Hut Revitalization Journey Continues

YUMC Overall

- Growth in Revenues, Operating Profit and Net Income
- Accelerated rate of new builds
- Quarterly cash dividend of \$0.10 per share
- Increased ownership in Wuxi KFC from 47% to 83%

KFC

- Strong growth in sales, innovative products and well-rounded campaigns
- Double digit operating profit growth

Pizza Hut

- Bold trials and lessons learned
- Committed to the revitalization

Digital & Delivery

- Delivery drove sales growth, growing double digits
- Loyalty members increased to over 120mn and 40mn for KFC & PH



KFC Delivered Strong Performance



Q1 2018 Highlights



SSSG +5% YoY¹, System sales +9% YoY¹



Q1 2018: 144 new stores, 118 remodels
Q1 2017: 85 new stores, 84 remodels



Restaurant Margin at 20.9%, +0.1ppt YoY



Operating Profit +11% YoY¹

¹Stated in constant currency basis.



Premium Innovative Products Delighting Consumers

Jan: Crayfish Burger

KFC 小龙虾
不剥壳
虾壳

吮指十三鲜
小龙虾嫩鸡堡

吮指回味 自在滋味

KFC 餐厅和宅急送均有供应

Feb: CNY Bucket

新 避风塘热辣脆皮鸡

新 金玉旺财

新 珍宝糯米翅

比套餐总价
劲省
55元

吮指回味 自在滋味

Mar: Spicy chicken burger

热辣 藤椒嫩笋鸡腿
双层堡/卷

藤椒嫩笋鸡腿
双层堡 **¥19**

¥17 藤椒嫩笋
鸡腿卷

吮指回味 自在滋味



Well-rounded Marketing Campaign Drove Chinese New Year Sales



- Well-rounded national campaigns
- Local marketing
- Excellent in-store execution



Digital & Delivery Engines Drove Growth



Digital

120mn+ members
(+50mn YoY)

38% Members sales
(+15ppt YoY)

20% Pre-order
(+18ppt YoY)



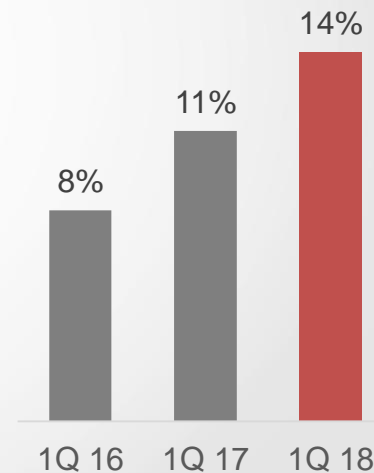
Delivery

+39%
Delivery sales YoY

3,300+ stores
(+600 YoY)

970 cities
(+260 YoY)

Delivery as % of
Company sales





Grow Dayparts and Categories

Breakfast

KFC 早餐
新年礼·满盘新意

新早餐全餐

送开工红包 价值50元 2018.01.29-02.25 限 KOW 会员

西式全餐

- 帕尼尼面包 (2个)
- 图林根风味香肠 (2根)
- 培根炒蛋
- 香脆薯饼
- 美式 (中)

DELUXE BREAKFAST

口味随心 自在随心

Coffee

真正阿比卡咖啡豆
新鲜研磨

K COFFEE

COFFEE

诚心橙意风味拿铁咖啡。
诚心橙意恭喜你。

Dessert / Kiosks

抹茶 1500自抹茶颗粒

比利时 巧克力

抹茶巧克力双旋
或 抹茶冰淇淋花筒

¥8

抹茶巧克力双旋圣代 ¥12.5
抹茶圣代

抹茶冰淇淋系列产品于2018年3月5日起在全国上市, 限量供应, 售完即止。不同城市餐厅的供应产品可能有所差异, 具体请以各城市门店公示为准。产品 ©2018 KFC 中国。



Pizza Hut Continues its Revitalization Journey



Q1 2018 Highlights



SSSG -5% YoY¹, System sales -1% YoY¹



Q1 2018: 41 new stores, 7 remodels
Q1 2017: 41 new stores, 11 remodels



Restaurant Margin at 10.5%, -9.2pt YoY



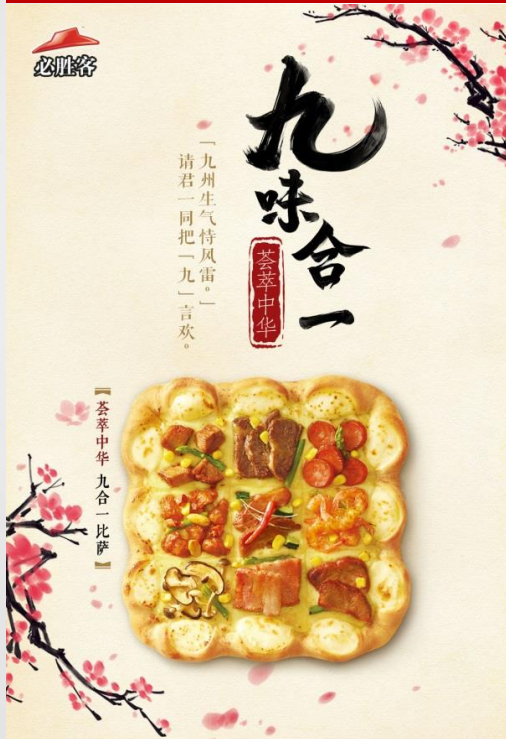
Operating Profit -61% YoY¹

¹Stated in constant currency basis.



Bold Trials on Food, More Work Needed

Jan: 9 in 1 Pizza



Feb: CNY Abalone Pizza



Mar: 4 in 1 Pizza





Digital & Delivery Working in Parallel Driving Growth

Digital

40mn+ members
(+20mn YoY)

46% Members sales
(+41ppt YoY)

9mn+ Brand App
Downloads



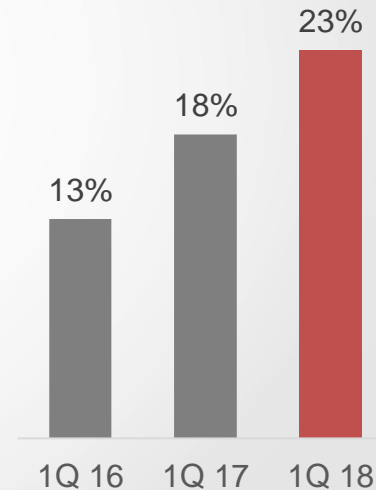
Delivery

+26%
Delivery sales YoY

2,100+ stores
(+200 YoY)

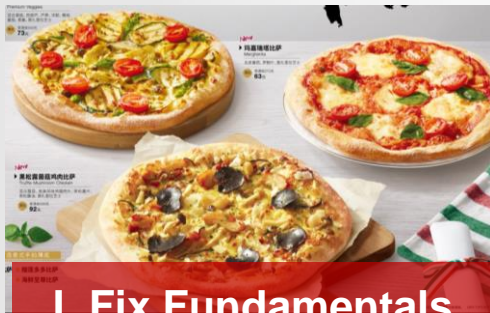
450+ cities
(+90 YoY)

Delivery as % of
Company sales



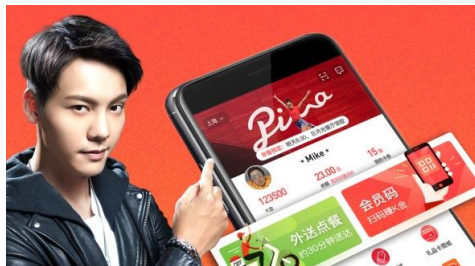


Remain Confident to Revitalize Pizza Hut



- Food taste & value for money
- Labor efficiency

I. Fix Fundamentals



- Digital user base
- Online experience

II. Enhance Digital



- Own channel
- Cost efficiency

III. Optimize Delivery



- Multiple formats
- New store design

IV. Experiment New Models

Agenda

- Q1 2018 Highlights
- Financial Results
- Q&A



2018 First Quarter Financial Highlights



Revenue

- System sales +6% YoY¹, SSSG +3% YoY¹
- Total revenue reached \$2.2bn, +6% YoY¹



Stores

- 203 new stores, total stores reached 8,112



Profit

- Restaurant margin at 17.9%, -2.5ppt YoY
- Operating Profit at \$395mn +22% YoY¹
- Adjusted Operating Profit \$297mn, -8% YoY¹
- Net Income \$288mn, +29% YoY¹
- Diluted EPS \$0.72, +25% YoY¹
- Effective tax rate 26.6%



Capital Allocation

- Dividend \$0.10/share paid in Q1 and to be paid in Q2
- Increased interest in Wuxi KFC from 47% to 83%

¹Stated in constant currency basis.

Note: Yum China's fiscal first quarter includes January to March results; Adjusted Operating Profit is non-GAAP financial measure. See the appendix for a reconciliation to the GAAP equivalent.

Double Digit Operating Profit Growth

Operating Profit (\$ mn)



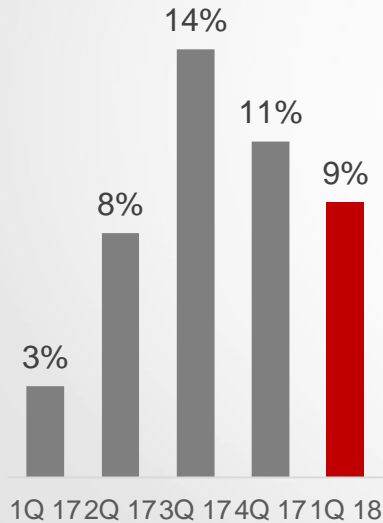
Operating Profit +22% YoY ex F/X
Adjusted Operating Profit¹ -8% YoY ex F/X

¹ Adjusted Operating Profit is non-GAAP financial measures. See the appendix for a reconciliation to the GAAP equivalent.

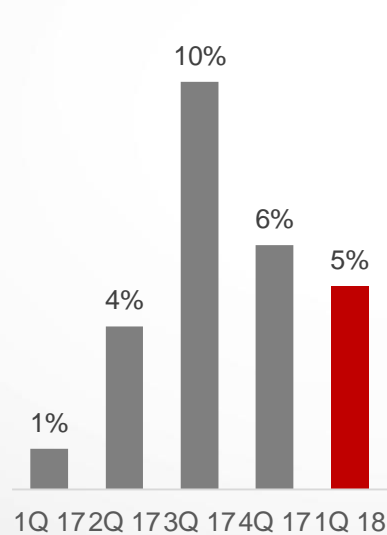


KFC Solid Performance on Key Financial Metrics

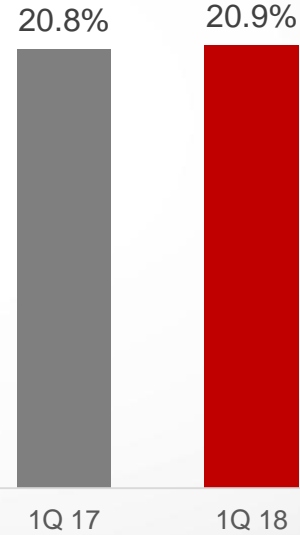
System Sales Growth (%)¹



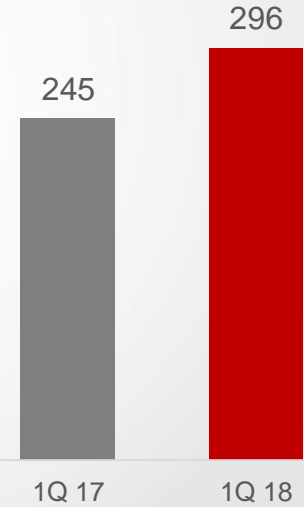
Same Store Sales Growth (%)



Restaurant Margin (%)



Operating Profit (\$ mn)²



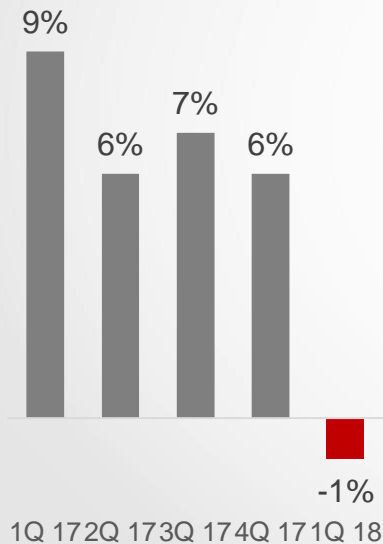
¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs

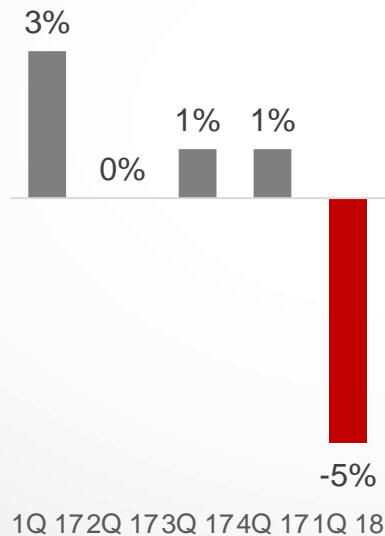


Pizza Hut Experienced A Bumpy Quarter

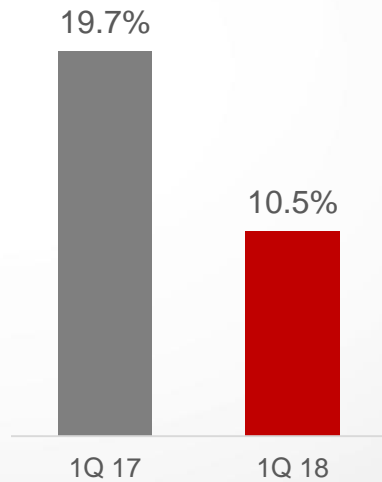
System Sales Growth (%)¹



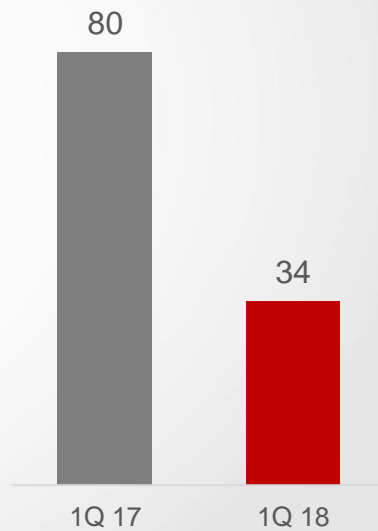
Same Store Sales Growth (%)



Restaurant Margin (%)



Operating Profit (\$mn)²

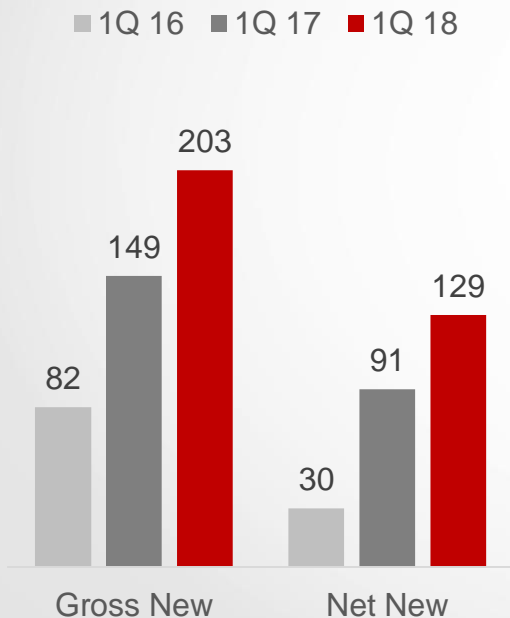


¹ Stated in constant currency basis.

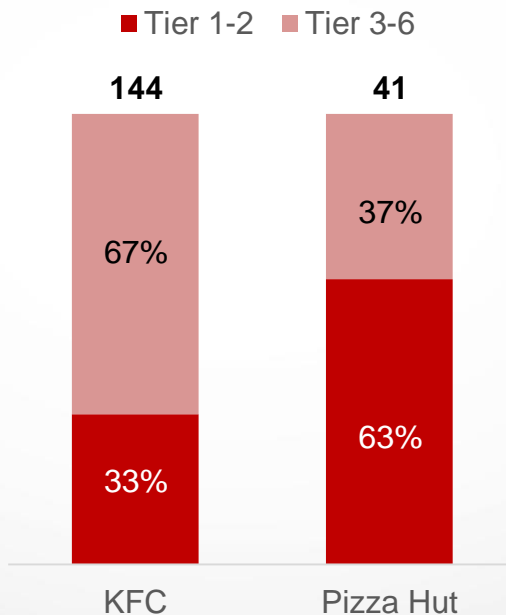
² Segment Operating Profit before unallocated shared service costs

Accelerated New Restaurant Openings

New Build



New Build Tier Mix



New Unit Return¹

	<u>Tier 1-2</u>	<u>Tier 3-6</u>
KFC	~2 yrs	~2 yrs
Pizza Hut	<3 yrs	<4 yrs

Target to open 600-650 new stores in 2018, up from 550-600

¹Refers to Average Pre-tax Cash Payback Period; Includes all units opened in 2016, after deduction of 3% license fee.

Strong Cash Position



**Net cash from
operating activities**

Q1 2018

\$551 mn



Free cash flow

Q1 2018

\$440 mn



**Cash and short-
term investments**

As of Mar 2018

\$1.59 bn

**Cash Dividend of \$0.10 per share
Acquired additional 36% interest in Wuxi KFC**

Strategic Priorities Remain Unchanged

Focus on China

Invest locally for growth



Strengthen Core Business

Improve stores, innovate menu, improve quality and value

Digital and Delivery

Invest and maintain lead

Innovation

Product categories, formats and day parts

The World's Most Innovative Pioneer in Restaurant Industry

Family Care Program for Restaurant General Managers

RGM #1 Culture

- Additional supplemental insurance coverage for family members of eligible RGMs
- Benefit around 17,000 children, spouses and parents of our RGMs
- Available from 2H 2018



餐厅经理全家福健康关怀计划

Agenda

- Q1 2018 Highlights
- Brand Performance
- Q&A



Appendix: Reconciliation of Reported Results to Non-GAAP Measures



	Quarter Ended	
	3/31/2018	3/31/2017
Detail of Special Items		
Gain from re-measurement of equity interest upon acquisition ^(b)	98	—
Special Items Income - Operating Profit	98	—
Tax Expenses on Special Items ^(c)	(24)	—
Special Items Income, net of tax – including noncontrolling interests	74	—
Special Items Income, net of tax – noncontrolling interests	—	—
Special Items Income, net of tax – Yum China Holdings, Inc.	74	—
Weighted Average Diluted Shares Outstanding	401	395
Special Items Diluted Earnings Per Common Share	0.19	—
Reconciliation of Operating Profit to Adjusted Operating Profit		
Operating Profit	395	296
Special Items Income - Operating Profit	98	—
Adjusted Operating Profit	297	296

(a) Amounts presented as of and for the quarter ended March 31 in 2017 and 2018 are unaudited.

(b) As a result of the acquisition of Wuxi KFC, the Company recognized a gain of \$98 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

(c) The tax expense was determined based upon the nature as well as the jurisdiction of each Special Item at the applicable tax rate