



YumChina

Third Quarter 2017 Results Presentation

October 5, 2017



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,” “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 and performance of Yum China, future dividends, 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 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 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

- Q3 2017 Highlights
- Brand Performance
- Financial Results
- Q&A



Q3 2017 Results Highlights

Financials

- SSSG +6% (KFC +7%, Pizza Hut flat), system sales grew 10% YoY, ex FX
- Restaurant margin improved to 20.0% vs. 19.2% in Q3 2016
- Operating profit reached US\$317mn, up 11% YoY
- Basic EPS \$0.55, up 4% YoY; diluted EPS \$0.53, flat YoY
- Net income was \$211mn, adjusted EBITDA reached \$425mn;
- Cash and short-term investments at \$1.6bn

Development

- Total restaurant count reached 7,747
- Opened 129 new restaurants, remodeled 200 stores driven by KFC

Digital & Delivery

- Over 5,100 restaurants offer delivery; total delivery sales over 14% of company sales
- Mobile payment represented over 45% of total company sales; cashless payment over \$1.2bn
- Total loyalty members exceeded 120mn between KFC and Pizza Hut

Capital Return*

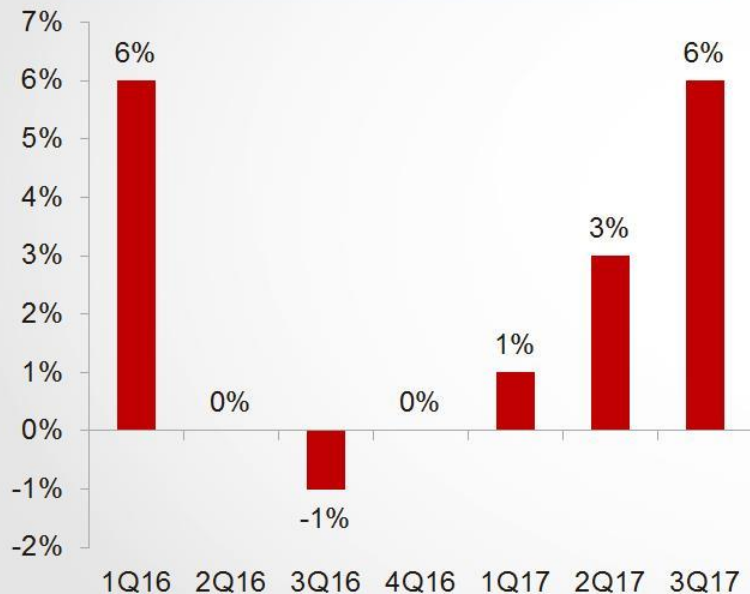
- Initiated regular quarterly cash dividend, declared first quarterly dividend of \$0.10 per share
- Increased share repurchase program to \$550mn
- Spent \$128mn on share repurchase in the first three quarters

Note: Yum China's fiscal third quarter includes June to August results.

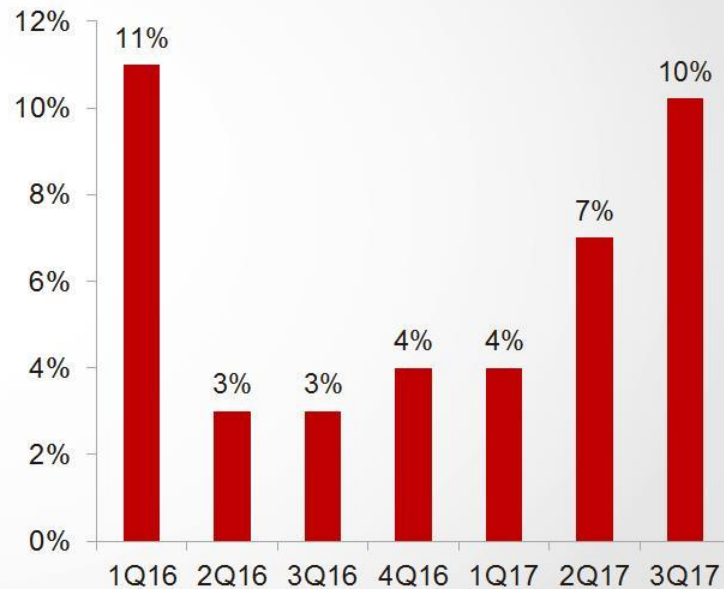
* Our Board approved the initiation of the regular quarterly cash dividend and increased share repurchase program in the fourth quarter.

SSSG +6%, System Sales +10%

Same-store sales growth (y/y)¹



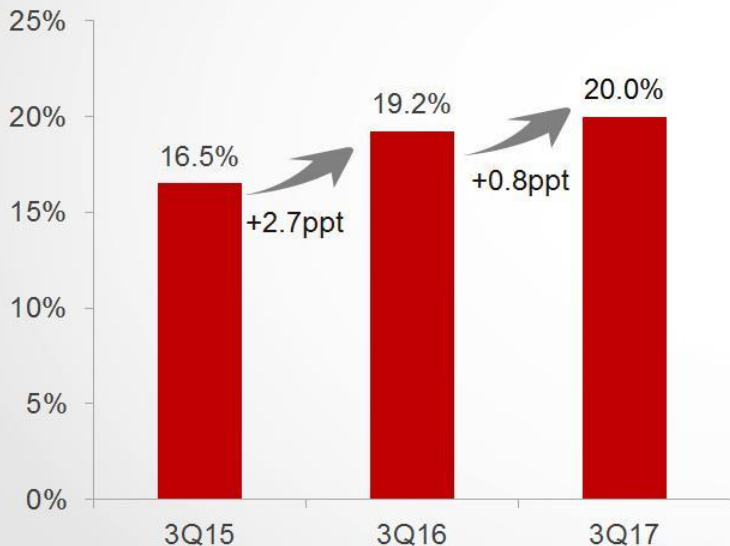
System sales growth (y/y)¹



¹ Stated on a constant currency basis.

Restaurant Margin Expanded to 20.0%, Operating Profit +11% y/y

Restaurant margin



Operating profit



Four Key Strategic Priorities

Focus on China

Invest locally for growth



Digital and Delivery

Invest and maintain lead

Strengthen Core Business

Improve stores, innovate menu, improve quality and value

Innovation

Product categories, formats and day parts

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KFC Q3 Results Highlights



SSSG at 7%, system sales¹ +11%



81 new stores, 173 remodels



Restaurant margin at 21.1%



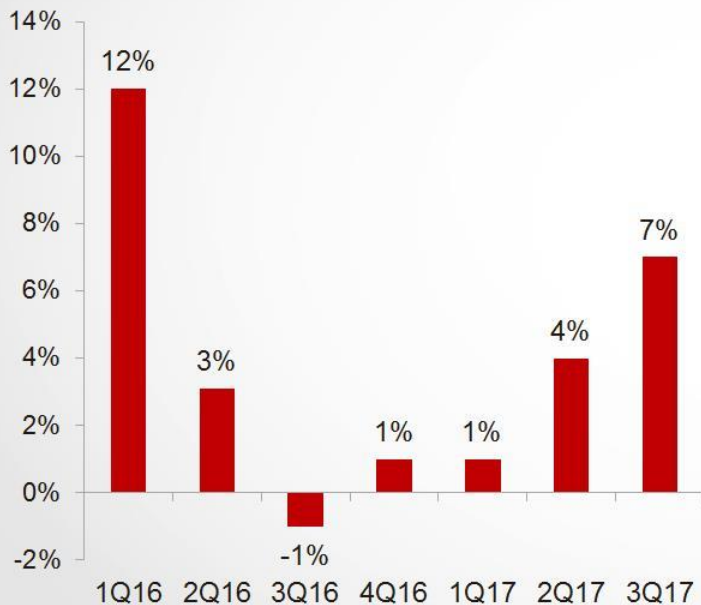
Operating profit at \$286mn, +20%

¹Stated on a constant currency basis.

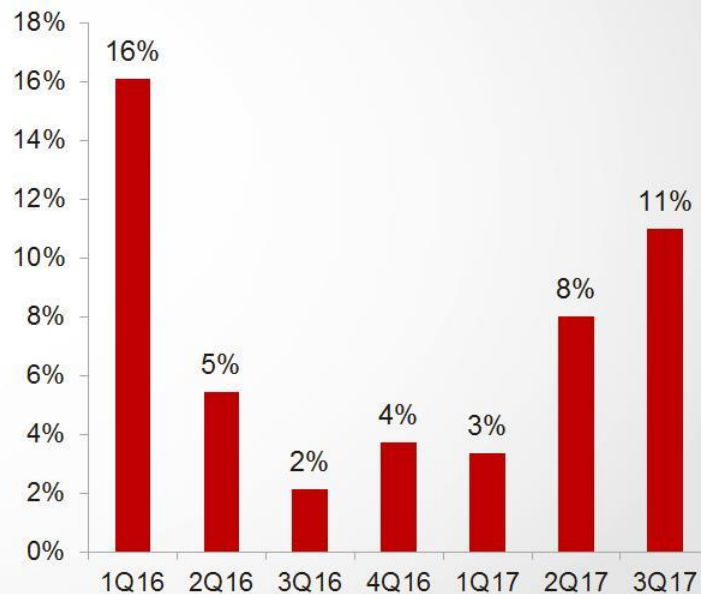


KFC Delivered +7% SSSG, +11% System Sales Growth

Same-store sales growth (y/y)¹



System sales growth (y/y)¹



¹ Stated in constant currency basis.



Disruptive Products and Integrated Marketing to Ignite Summer Holiday

Strong products with young celebrities



Build breakfast day-part



Build kids' market





Digital Initiatives to Enhance Customer Experience

Member privileges and K-gold

肯德基
WOW会员

97mn
Loyalty members

49%
Mobile-Payment

2017/6/1
会员**限量免费试吃券**
500K 限时兑
11:00 14:00 17:00
芝士喇嘛
至尊无出版**比萨**
CHIZZA ¥23 单点价
长按图片，进入K金商城。
2017/6/1 11:00-14:00 17:00，限时限量餐厅限量兑免100份试吃券，兑完即止。
2017/6/2 14:00-20:00 全国17家指定餐厅限量兑100份试吃券。
立即兑
免费试吃券

2017/6/1
K金商城**8月礼单上新**
—经典美食优惠4,000K起抢兑—
现磨冰咖啡-拿铁(大)1杯 买一送一券 仅需 4,000K
碧香土豆泥 1杯 12,000K
葡式蛋挞(经典) 1只 24,000K
莫吉托女孩 碧香球无酒精鸡尾酒特饮1杯 35,000K
APP专享 吉祥托女孩 炸鸡(西麦)1个 60,000K
APP专享 劲爆鸡米花(大)1份 45,000K
扫描二维码
抢兑美食优惠
如有疑问，请致电客服热线9-200-715

肯德基
WOW会员
活动细则
抽奖记录
小金大喜!
99K 抛出好运来
每次抽奖扣除99K金 多种奖品等你来抽
马上试试手气



Strong Delivery Sales Driven by Channel Expansion and Marketing Campaign

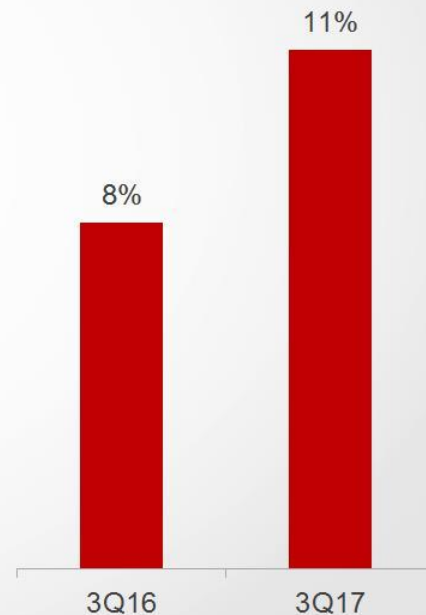
High-speed rail



Marketing campaign



Delivery as % of sales





KPRO, First Pilot Store in Hangzhou





Pizza Hut Q3 Results Highlights



SSSG flat, system sales¹ +7%



38 new stores, 27 remodels



Restaurant margin at 17.8%



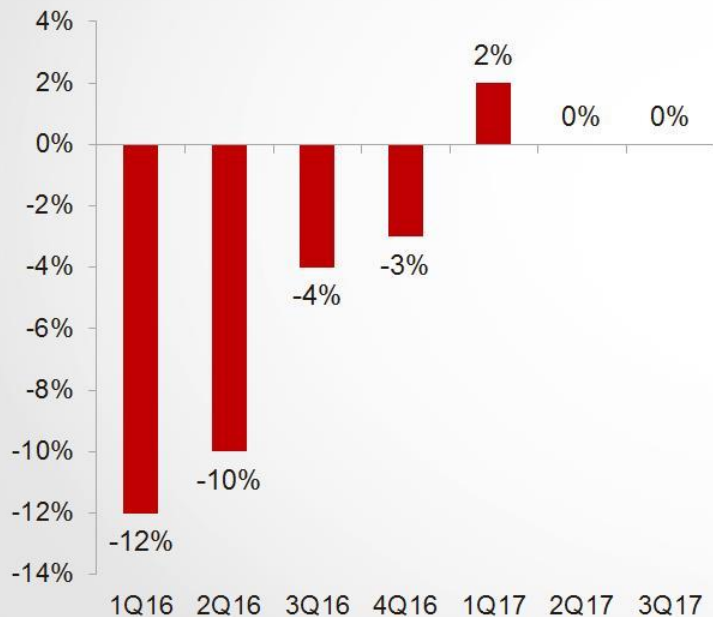
Operating profit at \$80mn

¹Stated on a constant currency basis

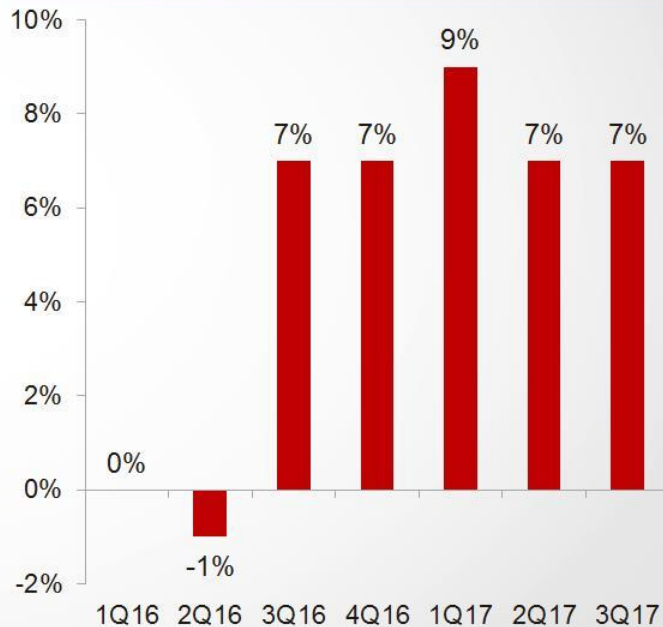


System Sales Grew 7%, SSSG Flat

Same-store sales growth (y/y)¹



System sales growth (y/y)¹



¹ Stated on a constant currency basis.



Initial Progress on Revitalizing Pizza Hut

I. Fix the Fundamentals

- ✓ Product innovation & upgrade
- ✓ Menu rationalization
- ✓ Service improvement

II. Enhance Digital Capabilities

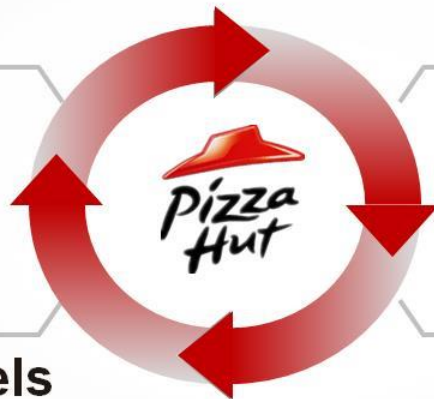
- ✓ New Super App launch
- ✓ Member privilege upgrade

IV. Experiment New Models

- ✓ Store image upgrade
- ✓ Trial of new formats

III. Optimize Delivery Network

- ✓ Pizza Hut delivery platform integration



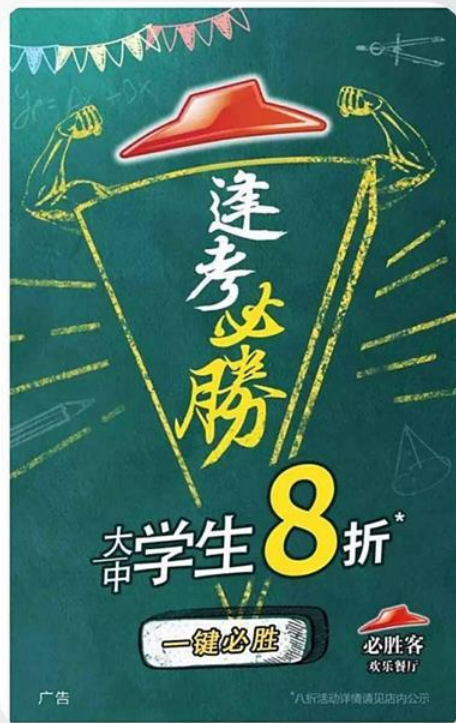


Fix the Fundamentals

Innovative products



Student promotion





New Super-App Successfully Launched

New Super-App launched

Member privilege

享会

30mn
Loyalty members

35%
Mobile-Payment

Pizza Hut Delivery

K-Mall

Coupon

我的K金 12,790

Marico

我的钱包 168.47元

K-Gold

Member exclusive Offers

外送 约30分钟送达

会员码 扫码赚K金

K金商城 优惠券商城 礼品卡商城

我的卡券 我的订单 附近门店

会员日

8折 79元享普通之心装

8折 79元

兑换时间：8月14日

会员日

148毫升

人气

35元

兑换时间：8月14日/21日/28日 9月4日

会员日

新品

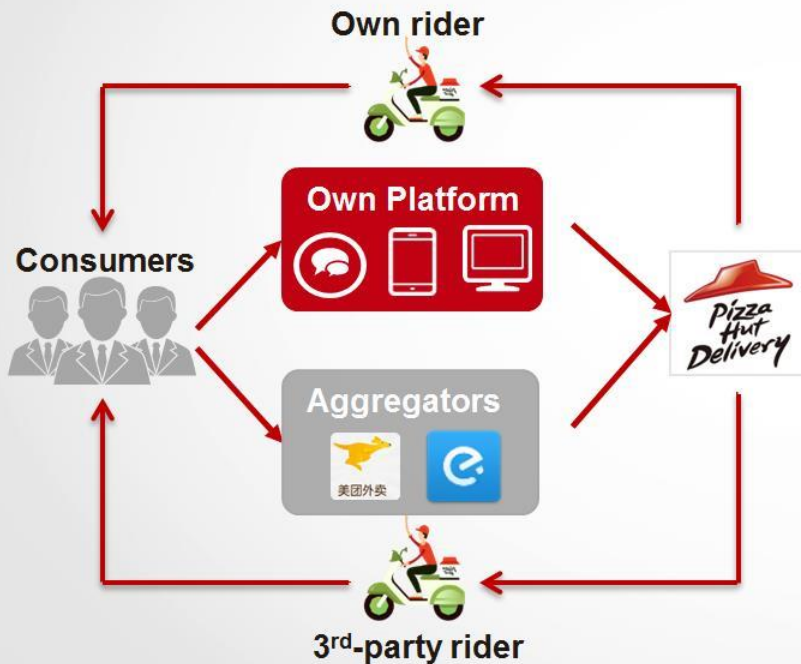
27元

兑换时间：8月14日/21日/28日 9月4日

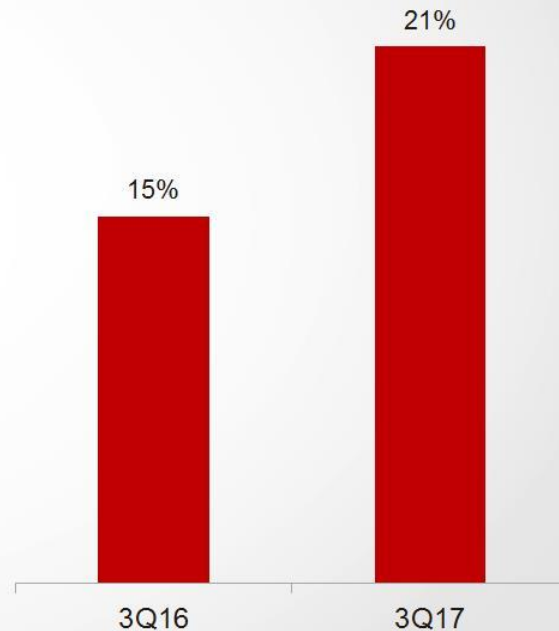


Consolidating Delivery System to Support Growth

Delivery service model



Delivery as % of sales





Experiment with New Store Formats



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Overview of 3Q 2017 Financial Results



System Sales Growth

+10% ex FX



Restaurant Margin

20.0%
+0.8 ppt YoY



Operating Profit

\$317mn
+11% YoY, or +13% YoY ex FX



Net Income
Adjusted EBITDA

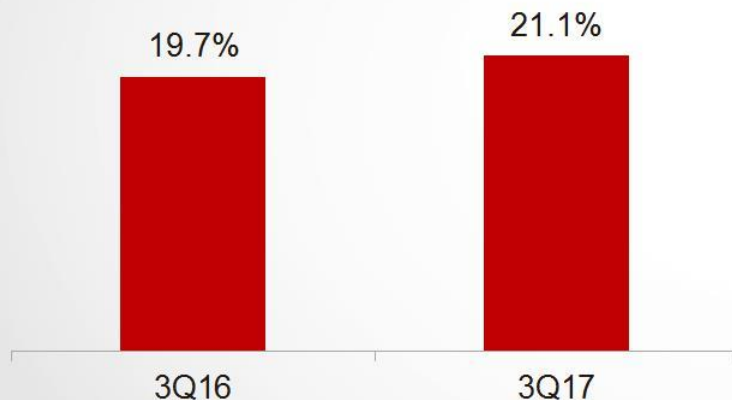
\$211 mn +9% YoY, or +11% YoY ex FX
\$425 mn +9% YoY, or +11% YoY ex FX



KFC Restaurant Margin and Operating Profit

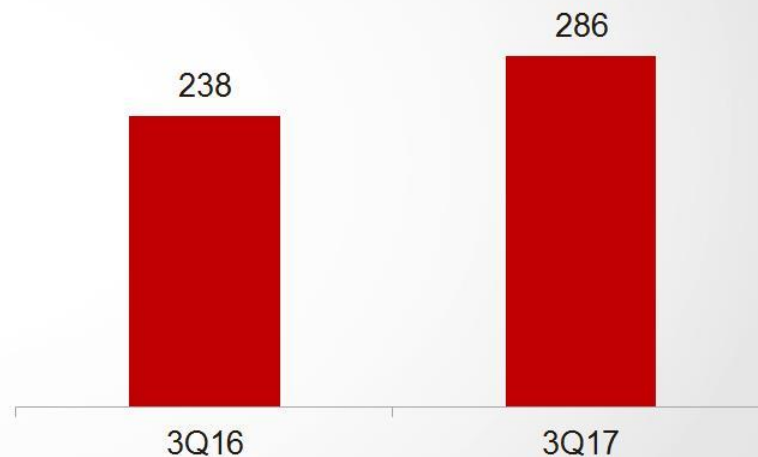
Restaurant margin (%)

+1.4ppt YoY



Operating profit (\$mn)

+20% YoY, or +22% YoY ex FX



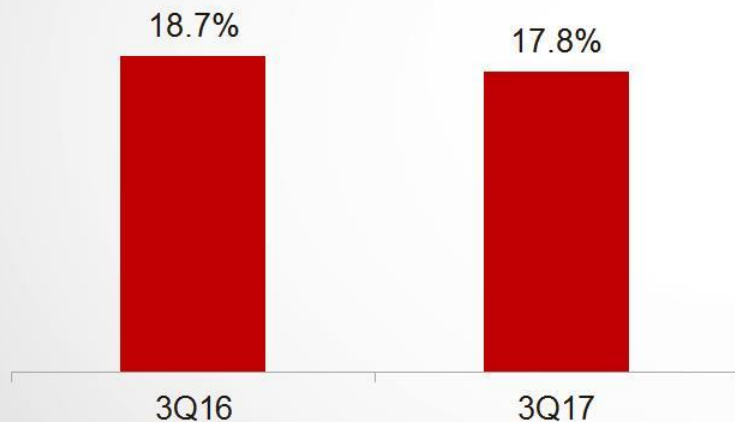
Restaurant margin expansion was primarily driven by same-store sales leverage, partially offset by wage inflation and promotion costs.



Pizza Hut Restaurant Margin and Operating Profit

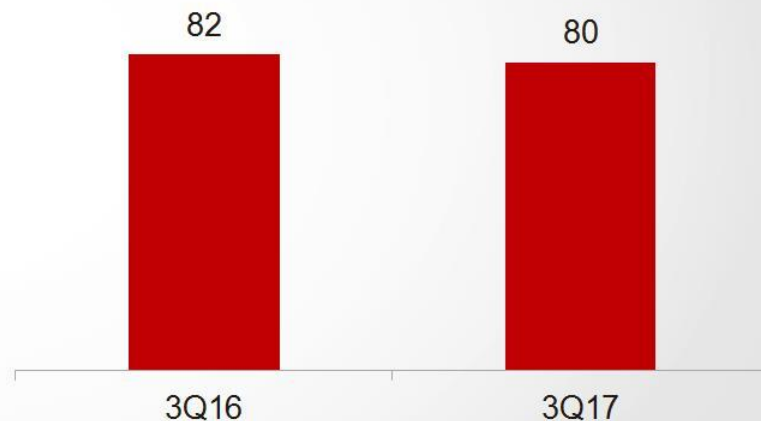
Restaurant margin (%)

-0.9ppt YoY



Operating profit (\$mn)

Flat YoY, or +2% ex FX



Restaurant margin was affected by promotion costs and wage inflation, partially offset by labor efficiency.

Factors that Impacted 3Q 2017 Financial Results



Effective tax rate

31.7% in 3Q 2017 vs.
29.8% in 3Q 2016



Diluted share count

398mn in 3Q 2017 vs.
364mn in 3Q 2016



G&A

+21% YoY ex FX



Inflation

Wage +7% YoY
Commodity + 1% YoY



Currency translation

\$5mn negative impact on
operating profit

Strong Cash Position



**Net cash from
operating activities**

Jan – Aug 2017

\$987 mn



Free cash flow

Jan – Aug 2017

\$725 mn



**Cash and short-
term investments**

As of Aug 2017

\$1.6 bn

Note: Free cash flow for the period from Jan to Aug 2017 is net operating cash flow of \$987 mn less capital spending of \$262 mn.

Commitment to Create Value to Shareholders



Dividend payouts

Approved a regular quarterly dividend program*



Share repurchases

Increased existing share repurchase authorization to an aggregate of \$550mn*

Repurchased approximately 3.4 mn Yum China shares at an average price of \$38.18 per share year to date ended August 31, 2017



Strategic initiatives

Continue to evaluate growth opportunities beyond our core brands

* Our Board approved the initiation of the regular quarterly cash dividend and increased share repurchase program in the fourth quarter.

Summary

Q3 2017 Summary

- Strong same store sales growth for KFC
- Over 120mn loyalty members; cashless payment exceeded \$1.2bn
- Enhanced shareholder return by dividend and share repurchase*

Yum China 2017 targets (ex FX)

- In 2017, we plan to drive strong earnings growth and shareholder return**
- Expect to add 550 – 600 new stores; expect capex of US\$400-500mn
 - Expect robust growth from Digital & Delivery to drive system sales & SSSG
 - Expect operating profit to grow at double digit with margin expansion, ex FX
 - Expect strong free cash flow, enhanced balance sheet position

* Our Board approved the initiation of the regular quarterly cash dividend and increased share repurchase program in the fourth quarter.

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Appendix 1: Reconciliation of Reported Results to Non-GAAP Measures



	Quarter ended		Year to date ended	
	8/31/2017	8/31/2016	8/31/2017	8/31/2016
Reconciliation of Net Income to Adjusted EBITDA				
Net income – noncontrolling interests	\$ 10	\$ 10	\$ 21	\$ 10
Net Income – Yum China Holdings, Inc.	211	192	493	414
Income tax provision	102	87	213	165
Interest income, net	(6)	(3)	(13)	(7)
Operating Profit	317	286	714	582
Depreciation and amortization	105	101	265	272
Store impairment charges	6	6	28	43
Special Items Income – Operating Profit	(3)	(3)	(3)	(2)
Adjusted EBITDA	<u>\$ 425</u>	<u>\$ 390</u>	<u>\$ 1,004</u>	<u>\$ 895</u>

Appendix 2: Reconciliation of Reported Results to Non-GAAP Measures

Detail of Special Items	Quarter ended		Year to date ended	
	8/31/2017	8/31/2016	8/31/2017	8/31/2016
Reversal of loss associated with sale of aircraft ^(a)	\$ —	\$ 3	\$ —	\$ 2
Income from the reversal of contingent consideration ^(b)	3	—	3	—
Special Items Income - Operating Profit	3	3	3	2
Tax Expense on Special Items ^(c)	—	(1)	—	(1)
Special Items Income, net of tax				
- including noncontrolling interests	3	2	3	1
Special Items Income, net of tax of nil				
- noncontrolling interests ^(d)	—	—	—	(8)
Special Items Income, net of tax of nil				
- Yum China Holdings, Inc.	\$ 3	\$ 2	\$ 3	\$ 9
Weighted average diluted shares outstanding	398,497,353	363,758,219	397,385,512	363,758,219
Special Items Diluted Earnings Per Common Share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.03
Reconciliation of Reported Operating Profit to Operating Profit Before Special Items				
Reported Operating Profit	\$ 317	\$ 286	\$ 714	\$ 582
Special Items Income - Operating Profit	3	3	3	2
Operating Profit before Special Items	\$ 314	\$ 283	\$ 711	\$ 580
Reconciliation of Reported EPS to EPS Before Special Items				
Reported Diluted Earnings Per Common Share	\$ 0.53	\$ 0.53	\$ 1.24	\$ 1.14
Special Items Diluted Earnings Per Common Share	0.01	0.01	0.01	0.03
Diluted Earnings Per Common Share before Special Items	\$ 0.52	\$ 0.52	\$ 1.23	\$ 1.11
Reconciliation of Reported Effective Tax Rate to Effective Tax Rate Before Special Items				
Reported effective tax rate	31.7%	29.8%	29.3%	28.0%
Impact on tax rate as a result of Special Items ^(c)	(0.3)%	(0.1)%	(0.1)%	(—)%
Effective tax rate before Special Items	32.0%	29.9%	29.4%	28.0%

- a) During the quarter ended August 31, 2016, we completed the sale of a corporate aircraft and recorded the reversal of a portion of the loss previously recognized within Special Items in 2015 to reflect the final proceeds of the sale.
- b) During the quarter ended August 31, 2017, we recognized income from the reversal of contingent consideration previously recorded for a business combination as the likelihood of making payment becomes remote.
- c) The tax expense was determined based upon the nature, as well as the jurisdiction of each Special Item at applicable tax rate.
- d) During the quarter ended May 31, 2016, the Little Sheep founding shareholders sold their remaining 7% Little Sheep ownership interest to the Company pursuant to their redemption rights. The difference between the purchase price of less than \$1 million, which was determined using a non-fair value based formula pursuant to the agreement governing the redemption rights, and the carrying value of their redeemable noncontrolling interests was recorded as an \$8 million loss attributable to noncontrolling interests.