

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): August 2, 2024

Yum China Holdings, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

001-37762
(Commission
File Number)

81-2421743
(I.R.S. Employer
Identification No.)

101 East Park Boulevard, Suite 805
Plano, Texas 75074
United States of America

(Address, including zip code, of principal executive offices)

Yum China Building
20 Tian Yao Qiao Road
Shanghai 200030
People's Republic of China

(469) 980-2898

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 per share	YUMC	New York Stock Exchange
	9987	The Stock Exchange of Hong Kong Limited

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.02. Results of Operations and Financial Condition.

On August 5, 2024, Yum China Holdings, Inc. (the “Company”) issued a press release announcing its unaudited results for the second quarter ended June 30, 2024. A copy of the press release is being furnished as Exhibit 99.1 to this Current Report on Form 8-K.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Chief Financial Officer Transition

On August 2, 2024, Mr. Andy Yeung notified the Company that he intends to resign as Chief Financial Officer of the Company. Mr. Yeung will step down from the position of Chief Financial Officer, effective September 30, 2024. The Board of Directors of the Company (the “Board”) has appointed Mr. Adrian Ding, the Company’s Chief Investment Officer and General Manager of the Company’s Lavazza joint venture, as its Acting Chief Financial Officer, effective October 1, 2024.

In connection with Mr. Yeung’s resignation, the Company and Mr. Yeung entered into a transition and advisor agreement, (the “Transition Agreement”). Pursuant to the Transition Agreement, from October 1, 2024 to February 28, 2025 (the “Transition Period”), Mr. Yeung will continue to be employed by the Company to provide advisory services to the Company’s Chief Executive Officer, with a monthly base salary of US\$35,000 for 80 hours of service per month during the Transition Period. Mr. Yeung will also be entitled to a cash bonus under the 2024 annual incentive program, with any payout based on the actual individual factor and team factor results to be approved by the Compensation Committee of the Board. Under the terms of the Transition Agreement, Mr. Yeung has agreed to be bound by covenants relating to non-competition, non-solicitation, non-disparagement and non-disclosure.

The foregoing summary of the Transition Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Transition Agreement, a copy of which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Mr. Adrian Ding, age 38, joined the Company in March 2019 as Vice President of Corporate Finance. He has served as Chief Investment Officer of the Company since February 2020 and additionally as General Manager of the Company’s Lavazza joint venture since March 2022. Prior to joining the Company, Mr. Ding worked for Alibaba Group Holding Limited from 2018 to early 2019, responsible for strategic investments in the technology and media sectors. Before that, Mr. Ding gained extensive experience in investment banking, having advised clients on a number of capital markets and M&A projects. Mr. Ding worked at UBS AG as a Director in Investment Banking. He also previously worked at Morgan Stanley and Citigroup Global Markets Asia Limited. Mr. Ding currently serves as a director of Fujian Sunner Development Co., Ltd. (Shenzhen Stock Exchange: 002299). Mr. Ding obtained a master’s degree in business administration (MBA) from Columbia Business School, and a bachelor’s degree in quantitative finance from Hong Kong University of Science and Technology.

The Compensation Committee of the Board approved an additional cash payment of US\$6,560 per month to Mr. Ding for the duration of his service as the Company’s Acting Chief Financial Officer.

Director Appointment

On August 5, 2024, the Board expanded its size from 11 directors to 12 directors and appointed Ms. Mikel A. Durham, former chief executive officer of American Seafoods Group, as a director, effective August 12, 2024, to serve for a term expiring at the 2025 annual meeting of stockholders of the Company or until her earlier death, resignation or removal. The Board determined that Ms. Durham is independent of the Company and its management under the New York Stock Exchange listing standards and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Ms. Durham will be entitled to an annual retainer equal to \$315,000 for her service as a director, which will be pro-rated from the date of her appointment, payable in Company common stock or, if requested by her, up to one-half in cash. In connection with her appointment, the Company and Ms. Durham will enter into the Company’s standard form of director indemnification agreement, the form of which was filed as Exhibit 10.10 to the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on November 1, 2016.

There are no arrangements or understandings between Ms. Durham and any other persons pursuant to which Ms. Durham was selected as a director. There are no transactions involving the Company and Ms. Durham that the Company would be required to report pursuant to Item 404(a) of Regulation S-K.

Item 7.01. Regulation FD Disclosure.

A copy of the press release announcing the CFO transition and the director appointment is attached as Exhibit 99.2 to this Current Report on Form 8-K.

A copy of the resignation letter of Mr. Yeung is attached as Exhibit 99.3 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

The following exhibits are furnished with this report:

<u>Exhibit No.</u>	<u>Exhibit Description</u>
10.1	<u>Transition and Advisor Agreement, dated August 4, 2024, by and between Yum China Holdings, Inc. and Andy Yeung.</u>
99.1	<u>Press Release of Yum China Holdings, Inc. issued August 5, 2024 announcing its unaudited results for the second quarter ended June 30, 2024.</u>
99.2	<u>Press Release of Yum China Holdings, Inc. issued August 5, 2024 announcing the CFO transition and the director appointment.</u>
99.3	<u>Resignation Letter of Andy Yeung dated August 2, 2024.</u>
104	<u>Cover Page Interactive Data File (embedded within the Inline XBRL document)</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

YUM CHINA HOLDINGS, INC.

By: /s/ Pingping Liu

Name: Pingping Liu

Title: Chief Legal Officer

Date: August 5, 2024

August 4, 2024

Dear Andy Yeung,

Transition and Advisor Agreement

In connection with your stepping down on a voluntary basis from the role of Chief Financial Officer of Yum China Holdings, Inc. (the "Company", together with its subsidiaries, the "Company Group"), effective **September 30, 2024**, and in recognition of your expertise within the organization and in order to ensure a smooth transition of your duties, we are pleased to offer you the following terms and conditions of your continued employment with the Company under this Transition and Advisor Agreement ("Agreement"):

1. Agreement Period: October 1, 2024 to February 28, 2025 (the "Period").

During the Period, you will provide advisory services to the Chief Executive Officer ("CEO") of the Company at an average of 80 hours per month, and you will be required to come to the office as and when requested by the CEO of the Company.

Throughout the Period, you shall not be employed by, provide services or perform work for, or serve as board member of, another company, unless prior approval is obtained from the Board of Directors of the Company (the "Board"). Should you take up employment with another company prior to the end of the Period, your employment with the Company will be terminated immediately.

2. Role & Responsibilities

Your expected responsibilities include, but are not limited to, providing counsel and advice to Company management on finance matters and assigned projects (such as supporting the completion of the Company's 2024 annual report) as and when required. For the duration of this Agreement, you will report to the CEO of the Company or her designates.

3. Compensation & Benefits incl. YUMC Leader's Bonus ("YLB") / Retainer Fee or Salary

During the Period, you will be paid a base salary of **\$35,000 per month**. Benefits will continue to be provided in accordance with the Company Policy for the Period. The final 2024 bonus Team Factor and Individual Factor under the YLB will be determined by the Compensation Committee of the Board in early 2025, and any bonus under the YLB program will be payable at the same time bonuses are paid to other YLB participants (but in any event no later than March 15, 2025). For the avoidance of doubt, you will not be eligible for the 2025 YLB.

4. Continued Vesting of Unvested Long Term Incentive ("LTI") Awards

Under this Agreement, your unvested LTI awards (PSUs, SARs and RSUs) previously granted to you will continue to vest in accordance with their terms, as stipulated in the respective award agreements based on your continued service. LTI awards not vested as of the end of the Period will be forfeited. For the avoidance of doubt, you will not be eligible for further LTI grants from the Company.

5. Code of Conduct

As an employee of the Company Group, you are expected to continue to observe the Company's Code of Conduct. You are also expected to obey the laws and regulations and respect the lawful customs of the United States and the People's Republic of China

and any other countries / territories which you may visit in connection with the execution of your business duties. Naturally, we would expect that you would not engage in any employment or business activity which conflicts with the business interests of the Company Group.

6. Post-Termination Agreement

Upon the expiration of this Agreement and the termination of your employment, you and the Company will enter into a Post-Termination Agreement with the Company in substantially the same form attached to as Appendix A to this Agreement.

7. Miscellaneous

Survival. The terms of this Agreement shall survive any termination of your employment, and unless otherwise directly provided for in a superseding document, shall be deemed to survive any such superseding document with respect to periods prior to the effective date of such superseding document.

Other Agreements. Notwithstanding the foregoing and any other language in this Agreement, this Agreement does not supersede or preclude the enforceability of any restrictive covenant provision contained in any prior agreement entered into by you with any member of the Company Group. Further, no prior restrictive covenant supersedes or precludes the enforceability of any provision contained in this Agreement.

Successors and Assigns. This Agreement shall be enforceable by you and your heirs, executors, administrators and legal representatives, and by the Company Group and its successors and assigns.

Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and you, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

8. Repatriation

Repatriation will be administered in accordance with the Company's repatriation policy. You and eligible family member will be provided with a budget equivalent to a one-way restricted business class airfare most direct route from Shanghai to U.S., and if required a shipment of up to thirty (30) cubic meters via an appointed vendor.

If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect, the legality, validity and enforceability of the remaining provisions shall not be impaired or affected.

Kindly acknowledge your acceptance of the above terms by signing and returning the duplicate of this Agreement to the undersigned.

Yours sincerely,
For and on behalf of the Company

/s/ Jerry Ding _____
Jerry Ding
Chief People Officer, Yum China Holdings, Inc.

Acknowledged and accepted by:

/s/ Andy Yeung_____

Andy Yeung

Date: August 4, 2024

Appendix A

_____, 2025

Post-Termination Agreement

Yum China Holdings, Inc. (“the Company”), and you, Andy Yeung (“Employee”) agree that this Post-Termination Agreement (“Agreement”) sets out their complete agreement and understanding regarding the post-termination undertakings of the Employee in favor of the Company.

Pursuant to the terms of the Transition and Advisor Agreement dated August 4, 2024, the Company and you agree that your employment with the Company will terminate on March 1, 2025 with the last employment date on February 28, 2025.

In consideration of the gross payment of **US\$350,000**, which is not less than 5 times your average monthly base salary in the past 12 months in compliance with the local law, and the release payment of **RMB 10,000** gross (the “Release Payment”), you undertake to the Company as follows:

- (a) **Non-Disclosure:** you agree that at all times (notwithstanding the termination of your employment with the Company Group) not to use for your own advantage, or to disclose to any third party any information concerning the business or affairs of the Company Group, comprising trade secrets and business matters or information which you know or ought reasonably to have known to be confidential. You understand that nothing contained in this agreement limits your ability to report possible violations of law or regulation to, or file a charge or complaint with the U.S. Securities and Exchange Commission or any other federal/national, state/provincial or local/municipal governmental agency or commission (“Government Agencies”). You further understand that this agreement does not limit your ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. Nothing in this agreement shall limit your ability under applicable United States federal law to (i) disclose in confidence trade secrets to any Government Agency or any of its officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law or (ii) disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure.
- (b) **Non-compete and Non-solicitation:** you agree that for the period of one (1) year following the termination of your employment with the Company Group, (a) you shall not manage or control (whether as an owner, operator, manager, consultant, officer, director, employee, investor, agent, representative or otherwise) any business that operates anywhere within the Mainland or Hong Kong Special Administrative Region of the People’s Republic of China (collectively, the “Territory”) to the extent such business activities compete with any trade or business being carried on by the Company Group within the Territory as of the date of your termination of employment (the “Company’s Business”) and you were involved with such trade or business as part of your employment with the Company Group, and (b) with respect to any business that operates anywhere within the Territory and competes with the Company’s Business within the Territory, you shall not provide services or perform work (whether as a manager, consultant,

independent contractor, advisor, officer, director, employee, agent, representative, or otherwise) for such businesses that are the same as, or similar or related to, your functions, services, or work for the Company Group within the Territory. For the avoidance of doubt, this non-compete provision shall apply regardless of where you are physically located (whether within or outside the Territory) so long as you have duties, responsibilities, or influence with respect to business activities within the Territory.

The Company Group's competitors include, without limitation, i.e., the restaurant industry including, without limitation, Starbucks, luckin coffee (瑞幸咖啡), Costa (咖世家), Tim Hortons (天好咖啡), Manner Coffee, Blue Bottles, %Arabica, HEYTEA (喜茶), Nayuki (奈雪的茶), LELECHA (乐乐茶), Modern China Tea Shop (茶颜悦色), 蜜雪冰城 (Mixue Bingcheng), Pacific Coffee (太平洋咖啡), Peet's Coffee (皮爷咖啡), Saturnbird Coffee (三顿半), Oatly (噢麦力), Seesaw, M Stand, COTTI COFFEE (库迪咖啡), McDonald's (麦当劳/金拱门), DRIVE-THRU (麦当劳汽车餐厅), Burger King (汉堡王), Wendy's (温蒂汉堡), Carl's Jr. (卡乐星), Dicos (德克士), Subway (赛百味), DO&ME (多美丽), Chick-fil-A (福乐鸡, 小鸡汉堡), WALLACE! (华莱士), Shake Shack (昔客堡), TASTIEN (塔斯汀), Papa John's (棒!约翰比萨饼), la cesar pizzeria (乐凯撒比萨), Pizza Marzano (比萨玛尚诺), Domino's Pizza (达美乐), Champion Pizza (尊宝比萨), Playking火焰薄饼, Mr. Pizza (米斯特比萨), Little Caesars Pizza (小凯撒披萨), 多米诺披萨, Saizeriya (萨莉亚), ORIGUS (好伦哥), ZZ PIZZA (至尊披萨), 芝根芝底比萨, Magritta Pizza (玛格丽塔比萨), Mua Pizza (慕玛比萨), BigPizza (比格比萨), Wagas (沃歌斯), Greenery (绿茵阁), 101's PIZZA (101比萨), City1+1 Pizza (城市比萨), Pizza 4U比萨, FIZZ (菲滋意式餐厅), blue frog (蓝蛙), Pizza Seven (美闻比萨), Chipotle (墨氏烧烤), Olive Garden (橄榄园意大利餐厅), Popeyes Louisiana Kitchen (派派思路易斯安那厨房), Ajisen Raman (味千拉面), Zhen Kungfu (真功夫), YUNG HO KING (永和大王), 老乡鸡, 大米先生, Haidilao (海底捞), Xiabu Xiabu (呷哺呷哺), COUCOU (凑凑), Little Lamb (小尾羊), By Faigo (小辉哥), Dolar Shop (豆捞坊), and Happy Lamb (快乐小羊).

You further agree that at any time during your employment by the Company Group and for the period of two (2) years following the termination of your employment with the Company Group, you shall not solicit or endeavor to entice away from the Company Group any other employee or person engaged (whether or not such a person would commit any breach of contract by reason leaving the service of the Company Group), or any customer of the Company Group.

A lump sum of US\$350,000 ("the Payment"), which is not less than 5 times your average monthly base salary in the past 12 months, will be paid to you in compliance with the local law; provided, however that you shall not be entitled to the Payment in the event of your (i) termination in connection with a Change in Control of the Company, as contemplated by the Company's Change In Control Severance Plan or (ii) death. For avoidance of doubt, you shall be eligible only for any amount of the Payment that is in excess of any other post-termination non-compete compensation you may be entitled to under any of your other agreement with any member of the Company Group. The Payment, if any, after applicable IIT withholding, will be credited to your designated payroll bank account. The Company, where deemed appropriate and at its discretion, reserves the right to void or cease the non-compete provision, in part or in full, by providing you with no less than one-month advance notice.

Should you violate and/or fail to comply with the non-compete or non-solicitation terms in this section, you are required to pay the Company liquidated damages equivalent to three (3) times the gross Payment stated in this section. If the total damage and/or cost to the Company (including but not limited to the loss of business, revenue and profit, and fees incurred in recouping the appropriate compensation from you (including but not limited to fees incurred in connection with evidence collection, fees incurred in connection with legal or dispute

resolution proceedings, attorney fees and travel expenses)) is higher than the amount of such liquidated damages, then the Company reserves the right to seek further compensation from you.

(c) Non-Disparagement: you shall not disparage the Company, its agents or employees in any manner at any time (either during or following your employment with the Company), including not to publish, communicate, post or blog disparaging information about the Company. The Company's executive officers and directors shall not disparage you in any manner at any time (either during or following your employment with the Company), including not to publish, communicate, post or blog disparaging information about you. Notwithstanding the foregoing, nothing herein shall prevent either you, the members of the board of directors of the Company, or any of the Company's employees or representatives from testifying truthfully in any legal or administrative proceeding where such testimony is compelled or requested, or from otherwise complying with applicable legal requirements.

- (d) Cooperation in Investigation and Litigation:** you agree that at all times (notwithstanding the termination of your employment with the Company Group) that in the event that any member of the Company Group becomes involved in investigations, audits or inquiries, tax examinations or legal proceedings, by a judicial, governmental or regulatory authority or the Company is conducting an internal investigation, of any nature, related directly or indirectly to events that occurred during your employment and about which you have or may have personal knowledge, you agree that you will be reasonably available upon reasonable notice from the Company, to answer discovery requests, give depositions or testify, with respect to matters of which you have or may have knowledge as a result of or in connection with your employment relationship with the Company Group. In performing the obligations under this section, you agree that you will truthfully, forthrightly and completely provide the information reasonably requested. The Company will reimburse you for all reasonable out-of-pocket expenses incurred by you in connection with such cooperation. The parties understand and acknowledge that this provision is not intended to restrict your ability to become employed by another employer or unreasonably interfere with such employment.
- (e) Release:** By signing this Agreement and on receipt of the Release Payment and other payment in connection with the Agreement, you agree, as the date hereof and as of the last day of your employment, to waive all rights and claims you may have for any personal or monetary relief arising from your employment with the Company, or the termination of employment with the Company.

Survival. The terms of this Agreement shall survive the termination of your employment, and unless otherwise directly provided for in a superseding document, shall be deemed to survive any such superseding document with respect to periods prior to the effective date of such superseding document.

Other Agreements. Notwithstanding the foregoing and any other language in this Agreement, this Agreement does not supersede or preclude the enforceability of any restrictive covenant provision contained in any prior agreement entered into by you with any member of the Company Group. Further, no prior restrictive covenant supersedes or precludes the enforceability of any provision contained in this Agreement.

Successors and Assigns. This Agreement shall be enforceable by you and your heirs, executors, administrators and legal representatives, and by the Company Group and its successors and assigns.

Amendment and Waiver. The provisions of this Agreement may be amended or waived only by the written agreement of the Company and you, and no course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

For and on behalf of

Yum China Holdings, Inc.

Jerry Ding
Chief People Officer

I, Andy Yeung, confirm that I have read and agreed to the terms outlined in this Agreement.

Signature:

Date:



Yum China Reports Second Quarter Results

Record Second Quarter Revenue Led by Same-store Transaction Growth and New Unit Growth
 Improved OP Margin and Achieved Record Second Quarter Operating Profit
 Operating Profit Grew 4%, Core Operating Profit¹ Grew 12%, Diluted EPS Grew 17%
 Record First Half Openings of 779 Net New Stores and Cash Returns to Shareholders of Nearly \$1 Billion

Shanghai, China (August 5, 2024) – Yum China Holdings, Inc. (the "Company" or "Yum China") (NYSE: YUMC and HKEX: 9987) today reported unaudited results for the second quarter ended June 30, 2024.

Second Quarter Highlights

- **Total system sales** grew 4% year over year ("YoY"), excluding foreign currency translation ("F/X"), on top of last year's high base. The growth was primarily attributable to 8% of net new unit contribution.²
- Total store count reached 15,423 as of June 30, 2024, including 10,931 KFC stores and 3,504 Pizza Hut stores. The Company opened 401 **net new stores** in the quarter. 99 net new stores, or 25%, were opened by franchisees.
- **Total revenues** increased 1% YoY to \$2.68 billion, a record-high for the second quarter. Excluding F/X, total revenues would have been \$85 million higher, or a 4% increase YoY.
- **Same-store sales** reached 96% of the prior year's level. Same-store transactions grew 4% YoY.
- **Operating profit** grew 4% YoY to \$266 million, a record level for the second quarter. Excluding F/X, operating profit would have been \$9 million higher, or a 7% increase YoY. **Core operating profit**¹ grew 12% YoY to \$275 million.
- **OP Margin**³ was 9.9%, an increase of 20 basis points YoY, supported by resilient restaurant margins and savings in G&A expenses.
- **Restaurant margin** was 15.5%. Excluding \$12 million in items affecting comparability, restaurant margin was approximately the same as the second quarter last year. Improvement in operational efficiencies supported margin stability.
- **Diluted EPS** increased 17% YoY to \$0.55, a record level for the second quarter, or up 19% YoY excluding F/X.
- **Delivery sales** grew 11% YoY, maintaining the double-digit growth Yum China has carried over the past decade. Delivery contributed approximately 38% of KFC and Pizza Hut's Company sales.
- **Digital sales**⁴ reached \$2.2 billion, with **digital ordering** accounting for approximately 90% of total Company sales.
- **Total membership** of KFC and Pizza Hut exceeded 495 million. Member sales accounted for over 65% of KFC and Pizza Hut's system sales in aggregate.
- Yum China returned \$249 million to shareholders in the second quarter through **share repurchases and cash dividends**. Year to date, the Company has returned nearly \$1 billion to shareholders, exceeding its full-year 2023 returns.

Joey Wat, CEO of Yum China, commented, "We achieved our most profitable second quarter since the spin-off, with core operating profit growing by 12% despite challenging industry dynamics. Our sharp focus on value-for-money and innovative new products worked well, driving robust same-store transaction growth. We took proactive actions to improve operational efficiency, stabilizing restaurant margin and expanding OP margin year over year."

Wat added, "By reducing the complexity of menus and operations, and harnessing the power of automation and AI, we improved operational efficiency. These measures gave us the flexibility to invest in menu innovation and compete on value. KFC has successfully gained market share on delivery platforms by expanding its price range and lowering delivery fees. Pizza Hut attracted value-conscious customers with its entry-price pizzas and solo diners with its Pizza Dough Burger. Our business model breakthroughs enabled us to broaden our addressable market and capture more customer occasions. Our side-by-side KCOFFEE cafe and Pizza Hut WOW store model delivered incremental sales and showed great future potential. Our new stores maintained good returns, with a consistent payback period of 2 years for KFC and an improved level of 2 to 3 years for Pizza Hut. With our industry-leading capabilities and scale, we are turning challenges to our competitive advantage. We believe that we are well positioned to capture the long-term growth opportunities in China and, ultimately, create enduring value for our shareholders."

¹ Core operating profit is defined as operating profit adjusted for special items, further excluding items affecting comparability and the impact of F/X. The Company uses core operating profit for the purposes of evaluating the performance of its core operations. Please refer to "Reconciliation of Reported GAAP Results to Non-GAAP Measures" included in the accompanying tables of this release for further details.

² Net new unit contribution refers to sales contribution from net new stores.

³ OP margin refers to operating profit as a percentage of total revenues.

⁴ Digital sales refer to sales at Company-owned stores where orderings were placed digitally.

Key Financial Results

	Second Quarter				Year to Date Ended 6/30			
	2024	2023	%/ppts Change		2024	2023	%/ppts Change	
			Reported	Ex F/X			Reported	Ex F/X
System Sales Growth ⁽⁵⁾ (%)	4	32	NM	NM	5	24	NM	NM
Same-Store Sales Growth ⁽⁵⁾ (%)	(4)	15	NM	NM	(3)	11	NM	NM
Operating Profit (\$mn)	266	257	+4	+7	640	673	(5)	—
Adjusted Operating Profit ⁽⁶⁾ (\$mn)	266	259	+3	+6	640	678	(6)	(1)
Core Operating Profit ^{(6) (7)} (\$mn)	275	247	NM	+12	671	639	NM	+5
OP Margin (%)	9.9	9.7	+0.2	+0.2	11.4	12.1	(0.7)	(0.7)
Core OP Margin ^{(6) (8)} (%)	10.0	9.3	NM	+0.7	11.4	11.5	NM	(0.1)
Net Income (\$mn)	212	197	+8	+11	499	486	+3	+7
Adjusted Net Income ⁽⁶⁾ (\$mn)	212	199	+7	+10	499	491	+2	+6
Diluted Earnings								
Per Common Share (\$)	0.55	0.47	+17	+19	1.26	1.15	+10	+14
Adjusted Diluted Earnings								
Per Common Share ⁽⁶⁾ (\$)	0.55	0.47	+17	+19	1.26	1.16	+9	+13

⁵ System sales and same-store sales percentages exclude the impact of F/X. Effective January 1, 2018, temporary store closures are normalized in the same-store sales calculation by excluding the period during which stores are temporarily closed.

⁶ See "Reconciliation of Reported GAAP Results to Non-GAAP Measures" included in the accompanying tables of this release for further details.

⁷ Current period amounts are derived by translating results at average exchange rates of the prior year period.

⁸ Core OP margin refers to core operating profit as a percentage of total revenues excluding F/X.

Note: All comparisons are versus the same period a year ago.

Percentages may not recompute due to rounding.

NM refers to not meaningful.

KFC

	Second Quarter				Year to Date Ended 6/30			
	2024	2023	%/ppts Change		2024	2023	%/ppts Change	
			Reported	Ex F/X			Reported	Ex F/X
Restaurants	10,931	9,562	+14	NM	10,931	9,562	+14	NM
System Sales Growth (%)	5	32	NM	NM	6	24	NM	NM
Same-Store Sales Growth (%)	(3)	15	NM	NM	(3)	11	NM	NM
Total Revenues (\$mn)	2,014	1,984	+2	+5	4,244	4,182	+2	+6
Operating Profit (\$mn)	264	273	(3)	—	636	693	(8)	(4)
Core Operating Profit (\$mn)	273	263	NM	+4	665	659	NM	+1
Restaurant Margin (%)	16.2	17.3	(1.1)	(1.1)	17.8	19.9	(2.1)	(2.1)

- System sales for KFC grew 5% YoY for the quarter, on top of high base last year, primarily driven by net new unit contribution of 8%.
- KFC opened 328 net new stores during the quarter. 74 net new stores, or 23%, were opened by franchisees. Total store count reached 10,931 as of June 30, 2024.
- Operating profit was \$264 million. Core operating profit was \$273 million for the quarter, up 4% YoY.
- Restaurant margin was 16.2% for the quarter. Excluding items affecting comparability, restaurant margin decreased by 60 basis points against a strong comparison in the second quarter of 2023, primarily due to increased value-for-money offerings to drive traffic and wage inflation, partially offset by favorable commodity prices and improved operational efficiency.
- Delivery sales grew 12% YoY, contributing approximately 38% of KFC's Company sales for the quarter. Off-premises dining accounted for approximately 67% of KFC's Company sales.

Pizza Hut

	Second Quarter				Year to Date Ended 6/30			
	2024	2023	%/ppts Change		2024	2023	%/ppts Change	
			Reported	Ex F/X			Reported	Ex F/X
Restaurants	3,504	3,072	+14	NM	3,504	3,072	+14	NM
System Sales Growth (%)	1	30	NM	NM	3	23	NM	NM
Same-Store Sales Growth (%)	(8)	13	NM	NM	(7)	10	NM	NM
Total Revenues (\$mn)	540	554	(2)	+1	1,135	1,151	(1)	+3
Operating Profit (\$mn)	40	35	+13	+18	87	90	(4)	+1
Core Operating Profit (\$mn)	41	34	NM	+23	91	86	NM	+8
Restaurant Margin (%)	13.2	12.4	+0.8	+0.8	12.8	13.3	(0.5)	(0.5)

- System sales for Pizza Hut grew 1% YoY for the quarter, on top of high base last year, primarily driven by net new unit contribution of 8%.
- Pizza Hut opened 79 net new stores during the quarter. Total store count reached 3,504 as of June 30, 2024.
- Operating profit grew 13% YoY to \$40 million, a record level for the second quarter. Core operating profit was \$41 million, up 23% YoY.
- Restaurant margin was 13.2% for the quarter. Excluding items affecting comparability, restaurant margin was up 110 basis points YoY. Higher operational efficiency offset the impact of increased value-for-money offerings and wage inflation, resulting in an increased margin.
- Delivery sales grew 6%, contributing approximately 38% of Pizza Hut's Company sales for the quarter. Off-premises dining accounted for approximately 48% of Pizza Hut's Company sales.

Returns to Shareholders

- Yum China repurchased 5.1 million shares of common stock for \$187 million in the quarter. As of June 30, 2024, \$666 million remained available for future share repurchases under the current authorization program.
- Yum China's board of directors declared a cash dividend of \$0.16 per share on Yum China's common stock, payable on September 17, 2024 to shareholders of record as of the close of business on August 27, 2024.
- In the first half of 2024, the Company returned a record \$994 million to shareholders, including buying back 21.7 million shares of common stock, which is equivalent to over 5% of its outstanding shares as of December 31, 2023.

Outlook

The Company's targets for the 2024 fiscal year remain unchanged from the prior period's disclosures.

- Open approximately 1,500 to 1,700 net new stores.
- Make capital expenditures in the range of approximately \$700 million to \$850 million.
- Return a Company record-setting \$1.5 billion to shareholders through quarterly cash dividends and share repurchases.

Note on Non-GAAP Measures

Reported GAAP results include items that are excluded from non-GAAP measures. See "Reconciliation of Reported GAAP Results to Non-GAAP Measures" and "Segment Results" within this release for non-GAAP reconciliation details.

Conference Call

Yum China's management will hold an earnings conference call at 8:00 p.m. U.S. Eastern Time on Monday, August 5, 2024 (8:00 a.m. Beijing/Hong Kong Time on Tuesday, August 6, 2024).

A live webcast of the call may be accessed at <https://edge.media-server.com/mmc/p/qibtjiz2>.

To join by phone, please register in advance of the conference through the link provided below. Upon registering, you will be provided with participant dial-in numbers, a passcode and a unique access PIN.

Pre-registration link: <https://s1.c-conf.com/diamondpass/10039799-9htky1.html>

A replay of the conference call will be available one hour after the call ends until Tuesday, August 13, 2024 and may be accessed by phone at the following numbers:

U.S.: 1 855 883 1031
Mainland China: 400 1209 216
Hong Kong: 800 930 639
U.K.: 0800 031 4295

Replay PIN: 10039799

Additionally, this earnings release, the accompanying slides, as well as the live and archived webcast of this conference call will be available at Yum China's Investor Relations website at <http://ir.yumchina.com>.

For important news and information regarding Yum China, including our filings with the U.S. Securities and Exchange Commission and the Hong Kong Stock Exchange, visit Yum China's Investor Relations website at <http://ir.yumchina.com>. Yum China uses this website as a primary channel for disclosing key information to its investors, some of which may contain material and previously non-public information.

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, including under "2024 Outlook." 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," "commit" 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, growth, business plans, investments, store openings, capital expenditures, dividend and share repurchase plans, CAGR for system sales, operating profit and EPS, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, pace of recovery of Yum China's business, the anticipated effects of our innovation, digital and delivery capabilities and investments 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 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. 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, changes in public health conditions, our ability to control costs and expenses, including tax costs, as well as changes in political, economic and regulatory conditions in China, and those set forth under the caption "Risk Factors" in our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q). 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 caption "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 is the largest restaurant company in China with a mission to make every life taste beautiful. The Company has approximately 400,000 employees and operates over 15,000 restaurants under six brands across more than 2,100 cities in China. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in China, respectively. In addition, Yum China has partnered with Lavazza to develop the Lavazza coffee concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. Taco Bell offers innovative Mexican-inspired food. Yum China has a world-class, digitalized supply chain, which includes an extensive network of logistics centers nationwide and an in-house supply chain management system. Its strong digital capabilities and loyalty program enable the Company to reach customers faster and serve them better. Yum China is a Fortune 500 company with the vision to be the world's most innovative pioneer in the restaurant industry. For more information, please visit <http://ir.yumchina.com>.

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Yum China Holdings, Inc.
Condensed Consolidated Statements of Income
(in US\$ million, except per share data)
(unaudited)

	Quarter Ended		% Change B/(W)	Year to Date Ended		% Change B/(W)
	6/30/2024	6/30/2023		6/30/2024	6/30/2023	
Revenues						
Company sales	\$ 2,528	\$ 2,517	—	\$ 5,322	\$ 5,289	1
Franchise fees and income	22	21	—	47	46	1
Revenues from transactions with franchisees	96	89	8	203	182	11
Other revenues	33	27	20	65	54	19
Total revenues	2,679	2,654	1	5,637	5,571	1
Costs and Expenses, Net						
Company restaurants						
Food and paper	797	773	(3)	1,693	1,608	(5)
Payroll and employee benefits	666	665	—	1,374	1,348	(2)
Occupancy and other operating expenses	674	675	—	1,371	1,366	—
Company restaurant expenses	2,137	2,113	(1)	4,438	4,322	(3)
General and administrative expenses	133	153	13	273	316	14
Franchise expenses	9	9	(6)	19	19	(3)
Expenses for transactions with franchisees	92	84	(8)	196	175	(11)
Other operating costs and expenses	29	24	(22)	58	48	(21)
Closures and impairment expenses, net	13	14	13	14	17	18
Other (income) expenses, net	—	—	NM	(1)	1	NM
Total costs and expenses, net	2,413	2,397	(1)	4,997	4,898	(2)
Operating Profit	266	257	4	640	673	(5)
Interest income, net	31	40	(21)	69	78	(11)
Investment gain (loss)	8	(11)	NM	16	(28)	NM
Income Before Income Taxes and Equity in Net Earnings (Losses) from Equity Method Investments	305	286	7	725	723	—
Income tax provision	(77)	(71)	(9)	(190)	(196)	3
Equity in net earnings (losses) from equity method investments	—	(1)	47	—	—	8
Net income – including noncontrolling interests	228	214	7	535	527	2
Net income – noncontrolling interests	16	17	5	36	41	12
Net Income – Yum China Holdings, Inc.	\$ 212	\$ 197	8	\$ 499	\$ 486	3
Effective tax rate	25.2%	24.7%	(0.5) ppts.	26.2%	27.0%	0.8 ppts.
Basic Earnings Per Common Share	\$ 0.55	\$ 0.47		\$ 1.27	\$ 1.16	
Weighted-average shares outstanding (in millions)	389	418		395	418	
Diluted Earnings Per Common Share	\$ 0.55	\$ 0.47		\$ 1.26	\$ 1.15	
Weighted-average shares outstanding (in millions)	391	422		397	423	
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	31.5	30.7	(0.8) ppts.	31.8	30.4	(1.4) ppts.
Payroll and employee benefits	26.3	26.4	0.1 ppts.	25.8	25.5	(0.3) ppts.
Occupancy and other operating expenses	26.7	26.8	0.1 ppts.	25.8	25.8	— ppts.
Restaurant margin	15.5%	16.1%	(0.6) ppts.	16.6%	18.3%	(1.7) ppts.

Percentages may not recompute due to rounding. NM refers to not meaningful.

Yum China Holdings, Inc.
KFC Operating Results
(in US\$ million)
(unaudited)

	Quarter Ended		% Change B/(W)	Year to Date Ended		% Change B/(W)
	6/30/2024	6/30/2023		6/30/2024	6/30/2023	
Revenues						
Company sales	\$ 1,983	\$ 1,954	1	\$ 4,176	\$ 4,120	1
Franchise fees and income	16	15	7	34	32	7
Revenues from transactions with franchisees	12	11	22	26	21	26
Other revenues	3	4	(21)	8	9	(14)
Total revenues	2,014	1,984	2	4,244	4,182	2
Costs and Expenses, Net						
Company restaurants						
Food and paper	626	602	(4)	1,320	1,248	(6)
Payroll and employee benefits	513	498	(3)	1,055	1,010	(4)
Occupancy and other operating expenses	524	516	(1)	1,059	1,043	(2)
Company restaurant expenses	1,663	1,616	(3)	3,434	3,301	(4)
General and administrative expenses	60	67	10	121	135	10
Franchise expenses	8	7	(5)	17	16	(3)
Expenses for transactions with franchisees	11	9	(18)	23	18	(22)
Other operating costs and expenses	2	4	32	6	8	18
Closures and impairment expenses, net	6	8	14	7	9	14
Other expenses, net	—	—	5	—	2	89
Total costs and expenses, net	1,750	1,711	(2)	3,608	3,489	(3)
Operating Profit	\$ 264	\$ 273	(3)	\$ 636	\$ 693	(8)
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	31.6	30.8	(0.8) ppt	31.6	30.3	(1.3) ppts.
Payroll and employee benefits	25.9	25.5	(0.4) ppt	25.3	24.5	(0.8) ppts.
Occupancy and other operating expenses	26.3	26.4	0.1 ppt	25.3	25.3	— ppts.
Restaurant margin	16.2%	17.3%	(1.1) ppt	17.8%	19.9%	(2.1) ppts.

Percentages may not recompute due to rounding.

Yum China Holdings, Inc.
Pizza Hut Operating Results
(in US\$ million)
(unaudited)

	Quarter Ended		% Change B/(W)	Year to Date Ended		% Change B/(W)
	6/30/2024	6/30/2023		6/30/2024	6/30/2023	
Revenues						
Company sales	\$ 530	\$ 546	(3)	\$ 1,117	\$ 1,137	(2)
Franchise fees and income	2	2	4	4	4	2
Revenues from transactions with franchisees	1	1	6	2	2	(1)
Other revenues	7	5	36	12	8	55
Total revenues	540	554	(2)	1,135	1,151	(1)
Costs and Expenses, Net						
Company restaurants						
Food and paper	167	166	(1)	365	350	(4)
Payroll and employee benefits	150	162	8	312	329	5
Occupancy and other operating expenses	143	151	5	297	307	3
Company restaurant expenses	460	479	4	974	986	1
General and administrative expenses	27	30	9	54	59	8
Franchise expenses	1	1	(5)	2	2	(1)
Expenses for transactions with franchisees	1	1	4	2	2	7
Other operating costs and expenses	6	4	(46)	11	7	(68)
Closures and impairment expenses, net	5	4	(6)	5	5	1
Total costs and expenses, net	500	519	4	1,048	1,061	1
Operating Profit	\$ 40	\$ 35	13	\$ 87	\$ 90	(4)
Company sales	100.0%	100.0%		100.0%	100.0%	
Food and paper	31.6	30.3	(1.3) ppt	32.7	30.8	(1.9) ppts.
Payroll and employee benefits	28.3	29.7	1.4 ppt	27.9	28.9	1.0 ppts.
Occupancy and other operating expenses	26.9	27.6	0.7 ppt	26.6	27.0	0.4 ppts.
Restaurant margin	13.2%	12.4%	0.8 ppt	12.8%	13.3%	(0.5) ppts.

Percentages may not recompute due to rounding.

Yum China Holdings, Inc.
Condensed Consolidated Balance Sheets
(in US\$ million)

	<u>6/30/2024</u>	<u>12/31/2023</u>
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,043	\$ 1,128
Short-term investments	1,434	1,472
Accounts receivable, net	74	68
Inventories, net	362	424
Prepaid expenses and other current assets	368	339
Total Current Assets	<u>3,281</u>	<u>3,431</u>
Property, plant and equipment, net	2,314	2,310
Operating lease right-of-use assets	2,151	2,217
Goodwill	1,888	1,932
Intangible assets, net	146	150
Long-term bank deposits and notes	1,051	1,265
Equity investments	343	332
Deferred income tax assets	132	129
Other assets	262	265
Total Assets	<u><u>11,568</u></u>	<u><u>12,031</u></u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTEREST AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities	2,149	2,164
Short-term borrowings	416	168
Income taxes payable	113	90
Total Current Liabilities	<u>2,678</u>	<u>2,422</u>
Non-current operating lease liabilities	1,827	1,899
Non-current finance lease liabilities	46	44
Deferred income tax liabilities	386	390
Other liabilities	149	157
Total Liabilities	<u>5,086</u>	<u>4,912</u>
Redeemable Noncontrolling Interest	13	13
Equity		
Common stock, \$0.01 par value; 1,000 million shares authorized; 387 million shares and 407 million shares issued at June 30, 2024 and December 31, 2023, respectively; 386 million shares and 407 million shares outstanding at June 30, 2024 and December 31, 2023, respectively.	4	4
Treasury stock	(17)	—
Additional paid-in capital	4,103	4,320
Retained earnings	2,048	2,310
Accumulated other comprehensive loss	(326)	(229)
Total Yum China Holdings, Inc. Stockholders' Equity	<u>5,812</u>	<u>6,405</u>
Noncontrolling interests	657	701
Total Equity	<u>6,469</u>	<u>7,106</u>
Total Liabilities, Redeemable Noncontrolling Interest and Equity	<u><u>\$ 11,568</u></u>	<u><u>\$ 12,031</u></u>

Yum China Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(in US\$ million)
(unaudited)

	Year to Date Ended	
	6/30/2024	6/30/2023
Cash Flows – Operating Activities		
Net income – including noncontrolling interests	\$ 535	\$ 527
Depreciation and amortization	235	228
Non-cash operating lease cost	203	202
Closures and impairment expenses	14	17
Investment (gain) loss	(16)	28
Equity in net (earnings) losses from equity method investments	—	—
Distributions of income received from equity method investments	7	8
Deferred income taxes	(2)	13
Share-based compensation expense	23	29
Changes in accounts receivable	(5)	2
Changes in inventories	52	1
Changes in prepaid expenses, other current assets and value-added tax assets	(28)	19
Changes in accounts payable and other current liabilities	27	54
Changes in income taxes payable	25	25
Changes in non-current operating lease liabilities	(206)	(193)
Other, net	(21)	(36)
Net Cash Provided by Operating Activities	843	924
Cash Flows – Investing Activities		
Capital spending	(358)	(332)
Purchases of short-term investments, long-term bank deposits and notes	(1,479)	(2,172)
Maturities of short-term investments, long-term bank deposits and notes	1,702	1,904
Other, net	3	2
Net Cash Used in Investing Activities	(132)	(598)
Cash Flows – Financing Activities		
Proceeds from short-term borrowings	307	—
Repayment of short-term borrowings	(52)	—
Repurchase of shares of common stock	(869)	(122)
Cash dividends paid on common stock	(126)	(108)
Dividends paid to noncontrolling interests	(28)	(28)
Contributions from noncontrolling interests	—	35
Payment of acquisition related holdback	—	(3)
Other, net	(17)	(4)
Net Cash Used in Financing Activities	(785)	(230)
Effect of Exchange Rates on Cash, Cash Equivalents and Restricted Cash	(11)	(37)
Net (Decrease) Increase in Cash, Cash Equivalents and Restricted Cash	(85)	59
Cash, Cash Equivalents, and Restricted Cash - Beginning of Period	1,128	1,130
Cash, Cash Equivalents, and Restricted Cash - End of Period	\$ 1,043	\$ 1,189

In this press release:

- Certain performance metrics and non-GAAP measures are presented excluding the impact of foreign currency translation (“F/X”). These amounts are derived by translating current year results at prior year average exchange rates. We believe the elimination of the F/X impact provides better year-to-year comparability without the distortion of foreign currency fluctuations.
- System sales growth reflects the results of all restaurants regardless of ownership, including Company-owned and franchise restaurants that operate our restaurant concepts, except for non-Company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise restaurants typically generate ongoing franchise fees for the Company at an average rate of approximately 6% of system sales. Franchise restaurant sales are not included in Company sales in the Condensed Consolidated Statements of Income; however, the franchise fees are included in the Company’s revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.
- Effective January 1, 2018, the Company revised its definition of same-store sales growth to represent the estimated percentage change in sales of food of all restaurants in the Company system that have been open prior to the first day of our prior fiscal year, excluding the period during which stores are temporarily closed. We refer to these as our "base" stores. Previously, same-store sales growth represented the estimated percentage change in sales of all restaurants in the Company system that have been open for one year or more, including stores temporarily closed, and the base stores changed on a rolling basis from month to month. This revision was made to align with how management measures performance internally and focuses on trends of a more stable base of stores.

Unit Count by Brand

KFC

	<u>12/31/2023</u>	<u>New Builds</u>	<u>Closures</u>	<u>Acquired</u>	<u>6/30/2024</u>
Company-owned	9,237	614	(112)	1	9,740
Franchisees	1,059	144	(11)	(1)	1,191
Total	<u>10,296</u>	<u>758</u>	<u>(123)</u>	<u>—</u>	<u>10,931</u>

Pizza Hut

	<u>12/31/2023</u>	<u>New Builds</u>	<u>Closures</u>	<u>6/30/2024</u>
Company-owned	3,155	246	(60)	3,341
Franchisees	157	10	(4)	163
Total	<u>3,312</u>	<u>256</u>	<u>(64)</u>	<u>3,504</u>

Others

	<u>12/31/2023</u>	<u>New Builds</u>	<u>Closures</u>	<u>6/30/2024</u>
Company-owned	256	10	(69)	197
Franchisees	780	51	(40)	791
Total	<u>1,036</u>	<u>61</u>	<u>(109)</u>	<u>988</u>

Reconciliation of Reported GAAP Results to Non-GAAP Measures
(in millions, except per share data)
(unaudited)

In addition to the results provided in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) in this press release, the Company provides the following non-GAAP measures:

- Measures adjusted for Special Items, which include Adjusted Operating Profit, Adjusted Net Income, Adjusted Earnings Per Common Share (“EPS”), Adjusted Effective Tax Rate and Adjusted EBITDA;
- Company Restaurant Profit (“Restaurant profit”) and Restaurant margin;
- Core Operating Profit and Core OP margin, which exclude Special Items, and further adjusted for Items Affecting Comparability and the impact of F/X;

These non-GAAP measures are not intended to replace the presentation of our financial results in accordance with GAAP. Rather, the Company believes that the presentation of these non-GAAP measures provides additional information to investors to facilitate the comparison of past and present results, excluding those items that the Company does not believe are indicative of our core operations.

With respect to non-GAAP measures adjusted for Special Items, the Company excludes impact from Special Items for the purpose of evaluating performance internally and uses them as factors in determining compensation for certain employees. Special Items are not included in any of our segment results.

Adjusted EBITDA is defined as net income including noncontrolling interests adjusted for equity in net earnings (losses) from equity method investments, income tax, interest income, net, investment gain or loss, depreciation and amortization, store impairment charges, and Special Items. Store impairment charges included as an adjustment item in Adjusted EBITDA primarily resulted from our semi-annual impairment evaluation of long-lived assets of individual restaurants, and additional impairment evaluation whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. If these restaurant-level assets were not impaired, depreciation of the assets would have been recorded and included in EBITDA. Therefore, store impairment charges were a non-cash item similar to depreciation and amortization of our long-lived assets of restaurants. The Company believes that investors and analysts may find it useful in measuring operating performance without regard to such non-cash items.

Restaurant Profit is defined as Company sales less expenses incurred directly by our Company-owned restaurants in generating Company sales, including cost of food and paper, restaurant-level payroll and employee benefits, rent, depreciation and amortization of restaurant-level assets, advertising expenses, and other operating expenses. Company restaurant margin percentage is defined as Restaurant profit divided by Company sales. We also use Restaurant profit and Restaurant margin for the purposes of internally evaluating the performance of our Company-owned restaurants and we believe they provide useful information to investors as to the profitability of our Company-owned restaurants.

Core Operating Profit is defined as Operating Profit adjusted for Special Items, and further excluding Items Affecting Comparability and the impact of F/X. We consider quantitative and qualitative factors in assessing whether to adjust for the impact of items that may be significant or that could affect an understanding of our ongoing financial and business performance or trends. Items such as charges, gains and accounting changes which are viewed by management as significantly impacting the current period or the comparable period, due to changes in policy or other external factors, or non-cash items pertaining to underlying activities that are different from or unrelated to our core operations, are generally considered “Items Affecting Comparability.” Examples of Items Affecting Comparability include, but are not limited to: temporary relief from landlords and government agencies; VAT deductions due to tax policy changes; and amortization of reacquired franchise rights recognized upon acquisitions. We believe presenting Core Operating Profit provides additional information to further enhance comparability of our operating results and we use this measure for purposes of evaluating the performance of our core operations. Core OP margin is defined as Core Operating Profit divided by Total revenues, excluding the impact of F/X.

The following tables set forth the reconciliation of the most directly comparable GAAP financial measures to the non-GAAP financial measures. The reconciliation of GAAP Operating Profit to Restaurant Profit and Core Operating Profit by segment is presented in Segment Results within this release.

	Quarter Ended		Year to Date Ended	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Non-GAAP Reconciliations				
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 266	\$ 257	\$ 640	\$ 673
Special Items, Operating Profit	—	(2)	—	(5)
Adjusted Operating Profit	\$ 266	\$ 259	\$ 640	\$ 678
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	\$ 212	\$ 197	\$ 499	\$ 486
Special Items, Net Income –Yum China Holdings, Inc.	—	(2)	—	(5)
Adjusted Net Income – Yum China Holdings, Inc.	\$ 212	\$ 199	\$ 499	\$ 491
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	\$ 0.55	\$ 0.47	\$ 1.27	\$ 1.16
Special Items, Basic Earnings Per Common Share	—	—	—	(0.01)
Adjusted Basic Earnings Per Common Share	\$ 0.55	\$ 0.47	\$ 1.27	\$ 1.17
Diluted Earnings Per Common Share	\$ 0.55	\$ 0.47	\$ 1.26	\$ 1.15
Special Items, Diluted Earnings Per Common Share	—	—	—	(0.01)
Adjusted Diluted Earnings Per Common Share	\$ 0.55	\$ 0.47	\$ 1.26	\$ 1.16
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	25.2%	24.7%	26.2%	27.0%
Impact on effective tax rate as a result of Special Items	—%	0.1%	—%	0.1%
Adjusted effective tax rate	25.2%	24.6%	26.2%	26.9%

Net income, along with the reconciliation to Adjusted EBITDA, is presented below:

	Quarter Ended		Year to Date Ended	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Reconciliation of Net Income to Adjusted EBITDA				
Net Income – Yum China Holdings, Inc.	\$ 212	\$ 197	\$ 499	\$ 486
Net income – noncontrolling interests	16	17	36	41
Equity in net (earnings) losses from equity method investments	—	1	—	—
Income tax provision	77	71	190	196
Interest income, net	(31)	(40)	(69)	(78)
Investment (gain) loss	(8)	11	(16)	28
Operating Profit	266	257	640	673
Special Items, Operating Profit	—	2	—	5
Adjusted Operating Profit	266	259	640	678
Depreciation and amortization	118	112	235	228
Store impairment charges	15	17	19	21
Adjusted EBITDA	\$ 399	\$ 388	\$ 894	\$ 927

Details of Special Items are presented below:

	Quarter Ended		Year to Date Ended	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023
Share-based compensation expense for Partner PSU Awards ⁽¹⁾	\$ —	\$ (2)	\$ —	\$ (5)
Special Items, Operating Profit	—	(2)	—	(5)
Tax effect on Special Items ⁽²⁾	—	—	—	—
Special Items, net income – including noncontrolling interests	—	(2)	—	(5)
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income –Yum China Holdings, Inc.	\$ —	\$ (2)	\$ —	\$ (5)
Weighted-average Diluted Shares Outstanding (in millions)	391	422	397	423
Special Items, Diluted Earnings Per Common Share	\$ —	\$ —	\$ —	\$ (0.01)

- (1) 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. These awards vested as of December 31, 2023 with a payout in the first quarter of 2024. 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 to the same employees during the performance period. The impact from these special awards is excluded from metrics that management uses to assess the Company's performance.
- (2) The tax expense was determined based upon the nature, as well as the jurisdiction, of each Special Item at the applicable tax rate.

Operating Profit, along with the reconciliation to Core Operating Profit, is presented below:

	Quarter ended		% Change B/(W)	Year to Date Ended		% Change B/(W)
	6/30/2024	6/30/2023		6/30/2024	6/30/2023	
Reconciliation of Operating Profit to Core Operating Profit						
Operating profit	\$ 266	\$ 257	4	\$ 640	\$ 673	(5)
Special Items, Operating Profit	—	2		—	5	
Adjusted Operating Profit	\$ 266	\$ 259	3	\$ 640	\$ 678	(6)
Items Affecting Comparability						
Temporary relief from landlords ⁽¹⁾	—	(2)		—	(10)	
Temporary relief from government agencies ⁽²⁾	—	(1)		—	(3)	
VAT deductions ⁽³⁾	—	(9)		—	(28)	
Amortization of reacquired franchise rights ⁽⁴⁾	—	—		—	2	
F/X impact	9	—		31	—	
Core Operating Profit	\$ 275	\$ 247	12	\$ 671	\$ 639	5
Total revenues	2,679	2,654	1	5,637	5,571	1
F/X impact	85	—		239	—	
Total revenues, excluding the impact of F/X	\$ 2,764	\$ 2,654	4	\$ 5,876	\$ 5,571	5
Core OP margin	10.0%	9.3%	0.7 ppts.	11.4%	11.5%	(0.1) ppts.

- (1) In relation to the effects of the COVID-19 pandemic, the Company was granted lease concessions from landlords. The lease concessions were primarily in the form of rent reduction over the period of time when the Company's restaurant business was adversely impacted. Such concessions were primarily recognized as a reduction of Occupancy and other operating expenses within Company restaurant expenses included in the Condensed Consolidated Statement of Income in the period the concession was granted.
- (2) In relation to the effects of the COVID-19 pandemic, the Company received government subsidies for employee benefits and providing training to employees. The temporary relief was primarily recognized as a reduction to Payroll and employee benefits within Company restaurant expenses included in the Condensed Consolidated Statement of Income.
- (3) Pursuant to the tax policy issued by relevant government authorities, general VAT taxpayers in certain industries that meet certain criteria are allowed to claim an additional 10% or 15% input VAT, which will be used to offset their VAT payables. This VAT policy was further extended to December 31, 2023 but the additional deduction was reduced to 5% or 10% respectively. VAT deductions were primarily recorded as a reduction to Food and paper and Occupancy and other operating expenses within Company restaurant expenses included in the Condensed Consolidated Statements of Income. Such preferential policy was not extended in 2024.
- (4) As a result of the acquisition of our previously unconsolidated joint ventures of Hangzhou KFC, Suzhou KFC and Wuxi KFC, \$66 million, \$61 million and \$61 million of the purchase price were allocated to intangible assets related to reacquired franchise rights, respectively, which were amortized over the remaining franchise contract period of 1 year, 2.4 years and 5 years, respectively. The reacquired franchise rights were fully amortized as of March 31, 2023. The amortization was recorded in Other (Income) Expenses, net included in the Condensed Consolidated Statements of Income.

Yum China Holdings, Inc.
Segment Results
(in US\$ million)
(unaudited)

	Quarter Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated ⁽¹⁾	Elimination	Total
Company sales	\$ 1,983	\$ 530	\$ 15	\$ —	\$ —	\$ 2,528
Franchise fees and income	16	2	4	—	—	22
Revenues from transactions with franchisees ⁽²⁾	12	1	16	67	—	96
Other revenues	3	7	144	16	(137)	33
Total revenues	\$ 2,014	\$ 540	\$ 179	\$ 83	\$ (137)	\$ 2,679
Company restaurant expenses	1,663	460	14	—	—	2,137
General and administrative expenses	60	27	10	36	—	133
Franchise expenses	8	1	—	—	—	9
Expenses for transactions with franchisees ⁽²⁾	11	1	14	66	—	92
Other operating costs and expenses	2	6	142	16	(137)	29
Closures and impairment expenses, net	6	5	2	—	—	13
Total costs and expenses, net	\$ 1,750	\$ 500	\$ 182	\$ 118	\$ (137)	\$ 2,413
Operating Profit (Loss)	\$ 264	\$ 40	\$ (3)	\$ (35)	\$ —	\$ 266

Reconciliation of GAAP Operating Profit to Restaurant Profit

	Quarter Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated ⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 264	\$ 40	\$ (3)	\$ (35)	\$ —	\$ 266
Less:						
Franchise fees and income	16	2	4	—	—	22
Revenues from transactions with franchisees ⁽²⁾	12	1	16	67	—	96
Other revenues	3	7	144	16	(137)	33
Add:						
General and administrative expenses	60	27	10	36	—	133
Franchise expenses	8	1	—	—	—	9
Expenses for transactions with franchisees ⁽²⁾	11	1	14	66	—	92
Other operating costs and expenses	2	6	142	16	(137)	29
Closures and impairment expenses, net	6	5	2	—	—	13
Restaurant profit	\$ 320	\$ 70	\$ 1	\$ —	\$ —	\$ 391
Company sales	1,983	530	15	—	—	2,528
Restaurant margin %	16.2%	13.2%	5.9%	N/A	N/A	15.5%

Reconciliation of GAAP Operating Profit to Core Operating Profit

	Quarter Ended 6/30/2024					
	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated ⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 264	\$ 40	\$ (3)	\$ (35)	\$ —	\$ 266
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	\$ 264	\$ 40	\$ (3)	\$ (35)	\$ —	\$ 266
F/X impact	9	1	—	(1)	—	9
Core Operating Profit (Loss)	\$ 273	\$ 41	\$ (3)	\$ (36)	\$ —	\$ 275

Quarter Ended 6/30/2023

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
Company sales	\$ 1,954	\$ 546	\$ 17	\$ —	\$ —	\$ 2,517
Franchise fees and income	15	2	4	—	—	21
Revenues from transactions with franchisees ⁽²⁾	11	1	17	60	—	89
Other revenues	4	5	144	10	(136)	27
Total revenues	\$ 1,984	\$ 554	\$ 182	\$ 70	\$ (136)	\$ 2,654
Company restaurant expenses	1,616	479	18	—	—	2,113
General and administrative expenses	67	30	10	46	—	153
Franchise expenses	7	1	1	—	—	9
Expenses for transactions with franchisees ⁽²⁾	9	1	15	59	—	84
Other operating costs and expenses	4	4	142	10	(136)	24
Closures and impairment expenses, net	8	4	2	—	—	14
Total costs and expenses, net	1,711	519	188	115	(136)	2,397
Operating Profit (Loss)	\$ 273	\$ 35	\$ (6)	\$ (45)	\$ —	\$ 257

Reconciliation of GAAP Operating Profit to Restaurant Profit

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 273	\$ 35	\$ (6)	\$ (45)	\$ —	\$ 257
Less:						
Franchise fees and income	15	2	4	—	—	21
Revenues from transactions with franchisees ⁽²⁾	11	1	17	60	—	89
Other revenues	4	5	144	10	(136)	27
Add:						
General and administrative expenses	67	30	10	46	—	153
Franchise expenses	7	1	1	—	—	9
Expenses for transactions with franchisees ⁽²⁾	9	1	15	59	—	84
Other operating costs and expenses	4	4	142	10	(136)	24
Closures and impairment expenses, net	8	4	2	—	—	14
Restaurant profit (loss)	\$ 338	\$ 67	\$ (1)	\$ —	\$ —	\$ 404
Company sales	1,954	546	17	—	—	2,517
Restaurant margin %	17.3 %	12.4 %	(9.6) %	N/A	N/A	16.1 %

Reconciliation of GAAP Operating Profit to Core Operating Profit

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 273	\$ 35	\$ (6)	\$ (45)	\$ —	\$ 257
Special Items, Operating Profit	—	—	—	2	—	2
Adjusted Operating Profit (Loss)	\$ 273	\$ 35	\$ (6)	\$ (43)	\$ —	\$ 259
Items Affecting Comparability						
Temporary relief from landlords	(2)	—	—	—	—	(2)
Temporary relief from government agencies	(1)	—	—	—	—	(1)
VAT deductions	(7)	(1)	(1)	—	—	(9)
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	\$ 263	\$ 34	\$ (7)	\$ (43)	\$ —	\$ 247

Year to Date Ended 6/30/2024

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
Company sales	\$ 4,176	\$ 1,117	\$ 29	\$ —	\$ —	\$ 5,322
Franchise fees and income	34	4	9	—	—	47
Revenues from transactions with franchisees ⁽²⁾	26	2	36	139	—	203
Other revenues	8	12	308	31	(294)	65
Total revenues	\$ 4,244	\$ 1,135	\$ 382	\$ 170	\$ (294)	\$ 5,637
Company restaurant expenses	3,434	974	31	—	(1)	4,438
General and administrative expenses	121	54	20	78	—	273
Franchise expenses	17	2	—	—	—	19
Expenses for transactions with franchisees ⁽²⁾	23	2	33	138	—	196
Other operating costs and expenses	6	11	304	30	(293)	58
Closures and impairment expenses, net	7	5	2	—	—	14
Other expenses (income), net	—	—	—	(1)	—	(1)
Total costs and expenses, net	3,608	1,048	390	245	(294)	4,997
Operating Profit (Loss)	\$ 636	\$ 87	\$ (8)	\$ (75)	\$ —	\$ 640

Reconciliation of GAAP Operating Profit to Restaurant Profit

Year to Date Ended 6/30/2024

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 636	\$ 87	\$ (8)	\$ (75)	\$ —	\$ 640
Less:						
Franchise fees and income	34	4	9	—	—	47
Revenues from transactions with franchisees ⁽²⁾	26	2	36	139	—	203
Other revenues	8	12	308	31	(294)	65
Add:						
General and administrative expenses	121	54	20	78	—	273
Franchise expenses	17	2	—	—	—	19
Expenses for transactions with franchisees ⁽²⁾	23	2	33	138	—	196
Other operating costs and expenses	6	11	304	30	(293)	58
Closures and impairment expenses, net	7	5	2	—	—	14
Other expenses (income), net	—	—	—	(1)	—	(1)
Restaurant profit (loss)	\$ 742	\$ 143	\$ (2)	\$ —	\$ 1	\$ 884
Company sales	4,176	1,117	29	—	—	5,322
Restaurant margin %	17.8%	12.8%	(11.1)%	N/A	N/A	16.6%

Reconciliation of GAAP Operating Profit to Core Operating Profit

Year to Date Ended 6/30/2024

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 636	\$ 87	\$ (8)	\$ (75)	\$ —	\$ 640
Special Items, Operating Profit	—	—	—	—	—	—
Adjusted Operating Profit (Loss)	\$ 636	\$ 87	\$ (8)	\$ (75)	\$ —	\$ 640
F/X impact	29	4	—	(2)	—	31
Core Operating Profit (Loss)	\$ 665	\$ 91	\$ (8)	\$ (77)	\$ —	\$ 671

Year to Date Ended 6/30/2023

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
Company sales	\$ 4,120	\$ 1,137	\$ 32	\$ —	\$ —	\$ 5,289
Franchise fees and income	32	4	10	—	—	46
Revenues from transactions with franchisees ⁽²⁾	21	2	36	123	—	182
Other revenues	9	8	306	20	(289)	54
Total revenues	\$ 4,182	\$ 1,151	\$ 384	\$ 143	\$ (289)	\$ 5,571
Company restaurant expenses	3,301	986	36	—	(1)	4,322
General and administrative expenses	135	59	21	101	—	316
Franchise expenses	16	2	1	—	—	19
Expenses for transactions with franchisees ⁽²⁾	18	2	33	122	—	175
Other operating costs and expenses	8	7	303	18	(288)	48
Closures and impairment expenses, net	9	5	3	—	—	17
Other expenses (income), net	2	—	—	(1)	—	1
Total costs and expenses, net	3,489	1,061	397	240	(289)	4,898
Operating Profit (Loss)	\$ 693	\$ 90	\$ (13)	\$ (97)	\$ —	\$ 673

Reconciliation of GAAP Operating Profit to Restaurant Profit

Year to Date Ended 6/30/2023

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 693	\$ 90	\$ (13)	\$ (97)	\$ —	\$ 673
Less:						
Franchise fees and income	32	4	10	—	—	46
Revenues from transactions with franchisees ⁽²⁾	21	2	36	123	—	182
Other revenues	9	8	306	20	(289)	54
Add:						
General and administrative expenses	135	59	21	101	—	316
Franchise expenses	16	2	1	—	—	19
Expenses for transactions with franchisees ⁽²⁾	18	2	33	122	—	175
Other operating costs and expenses	8	7	303	18	(288)	48
Closures and impairment expenses, net	9	5	3	—	—	17
Other expenses (income), net	2	—	—	(1)	—	1
Restaurant profit (loss)	\$ 819	\$ 151	\$ (4)	\$ —	\$ 1	\$ 967
Company sales	4,120	1,137	32	—	—	5,289
Restaurant margin %	19.9%	13.3%	(15.1)%	N/A	N/A	18.3%

Reconciliation of GAAP Operating Profit to Core Operating Profit

Year to Date Ended 6/30/2023

	KFC	Pizza Hut	All Other Segments	Corporate and Unallocated⁽¹⁾	Elimination	Total
GAAP Operating Profit (Loss)	\$ 693	\$ 90	\$ (13)	\$ (97)	\$ —	\$ 673
Special Items, Operating Profit	—	—	—	5	—	5
Adjusted Operating Profit (Loss)	\$ 693	\$ 90	\$ (13)	\$ (92)	\$ —	\$ 678
Items Affecting Comparability						
Temporary relief from landlords	(9)	(1)	—	—	—	(10)
Temporary relief from government agencies	(3)	—	—	—	—	(3)
VAT deductions	(24)	(3)	(1)	—	—	(28)
Amortization of reacquired franchise rights	2	—	—	—	—	2
F/X impact	—	—	—	—	—	—
Core Operating Profit (Loss)	\$ 659	\$ 86	\$ (14)	\$ (92)	\$ —	\$ 639

The above tables reconcile segment information, which is based on management responsibility, with our Condensed Consolidated Statements of Income.

- (1) Amounts have not been allocated to any segment for purpose of making operating decision or assessing financial performance as the transactions are deemed corporate revenues and expenses in nature.
- (2) Primarily includes revenues and associated expenses of transactions with franchisees derived from the Company's central procurement model whereby the Company centrally purchases substantially all food and paper products from suppliers and then sells and delivers to KFC and Pizza Hut restaurants, including franchisees.

Yum China Board Announces CFO Transition and Welcomes New Board Member

Shanghai, China (August 5, 2024)-- Yum China Holdings, Inc. (NYSE: YUMC and HKEX: 9987) (the "Company" or "Yum China") today announced that Andy Yeung, who has served as the Company's Chief Financial Officer since October 2019, intends to resign as the Company's Chief Financial Officer for personal reasons. Andy will step down as the Company's Chief Financial Officer, effective September 30, 2024, and will serve as Senior Advisor to the Company's Chief Executive Officer from October 1, 2024 to February 28, 2025. Adrian Ding, who has been with the Company since March 2019 and currently serves as the Company's Chief Investment Officer and General Manager of the Company's Lavazza joint venture, has been appointed as Acting Chief Financial Officer of the Company, effective October 1, 2024.

"On behalf of the Board of Directors and management, I would like to extend our heartfelt gratitude to Andy for all his contributions to the Company. Shortly after joining us in 2019, Andy played a critical role as a core member of the leadership team throughout the pandemic. His efforts were instrumental in enhancing the Company's financial strength, establishing robust cost discipline and supporting our growth strategy. He also successfully led the completion of our listing in Hong Kong. Under his leadership, the finance team further strengthened its capabilities and upgraded systems and processes in key areas. We wish Andy all the best in his future endeavors," said Joey Wat, CEO of Yum China.

"I am pleased to announce the appointment of Adrian as our Acting CFO," Wat commented. "Over the past five years, Adrian has led multiple investment and capital markets projects to enhance our portfolio and organizational strengths, including the acquisitions of KFC joint venture stakes and strategic investments in supply chain, technology, and other strategic areas. He also played a critical role to drive our listing project in Hong Kong. Adrian was instrumental in establishing the Lavazza joint venture and building the Lavazza business in China. With his financial and operational expertise, I am confident that Adrian will continue to drive our strategy and support our growth objectives to create value for our shareholders."

Adrian Ding joined the Company in March 2019 as Vice President of Corporate Finance. He has served as Chief Investment Officer of the Company since February 2020 and additionally as General Manager of the Company's Lavazza joint venture since March 2022. Prior to joining the Company, Mr. Ding worked for Alibaba Group Holding Limited from 2018 to early 2019, responsible for strategic investments in the technology and media sectors. Before that, Mr. Ding gained extensive experience in investment banking, having advised clients on a number of capital markets and M&A projects. Mr. Ding worked at UBS AG as a Director in Investment Banking. He also previously worked at Morgan Stanley and Citigroup Global Markets Asia Limited. Mr. Ding currently serves as a director of Fujian Sunner Development Co., Ltd. (Shenzhen Stock Exchange: 002299). Mr. Ding obtained a master's degree in business administration (MBA) from Columbia Business School, and a bachelor's degree in quantitative finance from Hong Kong University of Science and Technology.

Yum China also announced today the appointment of Ms. Mikel A. Durham to the Board of Directors, effective August 12, 2024. In connection with the appointment, the size of the Board of Directors was increased to 12 directors, ten of whom are independent.

"We are delighted to welcome Mikel to our Board of Directors," said Yum China's Chairman Dr. Fred Hu. "With her deep knowledge of the food industry, significant public company board experience, and global business expertise, I am confident that Mikel will add great value to our Board and to Yum China."

Joey Wat, CEO of Yum China commented, "On behalf of the management team, I extend a warm welcome to Mikel. Mikel's extensive experience in growing powerful brands, developing innovative products, and driving success will be invaluable as we continue to execute our RGM 2.0 strategy (Resilience, Growth, Moat, with a focus on growth). I trust that her expertise and guidance will inspire us as we navigate the exciting opportunities that lie ahead."

Mikel A. Durham served as CEO of American Seafoods Group, a world's leading at-sea processor of seafood, from January 2017 to February 2022. She also chaired the trade association for Wild Alaska Pollock, the largest global fishery for human consumption. Ms. Durham served as the global chief commercial officer of the private equity backed CSM Bakery Solutions, a global bakery supply manufacturer, from 2014 to 2016. Prior to joining CSM Bakery Solutions, Ms. Durham held various positions in PepsiCo, Inc. from 1994 to 1998 and from 2009 to 2013,

with her last position being global growth officer for PepsiCo Foodservice. She also held executive roles at CEB Global Inc. in operations research from 2006 to 2008, Cadbury Schweppes in supply chain from 2002 to 2006, and Diageo in general management of both packaged goods and foodservice from 1998 to 2001 (including serving as president of Burger King North America from 2000 to 2001). From 1985 to 1994, Ms. Durham worked at Bain & Company, where she served in several roles working in the United States, United Kingdom and Australia, and from 1992 to 1994, co-leading the Russian office. Ms. Durham has served as an independent director of Tyson Foods, Inc. (NYSE: TSN) since 2015, and currently serves on the Strategy and Acquisition Committee and the Audit Committee of Tyson Foods, Inc. Since 2023, she has served on the board of the Marine Stewardship Council. Ms. Durham obtained a master's degree of business administration (MBA) from the Harvard University in 1990.

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,” “plan,” “estimate,” “target,” “predict,” “project,” “likely,” “will,” “continue,” “should,” “forecast,” “outlook,” “commit” 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. Numerous factors could cause our actual results or events to differ materially from those expressed or implied by forward-looking statements. 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 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 is the largest restaurant company in China with a mission to make every life taste beautiful. The Company has approximately 400,000 employees and operates over 15,000 restaurants under six brands across more than 2,100 cities in China. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in China, respectively. In addition, Yum China has partnered with Lavazza to develop the Lavazza coffee concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. Taco Bell offers innovative Mexican-inspired food. Yum China has a world-class, digitalized supply chain, which includes an extensive network of logistics centers nationwide and an in-house supply chain management system. Its strong digital capabilities and loyalty program enable the Company to reach customers faster and serve them better. Yum China is a Fortune 500 company with the vision to be the world’s most innovative pioneer in the restaurant industry. For more information, please visit <http://ir.yumchina.com>.

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Dear Joey,

I hope this email finds you well. I am writing to submit my resignation from my position as Chief Financial Officer (CFO) at Yum China.

I truly value my time with Yum China and the opportunity to contribute to its growth and success over the past 5 years. It has been a rewarding experience working closely with such a talented and dedicated leadership team through the challenges posted by the pandemic and its aftermath. I am proud of the accomplishments we have achieved together and the company's strengthened financial position and performance. Yum China emerged from the pandemic more resilient and ready to accelerate growth.

However, after careful consideration and reflection, I have decided to resign from my CFO role for personal reasons. I will take this much-needed time to attend to important matters in my life.

Please consider this email as my notice of resignation in accordance with the terms of my employment contract, with the effective date to be determined by the Company. The trust and encouragement from you and the entire leadership team have been invaluable to me. I will do my utmost to ensure a smooth transition in accordance with the transition arrangements we have discussed.

I have confidence that Yum China will continue to succeed. Again, thank you for everything. I wish you, the Company and all my colleagues the best in their future endeavors.

Sincerely Yours,

Andy Yeung, CFA
