



YumChina

Fourth Quarter 2018 Results Presentation

January 31, 2019



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, including under “2019 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,” “likely,” “will,” “continue,” “should,” “forecast,” “outlook” or similar terminology. These statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable under the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct.

Forward-looking statements include, without limitation, statements regarding the future business plans, earnings and performance of Yum China, statements regarding the revitalization of Pizza Hut, anticipated effects of population and macroeconomic trends, the capital structure and effective tax rate of Yum China, the anticipated effects of our digital and delivery capabilities on growth, and beliefs regarding the long-term drivers of Yum China’s business. Forward-looking statements are not guarantees of performance and are inherently subject to known and unknown risks and uncertainties that are difficult to predict and could cause our actual results or events to differ materially from those indicated by those statements. We cannot assure you that any of our expectations, estimates or assumptions will be achieved. The forward-looking statements included in this presentation are only made as of the date of this presentation, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances, except as required by law. Numerous factors could cause our actual results or events to differ materially from those expressed or implied by forward-looking statements, including, without limitation: whether we are able to achieve development goals at the times and in the amounts currently anticipated, if at all, the success of our marketing campaigns and product innovation, our ability to maintain food safety and quality control systems, our ability to control costs and expenses, including tax costs, as well as changes in political, economic and regulatory conditions in China. In addition, other risks and uncertainties not presently known to us or that we currently believe to be immaterial could affect the accuracy of any such forward-looking statements. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. You should consult our filings with the Securities and Exchange Commission (including the information set forth under the captions “Risk Factors” and “Forward-Looking Statements” in our Annual Report on Form 10-K) for additional detail about factors that could affect our financial and other results. This presentation includes certain non-GAAP financial measures. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this presentation where indicated. You are urged to consider carefully the comparable GAAP measures and reconciliations.

Contents

- Business Highlights
- Financial Results



Yum China by the Numbers – a Powerful Business

#1 Western QSR & CDR brands in China

NYSE listed with
\$12.7bn market cap
#397 Fortune 500 2018

8,400+ stores in
1,200+ cities in China

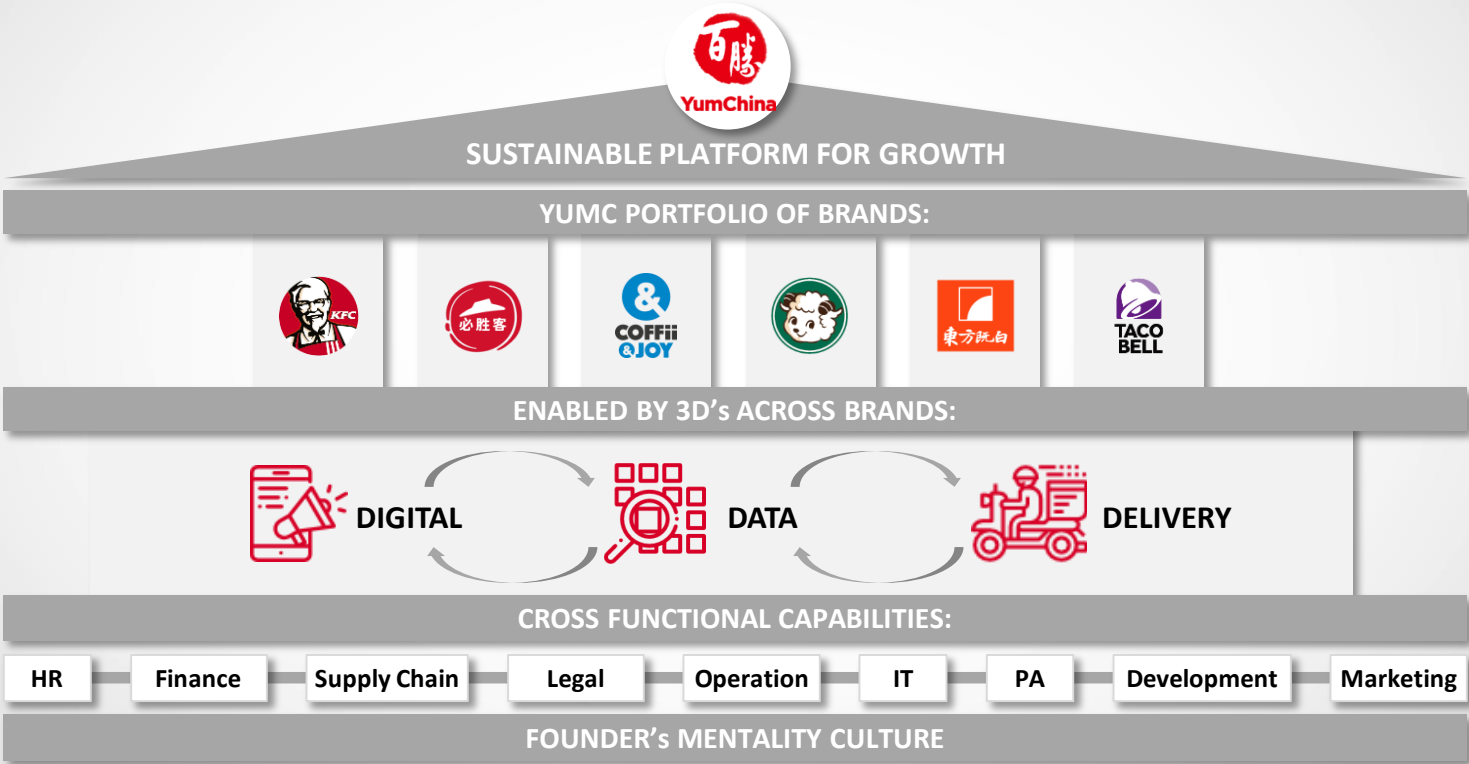
160mn+ members of KFC
50mn+ members of Pizza Hut

#1 restaurant operator
in digital & delivery in China

~450,000 employees in China
Strong management



Long-term YUMC Strategy: Dynamic Brands Built on a Sustainable Platform for Growth



Potential to grow to 20,000 stores over the long term, >2x today's store base

2018 Q4: Strong Sales and Profit Growth

Sales & Profit

- Strong system sales growth of 6%, ninth consecutive quarter of positive growth since spin off, led by the accelerated new store openings and a robust performance at KFC
 - KFC: 3% same-store sales growth and 9% system sales growth
 - Pizza Hut: 1% same-store traffic growth although sales remained soft
- Increase in operating profit driven by strong sales growth and diligent cost controls

Stores

- Aggressively opened 257 new restaurants in Q4, total 819 for the full year, cementing our market position and laying a solid foundation for growth.

Digital

- Over 180 million members for KFC and Pizza Hut combined
- Our digital and delivery capabilities extend the runway for growth

Capital

- Returned \$191 million to shareholders in the form of share repurchases and cash dividends



KFC Value Offerings Continue to Drive Sales

Traditional Festival

央视财经 改革开放40年

加油中国

致敬改革开放四十年

1978-2018

中秋国庆桶

劲省46元

微博 @肯德基

Crazy Thursday

肯德星期

疯狂星期四

六块九块九*

早餐三件套 9.9 仅限早餐时段

15块 19.9

¥19.9/15块

比利时黑巧克力 冰淇淋/双球冰淇淋花筒 2支 9.9 ¥9.9/2支

新 热辣香骨鸡 6块 9.9

¥9.9/6块

Online Campaign

KFC 天猫全球狂欢节 十周年

燃爆!!!

惊喜不止5折!!!

手淘APP扫码 即刻参与优惠

QR code

Innovation in Dayparts and Product Categories Continues to Drive SSSG



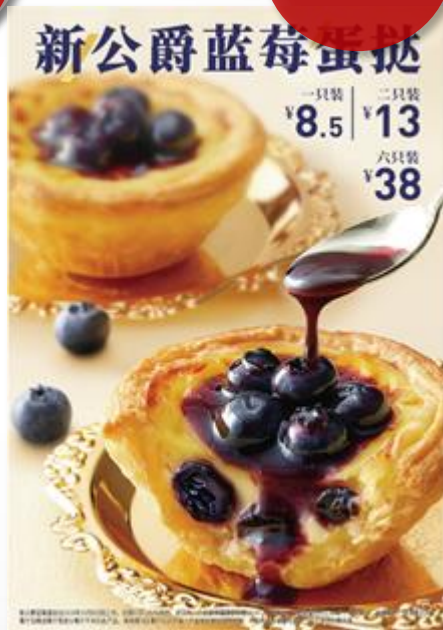
Breakfast



Coffee



Dessert



Delivery



Pizza Hut Focuses on Innovation and Smart Value



Value for Money

尖叫星期三

经典意式肉酱面
SPAGHETTI BOLOGNAISE

两份 ¥29

单品总价: 70元

会员专享 12月19日

会员专享
凭券两份29元

Food Innovation

2018 XMAS

爆香避风塘大虾串

慢煮澳洲牛胸肉

拉粒有戏火鸡腿

圣诞大方比萨系列 ¥59起

意式手拍 薄韧有力

榴莲榴心翅系列

马来西亚丹王榴莲, 浓香绵密

人气满满小吃拼盘 **¥79**

榴莲榴心翅 **¥39**

超值小吃拼盘 **¥59**

Family Privilege

家庭尊享卡 专为亲子打造

限时发售98元/年

超值4大特权 尽享吃喝玩乐

- 甄选独家好礼**
当孩子们收到这份头号惊喜礼物, 一整年都将乐在其中。
尊享开卡礼X1份
(具体礼品详询店内服务人员)
- 全年凭券5折享美食**
要吃重, 即总要吃大饱餐。
嘛嘛, 这一辈子的美味都靠你的。
人气经典意式肉酱面超值5折享X24次
- 免费生日礼**
想要记录下宝贝每个重要的日子, 见证宝贝的成长每一步, 是我们的头等大事。
生日当月凭券可享抹茶雪域蛋糕冰淇淋X1份
- 儿童生日活动举办费8折享**
亲子DIY生日比萨, 和小伙伴们玩游戏, 孩子们的专属欢乐生日派对无比精彩!
儿童生日派对举办券可免费享8折优惠

扫码购买 每单消费480元起

会员专享
Enjoy Moments Love

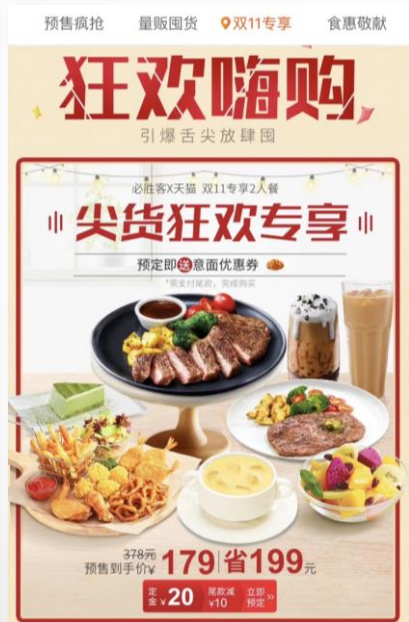
Keep Driving 4 Levers of Revitalization Plan



Fix fundamentals



Drive digital



Optimize delivery



Enhance asset portfolio



Recognition of Our “People First” HR Approach



**Yum China Certified Top Employer China 2019
by the Top Employers Institute**



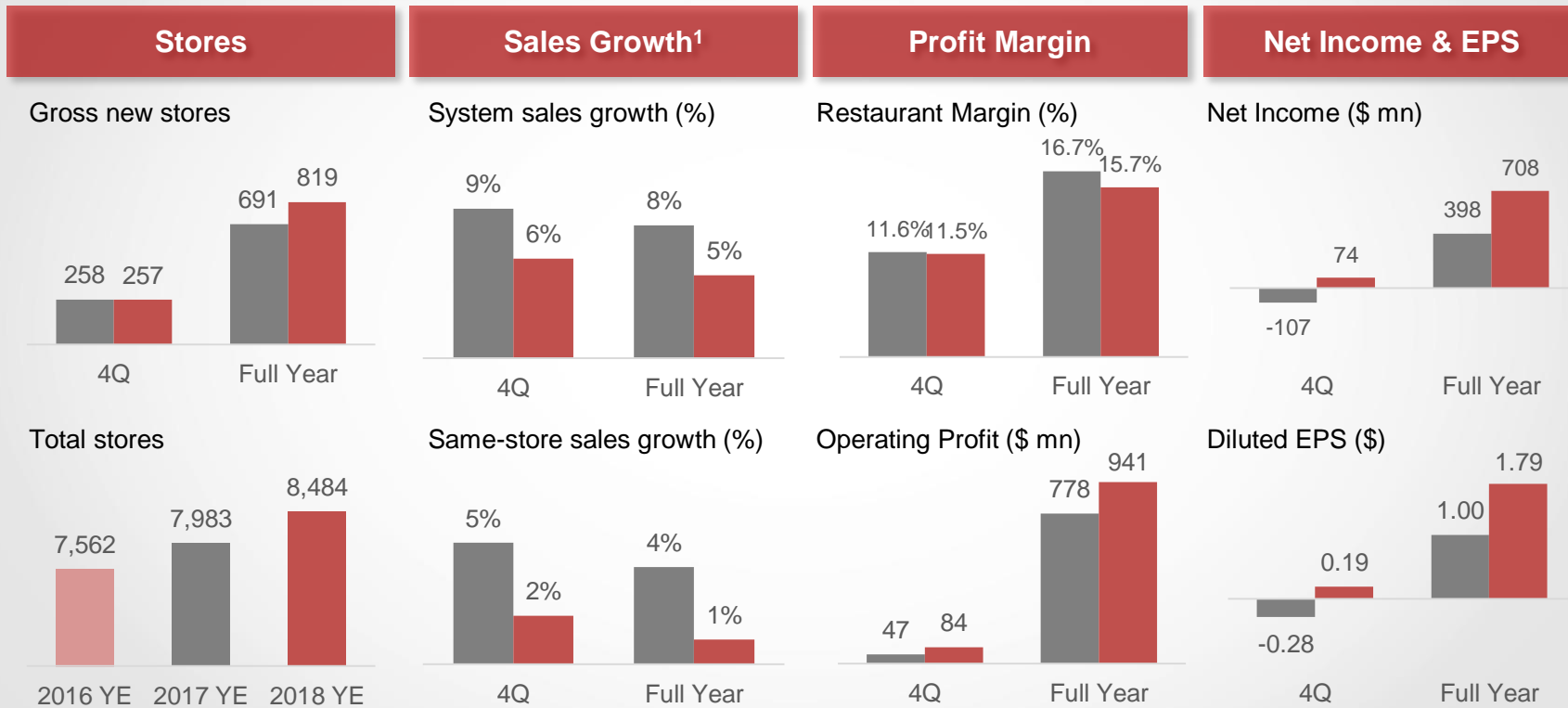
**Yum China among the first Chinese companies named to
2019 Bloomberg Gender Equality Index**

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Yum China Reported 6% System Sales Growth in Q4

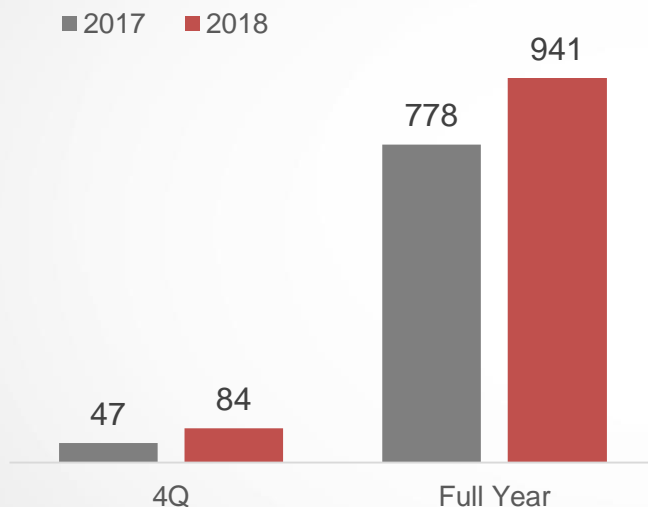


2016 2017 2018

¹Stated in constant currency basis.

Operating Profit Up by 77% in Q4 and 21% in Full Year

Operating Profit (\$ mn)



YoY	+77%	+21%
YoY ex F/X	+84%	+16%

Key factors for Q4'18 year-over-year movement

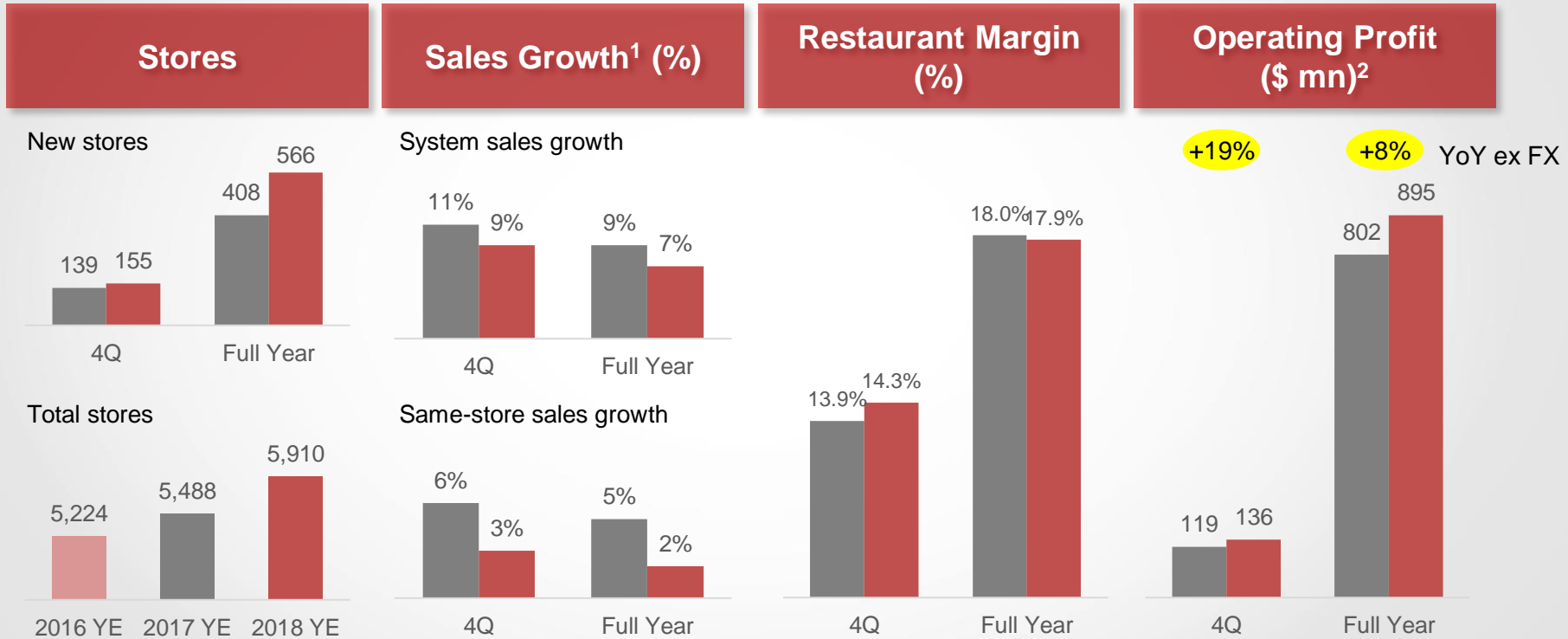


- Same-store sales leverage
- Net new unit growth
- G&A expense optimization



- Wage and commodity inflation
- Product upgrade & promotion costs
- Daojia impairment
- Foreign exchange impact

KFC Achieved 3% SSSG & 9% System Sales Growth in Q4

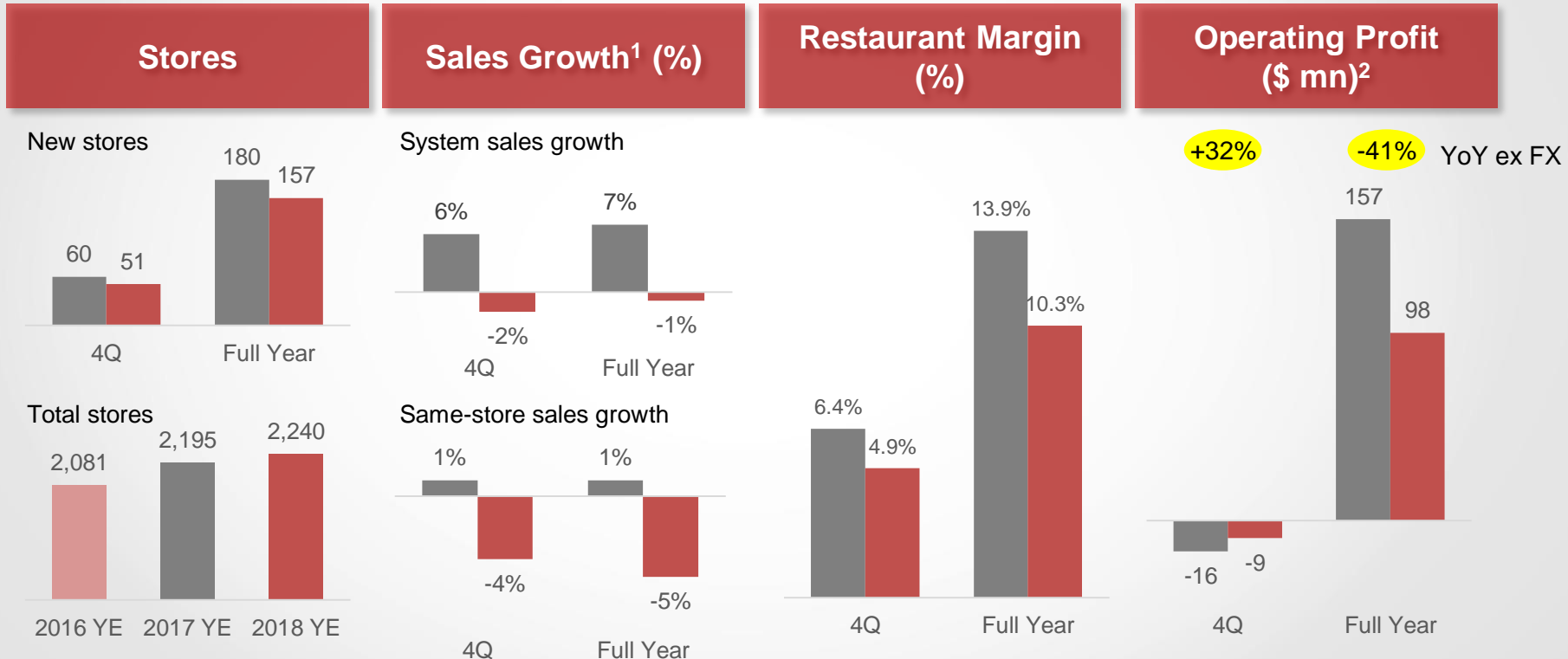


¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



Pizza Hut Reduced Operating Loss in Q4



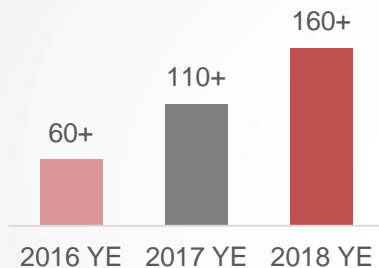
+32% -41% YoY ex FX

¹ Stated in constant currency basis.

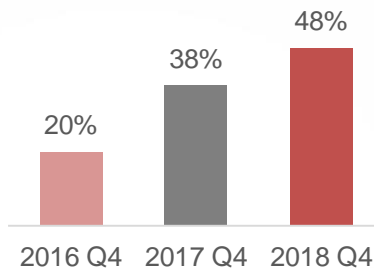
² Segment Operating Profit before unallocated shared service costs.

Digital KPIs Continue to Improve

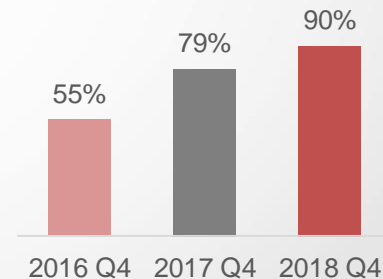
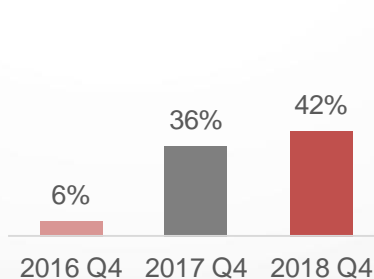
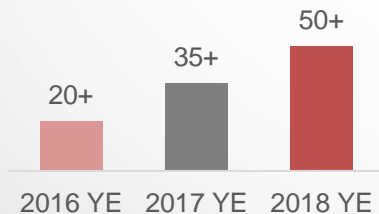
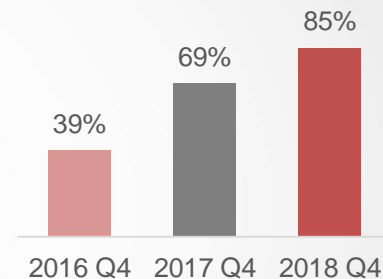
Members



Member Sales



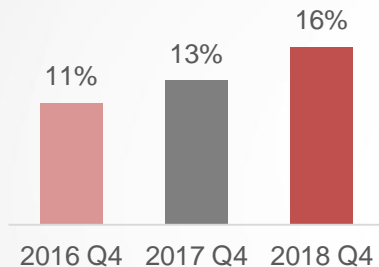
Digital Payment %



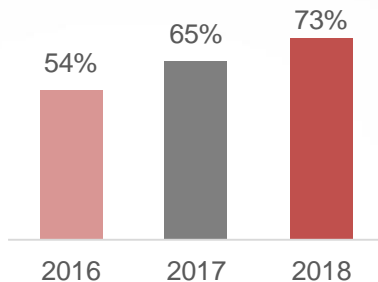
Delivery Continues to Grow



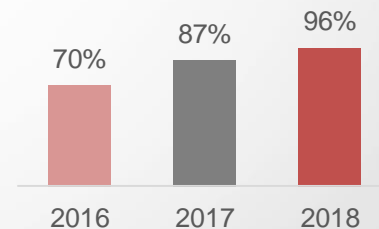
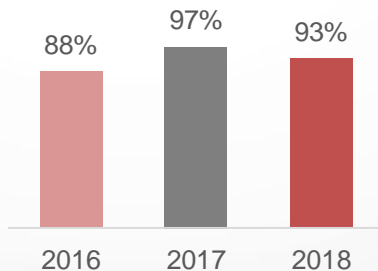
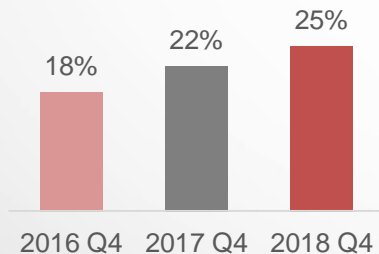
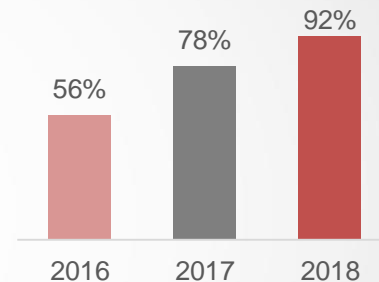
Delivery Sales



Delivery Store Coverage



Delivery City Coverage



Accelerate New Store Openings with Healthy Return



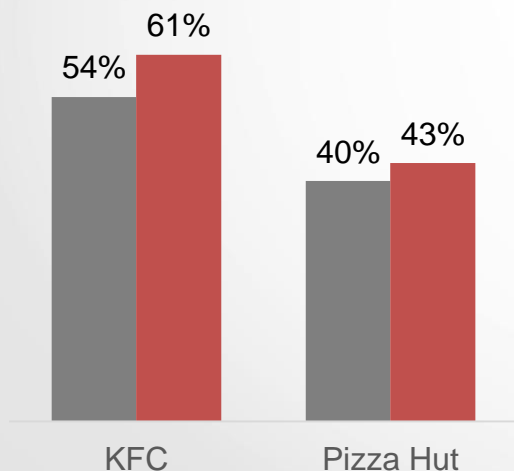
Lower Tier Penetration

Drive New Unit Return¹

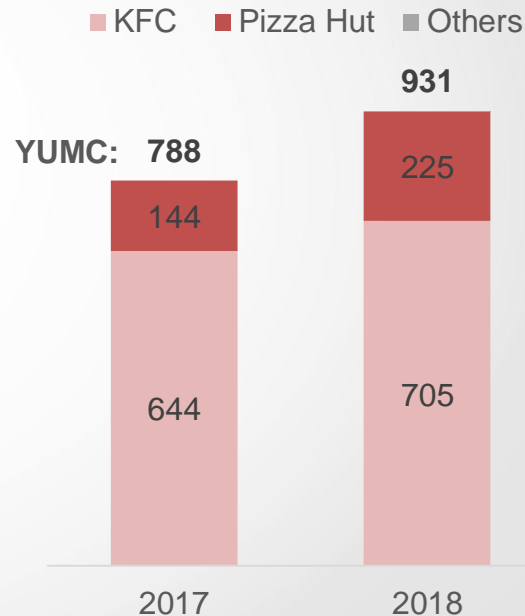
Remodel

Store Mix in Tier 3-6

■ All Stores ■ 2018 New Stores



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



¹ Refers to Average Pre-tax Cash Payback Period; Includes units opened between October 2016 and September 2017, after deduction of 3% license fee.

Strong Cash Flow Generation Funds Growth and Shareholder Returns



Net cash from
operating
activities **\$1.33 bn**

Jan-Dec 2018



Free cash
flow **\$863 mn**

Jan-Dec 2018



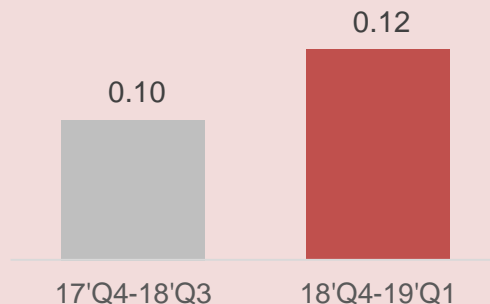
Cash and
short-term
investments **\$1.39 bn**

As of Dec 31 2018

Dividends

2018 Q4: \$46 mn
2018 Full Year: \$161 mn

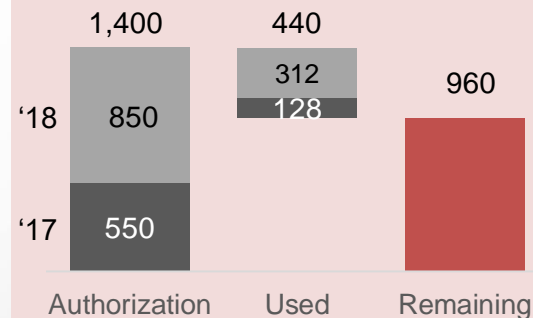
Quarterly Cash Dividend (\$)



Share Repurchases

2018 Q4: \$145 mn
2018 Full Year: \$312 mn

Total Program (\$ mn)



Reporting Change in 2019

- US GAAP new lease standard effective from Jan 1, 2019
- Material amount of lease liabilities and Right of Use (ROU) assets will be added to the balance sheet for leases with fixed payment component and with terms over 12 months
 - ~\$2.0 billion increase in ROU lease asset
 - ~\$2.2 billion increase in lease liability
- No material change on recognition of expense on income statement, except for additional impairment of ROU assets
- As permitted by US GAAP, historical financial statements will not be recast. Cumulative effect adjustments to be made in Q1
- Additional impairment test in Q1 2019

Outlook

2019 Financial Targets

- 600-650 gross new stores
- \$450-500 million Capex
- Effective Tax Rate below 28%

Long Term Financial Targets

- High single digit system sales growth ex FX
- ~17% restaurant margin
- Double digit operating profit growth ex FX

Appendix: Reconciliation of Reported Results to Non-GAAP Measures

	Quarter Ended		Year Ended	
	12/31/2018	12/31/2017	12/31/2018	12/31/2017
Detail of Special Items				
Daojia impairment ^(b)	\$ (12)	\$ —	\$ (12)	\$ —
Gain from re-measurement of equity interest upon acquisition ^(c)	—	—	98	—
Income from the reversal of contingent consideration ^(d)	—	—	—	3
Special Items, Operating Profit	(12)	—	86	3
Tax effect on Special Items ^(e)	3	—	(21)	—
Impact from the Tax Act ^(f)	36	(164)	36	(164)
Special Items, net income – including noncontrolling interests	27	(164)	101	(161)
Special Items, net income – noncontrolling interests	(1)	—	(1)	—
Special Items, Net Income – Yum China Holdings, Inc.	\$ 28	\$ (164)	\$ 102	\$ (161)
Weighted Average Diluted Shares Outstanding	389	400	395	398
Special Items Diluted Earnings Per Common Share	\$ 0.07	\$ (0.41)	\$ 0.26	\$ (0.40)
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 84	\$ 47	\$ 941	\$ 778
Special Items, Operating Profit	(12)	—	86	3
Adjusted Operating Profit	\$ 96	\$ 47	\$ 855	\$ 775
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss)				
Net Income (Loss) – Yum China Holdings, Inc.	\$ 74	\$ (107)	\$ 708	\$ 398
Special Items, Net Income – Yum China Holdings, Inc.	28	(164)	102	(161)
Adjusted Net Income – Yum China Holdings, Inc.	\$ 46	\$ 57	\$ 606	\$ 559
Reconciliation of EPS to Adjusted EPS				
Diluted Earnings (Loss) Per Common Share	\$ 0.19	\$ (0.28)	\$ 1.79	\$ 1.00
Special Items Diluted Earnings Per Common Share	0.07	(0.41)	0.26	(0.40)
Adjusted Diluted Earnings Per Common Share	\$ 0.12	\$ 0.14	\$ 1.53	\$ 1.40
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	(20.1)%	285.2%	22.6%	47.2%
Impact on effective tax rate as a result of Special Items	(53.6)%	293.3%	(3.9)%	20.3%
Adjusted effective tax rate	33.5%	(8.2)%	26.5%	26.9%

(a) Amounts presented as of and for the quarter and year to date ended December 31, 2018 are unaudited.

(b) During the year ended December 31, 2018, we recorded an impairment charge of \$12 million on intangible assets of the Daojia business. It was included in Closures and impairment expenses in our Consolidated Statement of Income, but was not allocated to any segment for performance reporting purposes. We recorded tax benefit of \$3 million associated with the impairment and allocated \$1 million of the after-tax impairment charge to noncontrolling interests.

(c) As a result of the acquisition of Wuxi KFC in the first quarter of 2018, the Company recognized a gain of \$98 million from the re-measurement of our previously held 47% equity interest at fair value, which was not allocated to any segment for performance reporting purposes.

(d) During the year ended December 31, 2017, we recognized income from the reversal of contingent consideration previously recorded for a business combination as the likelihood of making payment became remote.

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

(f) The Company incurred an estimated one-time income tax charge of \$164 million in the fourth quarter of 2017, as a result of the Tax Act, due to the transition tax on deemed repatriation of accumulated undistributed earnings of foreign subsidiaries, and additional tax related to the revaluation of certain deferred tax assets. In the fourth quarter of 2018, we recognized tax benefit of \$36 million as a result of adjusting the provisional amount of transition tax previously recorded.