



YumChina

NYSE: YUMC and HKEX: 9987

First Quarter 2023 Results

3 May 2023

Cautionary Statement on Forward-Looking Statements & Non-GAAP Measures

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as “expect,” “expectation,” “believe,” “anticipate,” “may,” “could,” “intend,” “belief,” “plan,” “estimate,” “target,” “predict,” “project,” “likely,” “will,” “continue,” “should,” “forecast,” “commit,” “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 strategies, growth, business plans, investment, dividend and share repurchase plans, liquidity, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, the expected impact of the COVID-19 pandemic, pace of recovery of Yum China’s business, the anticipated effects of our innovation, digital and delivery capabilities and investments on growth, beliefs regarding the long-term drivers of Yum China’s business and GHG emissions reduction targets. 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, the changes in public health conditions, including the COVID-19 pandemic, 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 “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. 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.

Record First Quarter Performance

	Q1			YoY
	2021	2022	2023	
RMB to USD rate vs prior year Q1: ~8% depreciation				
Total stores	10,725	12,117	13,180	+9%
Net new stores	219	329	233	
Revenue (\$bn)	2.56	2.67	2.92	
Revenue growth ¹	+46%	+4%	+9%	
System sales growth ²	+34%	(4)%	+17%	
Same-store sales growth ²	+10%	(8)%	+8%	
Restaurant margin	18.7%	13.8%	20.3%	+650bp
Operating profit ¹ (\$mn)	342	191	416	+118%
Adjusted operating profit ¹ (\$mn)	345	193	419	+117%
Net Income ¹ (\$mn)	230	100	289	+189%
Diluted EPS ¹ (\$)	0.53	0.23	0.68	+196%

Proven RGM Strategy Resilience-Growth-Moat

- Delivered strong growth and set new records for both first quarter sales and operating profits
- Success underpinned by abilities to capture opportunities – good food, superior value and solid execution especially during critical Chinese New Year (CNY) period

¹ Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020, Suzhou KFC from August 2020 and Hangzhou KFC from December 2021.

² Stated on a constant currency basis

Dine-in, Takeaway and Delivery All Grew

Delivery

Off-premise

KFC Delivery
¥ 9 off on purchases over ¥ 49



% of Company sales¹

Delivery sales growth²

% of Company sales¹

~30% ~36% ~36%

+18% vs Q1 22

55%+ ~65% ~70%

Q1

■ 2021 ■ 2022 ■ 2023

Q1

~35% ~37% ~37%

+10% vs Q1 22

~41% ~44% ~46%

Q1

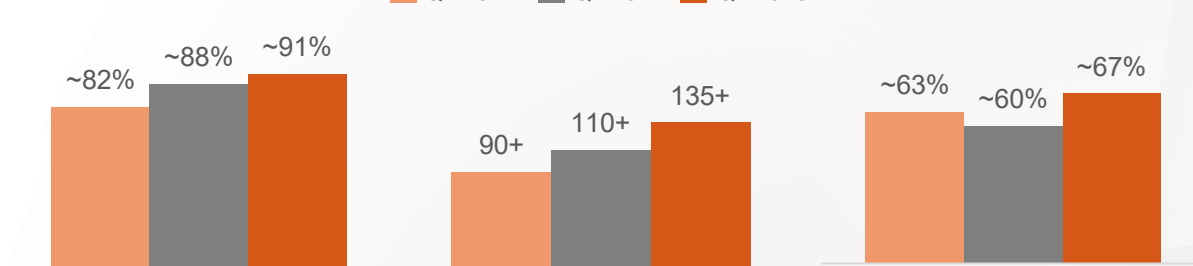
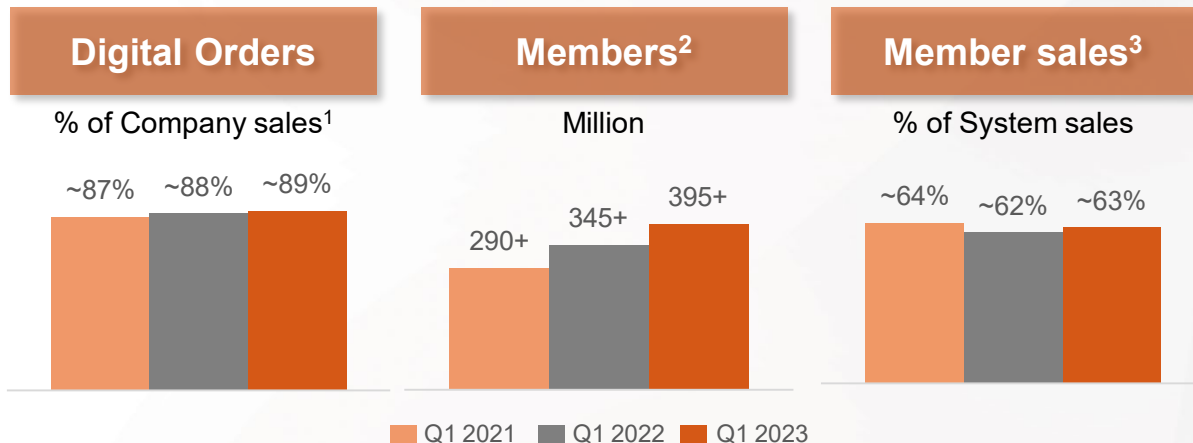
Q1



¹ Includes KFC (Hangzhou KFC included since December 2021) and Pizza Hut.

² Stated on a constant currency basis.

Continued to Expand Membership Program and Improve Member Engagement



K Friends

Top one million members by invitation only



¹ Includes KFC (Hangzhou KFC included since December 2021) and Pizza Hut.

² Cumulative as of period-end

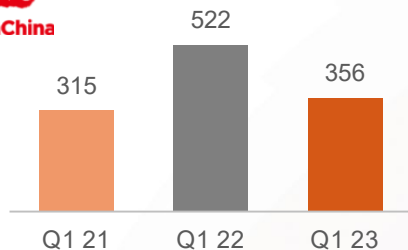
³ Includes KFC and Pizza Hut. From 2022, in addition to transactions in which members self-identified as members (i.e., through member QR code, using member coupons/vouchers, ordering via Super-Apps or other own channels), member sales also include 1) transactions in which members order using our coupons/vouchers through third party e-commerce platforms, 2) Pizza Hut tableside orders paid through POS terminals, provided members could otherwise be identified as members. 2021 data restated to reflect this change. Before restatement KFC was 63% and PH was 55% in 2021 Q1.

Maintained New Unit Payback – 2 Years for KFC; 3 Years for Pizza Hut

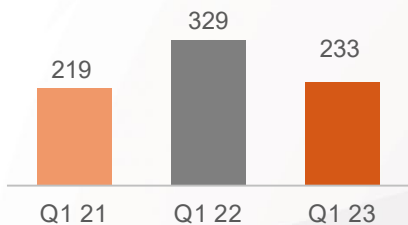
Expanding Store Portfolio



Gross New Stores

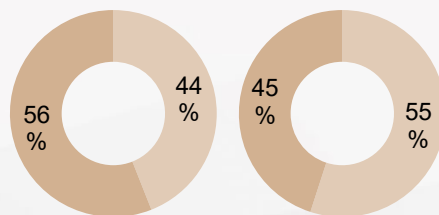
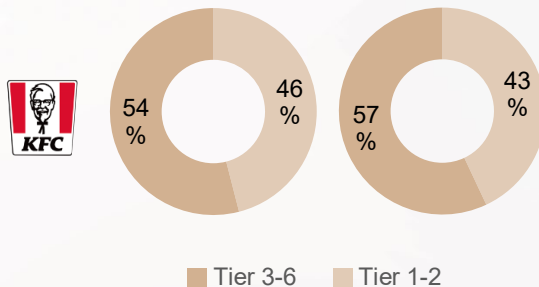


Net New Stores



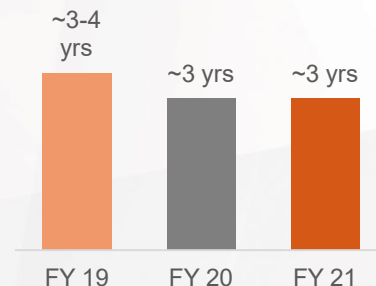
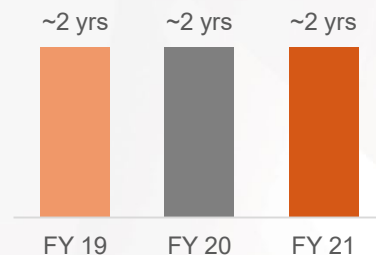
Penetrating into Lower-tier Cities

Q1 23 Net New Stores Total Stores



Maintained New Unit Payback¹

By Year of Opening



¹ Refers to Average Pre-tax Cash Payback Period assuming yearly cashflow is same as year 1, after deduction of 3% license fee and before G&A expenses and income tax; Years refer to store opening period.



KFC: Operating Profit Almost Doubled



		Q1			
	2021	2022	2023	YoY	
Total stores	7,373	8,441	9,239	+9%	
Net new stores	207	273	145		
System sales growth ¹	+24%	(4)%	+17%		
Same-store sales growth ¹	+5%	(9)%	+8%		
Restaurant margin	19.9%	15.2%	22.2%	+700bp	
Operating profit (\$ mn) ²	327	220	420	+91%	
Delivery sales ³	~30%	~36%	~36%		
Off-premise sales ³	55%+	~65%	~70%		
Digital order ³	~87%	~88%	~89%		

¹ Stated on a constant currency basis; includes the consolidation of Suzhou KFC from August 2020 and Hangzhou KFC from December 2021

² Segment operating profit before unallocated costs in reported currency

³ % of Company sales

Photo: KFC store in Shanghai Uni-City



Creating Excitement with New Flavor and Great Fun

CNY Golden Bucket



19-item combo at ¥139

Pokémon Campaign



Toys come with one-person set and family bucket

Spicy Beef Wrap



Beef Wrap with spicy duck blood

Beef Burger with Golden Cheese Sauce



120g Wagyu / Angus beef patty



Established Value Platforms for Both Weekday and Weekend

Weekday Value Combos

肯德基 OK 三件套

工作日正餐时段供应

藤椒口味 上新啦!!!

19.9

黄金SPA鸡排堡 三件套

NEW 全新藤椒风味

薯条(中)可换蛋挞/红豆派

26.14 30.05 31.05 31.05 33.5 33.5 31.32

3-item combos starting at ¥19.9, weekdays only

Crazy Thursday

KFC 疯狂星期四 九块九块九

葡式蛋挞(经典) 5只19块9 ¥19.9/5只

黑糖珍珠奶茶(中/热) 2杯19块9 ¥19.9/2杯

吮指原味鸡 4块29块9 ¥29.9/4块

黄金鸡块 9块9块9 ¥9.9/9块

¥9.9/ ¥19.9/ ¥29.9 offers

Buy More Save More on Sunday

KFC 周日疯狂拼

4拼 66折 6拼 55折 8拼 5折

15款产品任意拼

春日就要一起拼

34%-50% discount (Mix-n-match from 15 items)

¥ 5 Daily Deals

肯德基 疯狂老友季 天天5元不重样

今天我5元

吃个蛋挞熬个生活小甜翻大山

5元 2个葡式蛋挞

周一 周二 周三 周四 周五

Signature items at ¥5, weekdays only



Pizza Hut: Sales and Profit Rebounding



	2021	Q1 2022	2023	YoY
Total stores	2,382	2,679	2,983	+11%
Net new stores	27	89	80	
System sales growth ¹	+57%	(1)%	+17%	
Same-store sales growth ¹	+38%	(5)%	+7%	
Restaurant margin	15.3%	10.7%	14.2%	+350bp
Operating profit (\$ mn) ²	60	30	55	+85%
Delivery sales ³	~35%	~37%	~37%	
Off-premise sales ³	~41%	~44%	~46%	
Digital orders ³	~82%	~88%	~91%	

¹ Stated on a constant currency basis

² Segment operating profit before unallocated costs in reported currency

³ % of Company sales

Photo: Pizza Hut store in Shanghai Metro City

Building upon Signature Categories and Campaigns with Innovative Ideas



Enriching Signature Super Supreme Pizza Offerings



Wagyu Beef and Seafood Super Supreme



Double Durian Super Supreme

Chinese Style Pasta



Sichuan style beef or chicken / Sesame chicken spaghetti

Genshin Impact Campaign



Pre-sale in February & March



Screaming Value Throughout the Quarter

Buy One Get One Free

必胜客

比萨 牛排 **买一送一**

【到手两件 最低相当于 **24.5元/份**】

比萨牛排 | 27款产品 | 14天狂欢

第1份 全场口味随意挑

第2份 任选30天 随时享

3款牛排 更受欢迎

¥24.5+ per pizza or steak
2nd pizza or steak redeemable
within 30 days

Buy More Save More Combo

必胜客

周末尖叫版

必胜聚划算

手机扫码/外带自取专享

4件**8折** 6件**7.5折** 8件**6.8折**

周末欢聚 50+款美味任意选

活动时间: 2023年1月14日-15日, 1月28日-29日

20-32% discount (4-8 items),
50+ choices, weekend only

Signature Buffet

必胜客

一年仅此**5**天

自助餐 限时回归

3月20日-3月24日

168元位

一价畅享 40种美味

精吃精喝 90分钟

必胜客 小金砖 惠灵顿牛排 (每位限1份)

小食 牛排 饮料 甜品 比萨

All-you-can eat at ¥168
5 days only

Chinese New Year Combo

必胜客

励精免治好运来 奋发免强必胜年

必胜客 小金砖 惠灵顿牛排 (每位限1份)

励精免治2人餐 | 219元

9件到手 最多省219元

9-item combo at ¥219

Capital Allocation Balances Operations Needs, Long-term Growth and Return to Shareholders



\$ million	Q1		
	2021	2022	2023
Cash and short-term investments	4,110	3,669	2,981 ¹
Cash flow from operating activities	331	171	507
Capital expenditure	165	205	179
Free cash flow ²	166	(34)	328
Cash dividends distributed	50	51	54
Share repurchases	-	232	62

Disciplined Capital Allocation

- Maintain sufficient cash for operations and contingencies
- Make significant capex investment in store network expansion, supply chain infrastructure and digital
- Committed to returning excess cash to shareholders:
 - ✓ Increased cash dividend payments from \$0.12 to \$0.13 per share in Q1 2023
 - ✓ \$116 million returned through dividends and share repurchases in Q1 2023
- Remain disciplined in M&A

¹ Additionally, there is \$1,094 million in long-term bank deposits and notes.

² Refers to cash flow from operating activities minus capital expenditure.

Maintaining Net New Units and Capex Targets for 2023



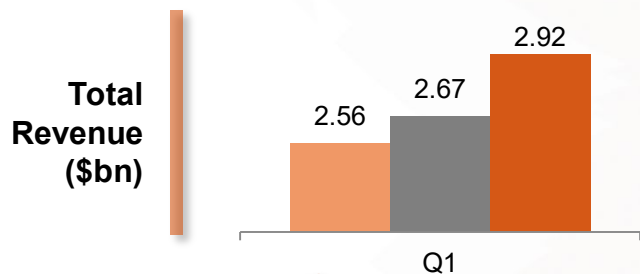
- Expects to open approximately 1,100 to 1,300 net new stores
- Continue with disciplined approach in opening high-quality new stores



- Expects capital expenditure in the range of \$700mn to \$900mn
- Make significant capex investments in store network expansion, supply chain infrastructure and digital

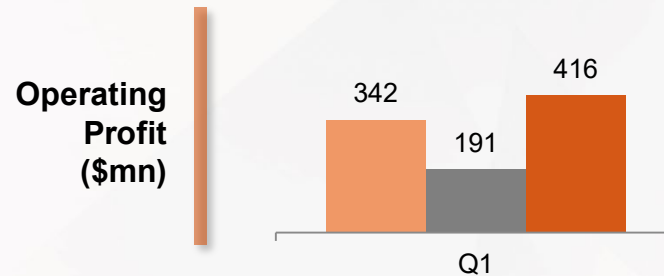
Appendix

Key Factors of Year-over-year Change



Key factors for Q1 year-over-year increase

- + Same-store sales growth
- + New unit contribution
- + Lapping of prior year temporary store closures
- Foreign exchange



Key factors for Q1 year-over-year increase

- + Sales leveraging
- + Higher labor productivity and operational efficiency
- + Temporary relief
- Higher promotion cost
- Wage inflation
- Foreign exchange

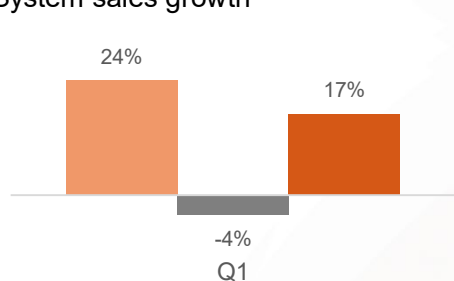
2021 2022 2023



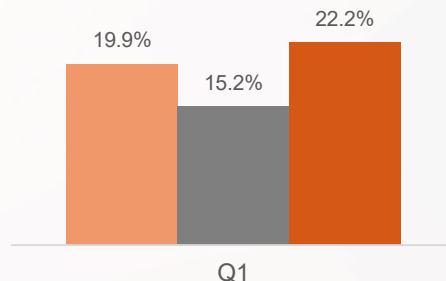
KFC Key Financials

Sales Growth (%)

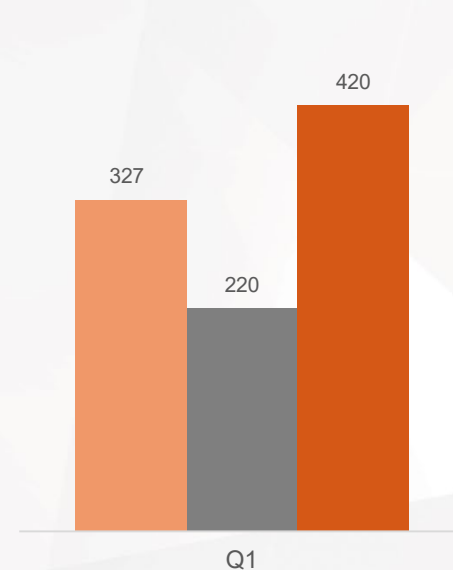
System sales growth ¹



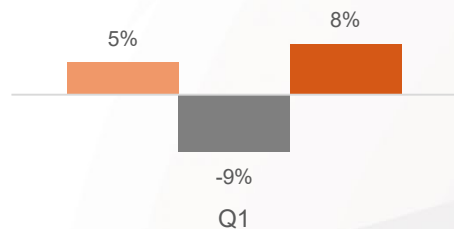
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2023 vs 2022		Q1
Same-store sales		+8%
- Transactions		+6%
- Average ticket		+2%

¹ Stated on a constant currency basis; includes the consolidation of Huang Suzhou KFC from August 2020 and Hangzhou KFC from December 2021

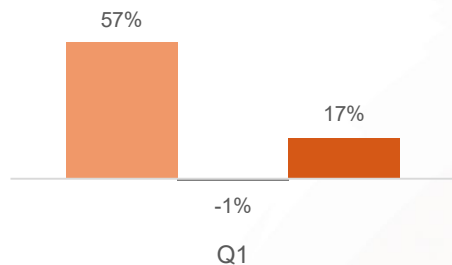
² Segment Operating Profit before unallocated shared service costs.



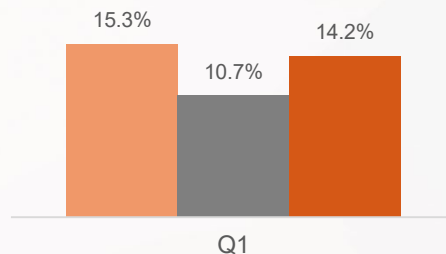
Pizza Hut Key Financials

Sales Growth (%)

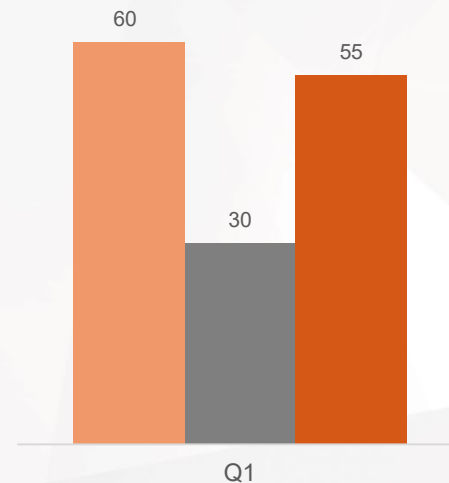
System sales growth ¹



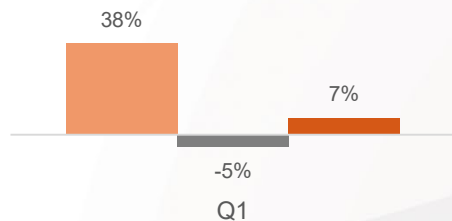
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2023 vs 2022		Q1
Same-store sales		+7%
- Transactions		+13%
- Average ticket		(5)%

¹ Stated on a constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Reconciliation of Reported Results to Non-GAAP Adjusted Measures



Non-GAAP Reconciliations

Reconciliation of Operating Profit to Adjusted Operating Profit

	Quarter Ended	
	3/31/2023	3/31/2022
Operating Profit	\$ 416	\$ 191
Special Items, Operating Profit	(3)	(2)
Adjusted Operating Profit	<u>\$ 419</u>	<u>\$ 193</u>

Reconciliation of Net Income to Adjusted Net Income

Net Income – Yum China Holdings, Inc.	\$ 289	\$ 100
Special Items, Net Income – Yum China Holdings, Inc.	(3)	(2)
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 292</u>	<u>\$ 102</u>

Reconciliation of EPS to Adjusted EPS

Basic Earnings Per Common Share	\$ 0.69	\$ 0.23
Special Items, Basic Earnings Per Common Share	(0.01)	(0.01)
Adjusted Basic Earnings Per Common Share	<u>\$ 0.70</u>	<u>\$ 0.24</u>
Diluted Earnings Per Common Share	\$ 0.68	\$ 0.23
Special Items, Diluted Earnings Per Common Share	(0.01)	(0.01)
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.69</u>	<u>\$ 0.24</u>

Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate

Effective tax rate	28.5%	33.1%
Impact on effective tax rate as a result of Special Items	0.1%	0.4%
Adjusted effective tax rate	<u>28.4%</u>	<u>32.7%</u>

Details of Special Items

	Quarter Ended	
	3/31/2023	3/31/2022
Share-based compensation expense for Partner PSU awards ⁽¹⁾	\$ (3)	\$ (2)
Special Items, Operating Profit	(3)	(2)
Tax effect on Special Items ⁽²⁾	—	—
Special Items, net income – including noncontrolling interests	(3)	(2)
Special Items, net income – noncontrolling interests	—	—
Special Items, Net Income – Yum China Holdings, Inc.	<u>\$ (3)</u>	<u>\$ (2)</u>
Weighted-average Diluted Shares Outstanding (in millions)	423	430
Special Items, Diluted Earnings Per Common Share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

	Quarter Ended	
	3/31/2023	3/31/2022
Share-based compensation expense for Partner PSU awards ⁽¹⁾	\$ (3)	\$ (2)
Special Items, Operating Profit	(3)	(2)
Tax effect on Special Items ⁽²⁾	—	—
Special Items, net income – including noncontrolling interests	(3)	(2)
Special Items, net income – noncontrolling interests	—	—
Special Items, Net Income – Yum China Holdings, Inc.	<u>\$ (3)</u>	<u>\$ (2)</u>
Weighted-average Diluted Shares Outstanding (in millions)	423	430
Special Items, Diluted Earnings Per Common Share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>

(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. 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.

ESG Key Initiatives

Climate Action

SBTi approved near-term greenhouse gas (GHG) reduction targets*

Published first TCFD report

Circular Economy

Phasing out plastic packaging

100% FSC paper napkin**

Expanded food bank program

Nutrition & Food Safety

Pizza Hut launched energy bowl (with low GI certification)

Rolled out more plant-based milk products

People

Protecting jobs of our employees

Provided food to communities and frontline workers during COVID outbreaks and lockdowns

Recognition



Industry highest score for the 3rd year



The only restaurant company with AA rating



5th consecutive year



5th consecutive year

* 2035 reduction targets (from 2020 base year): 63% for Scope 1 and 2 GHG emissions; 66.3% for Scope 3 GHG emissions per ton of goods purchased

** Includes KFC, Pizza Hut, Taco Bell, Lavazza and Little Sheep restaurants



YumChina

About Yum China

Yum China is the largest restaurant company in China with a mission to make every life taste beautiful. The Company has over 400,000 employees and operates over 13,000 restaurants under six brands across 1,800 cities in China. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in China, respectively. Taco Bell offers innovative Mexican-inspired food. Yum China has also partnered with Lavazza to develop the Lavazza coffee concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. 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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