



YumChina

Second Quarter 2018 Results Presentation

August 2, 2018



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

This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the fact that they do not relate strictly to historical or current facts and by the use of forward-looking words such as “expect,” “expectation,” “believe,” “anticipate,” “may,” “could,” “intend,” “belief,” “plan,” “estimate,” “target,” “predict,” “likely,” “will,” “continue,” “should,” “forecast,” “outlook” or similar terminology. These statements are based on current estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable under the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct.

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

Agenda

- Q2 2018 Highlights
- Financial Results
- Q&A



Leveraging Strong Fundamentals to Invest for the Long Term

YUMC Overall

- Building capabilities for a sustainable platform
- Accelerated new builds and invested for growth
- Achieved moderate growth in revenue and profit despite challenges
- Returned \$110mn+ to shareholders through dividends & share repurchases

KFC

- Robust system sales growth lapping two strong years
- Multiple initiatives to drive long term growth

Pizza Hut

- Tightened margin management, improved productivity gain
- Progressing along four pillars of the revitalization plan

Digital & Delivery

- Delivery continued to grow at double digit
- Strengthening delivery, digital and data capabilities across brands



Robust System Sales Growth Supported by Accelerated New Builds

Q2 2018 Highlights



SSSG flat YoY¹, System sales +5% YoY¹



Q2 2018: 128 new stores, 282 remodels
Q2 2017: 82 new stores, 173 remodels



Restaurant Margin at 16.8%, -0.7ppt YoY



Operating Profit +2% YoY¹

¹Stated in constant currency basis.



Connecting with Customers through Exciting Products

肯德基

#天生翅粉#

翅粉乌托邦

人设无限 次元无界
尊重个体 崇尚多元

十翅一桶
翅粉 39元

Wing bucket

吮指原味鸡

新口味
魔鬼辣脆皮鸡

CHICKEN ROCK

#我爱吃鸡#

五块炸鸡
吃过瘾炸鸡桶 39元

Devil's hot chicken

CHICKEN X PIZZA

CHIZZA

#为颠覆而来#

增量 70%

27元单品

KFC 芝士鸡腿
至尊无饼底“比萨”

Chizza

Beef wrap

肯德基官方决定

#嫩牛五方回归#

嫩牛五方

官方决定 嫩牛五方回归



Celebrating Every Festival and Occasion with Consumers

Labor Day



Children's Day



Dragon Boat



World Cup





Innovative Products across Dayparts and Categories

Breakfast



Coffee



Dessert





Digital & Delivery Engines Continued to Drive Growth

肯德基 WOW会员 Digital

135mn+ Members
(+50mn YoY)

45% Members sales
(+12ppt YoY)

28% Pre-order
(+17ppt YoY)



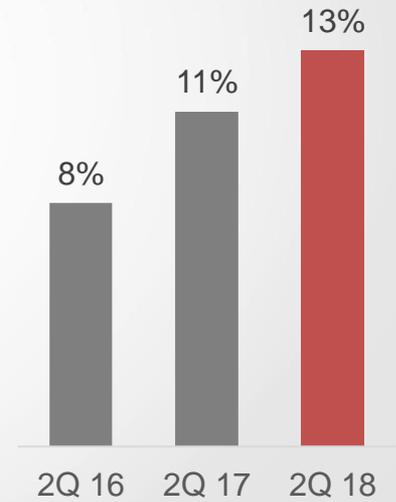
Delivery

+33%
Delivery sales YoY

68% stores
(+7ppt YoY)

1,010 cities
(+170 YoY)

Delivery as % of Company sales



Note: All YoY comparison stated in constant currency basis.
Delivery as % of Company sales exclude KFC Wuxi for all period for comparability; Delivery stores exclude franchise stores.



Shanghai Global Harbor (上海环球港)



Pizza Hut Faces Challenges but Revitalization Continues



Q2 2018 Highlights



SSSG -4% YoY¹, System sales -1% YoY¹



Q2 2018: 27 new stores, 83 remodels
Q2 2017: 29 new stores, 19 remodels



Restaurant Margin at 11.2%, -3.7ppt YoY



Operating Profit -52% YoY¹

¹Stated in constant currency basis.



Progress Made Along Four Pillars



I. Fix Fundamentals

- Food taste & value for money
- Accelerate remodeling
- Drive productivity



II. Enhance Digital

- Digital user base
- Online experience



III. Optimize Delivery

- Own channel
- Cost efficiency



IV. Experiment New Models

- New store design
- Multiple formats



New Menu. New Products.



Classic upgrades

Eye-catching Smoothies



Instagram-worthy Omelet Rice



Healthy & Trendy Salad Series



Focus on Mass Appeal with a Large Customer Base

必胜客

79起 赏味 黑松露

餐桌上的钻石 世界三大珍馐

野生黑松露菌菇鸡肉比萨

野生黑松露菌菇鸡肉比萨

Black Truffles

必胜客

Pizza Air

薄脆·厚味

59元

厚实顶料 美味持久续航

约3mm薄脆饼皮 / 超丰富顶料

4种口味配置 / 超大满足尺寸

Pizza Air

必胜客

必胜拔草季

王牌严选 天天半价

活动仅限2018年5月21日-6月15日

Monday 半价 46元起

Tuesday 半价 39.5元起

Wednesday 半价 51元起

Friday-Sunday 半价 49元起

Every day half price

Every day half price

PIZZA HUT KARRY WANG

我的青春BATTLE

小龙虾比萨系列

热血麻辣 诱惑十八香

¥69

¥89

¥89

Crayfish



Catching up on Digital & Delivery to Drive Growth

Digital

45mn+ members

(+20mn YoY)

46% Members sales

(+40ppt YoY)

11mn+ Brand App Downloads



Delivery

+18%

Delivery sales YoY

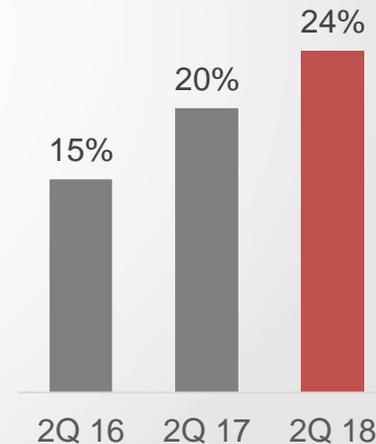
97% stores

(+1ppt YoY)

450+ cities

(+30 YoY)

Delivery as % of Company sales



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2018 Second Quarter Financial Highlights



Stores

- 164 new stores, +43% YoY
- Total stores reached 8,198, +6% YoY



Revenue

- System sales +3% YoY¹
- SSSG -1% YoY¹
- Total revenue \$2.1bn, +5% YoY¹



Profit

- Operating Profit at \$193mn, +5% YoY¹
- Net Income \$143mn, +6% YoY¹
- Diluted EPS \$0.36, +6% YoY¹
- Effective tax rate 26.0%



Capital

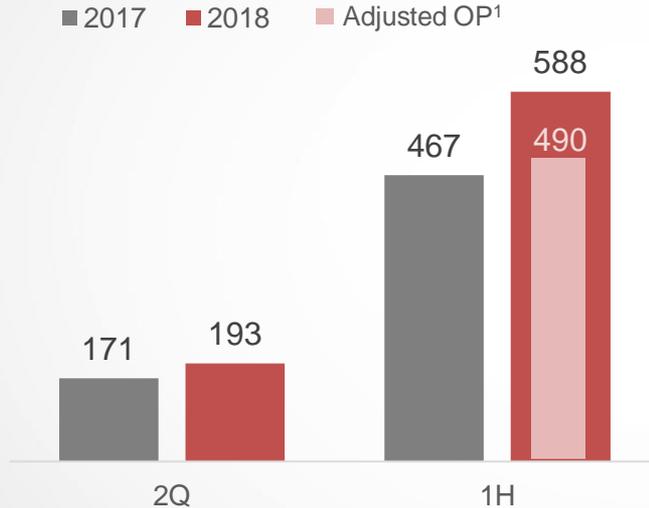
- Dividend of \$0.10 per share declared
- 1.9 mn shares repurchased for \$73 million

¹Stated in constant currency basis.

Note: Yum China's fiscal second quarter includes April to June results.

Moderate Operating Profit Growth in Q2

Operating Profit (\$ mn)



YoY ex F/X

Reported	+5%	+16%
Adjusted ¹	+5%	-3%

Key factors for Q2 year-over-year movement



- Net new unit growth
- G&A optimization
- Foreign exchange impact

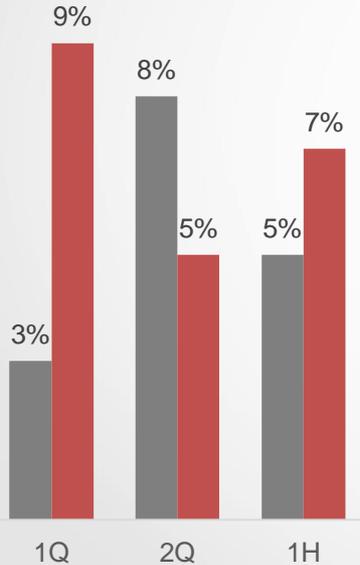


- Same-store sales deleverage
- Wage inflation
- Product upgrade & promotion costs

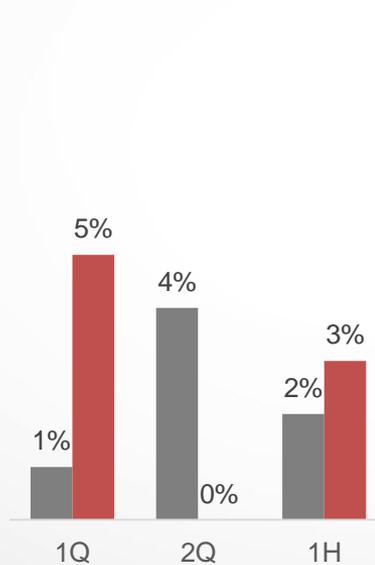


KFC Achieved Robust System Sales Growth Despite Tough Lap

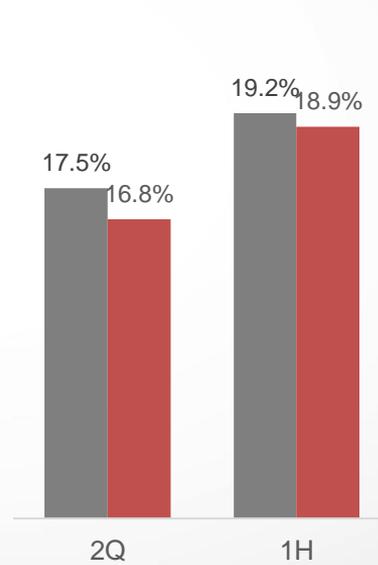
System Sales Growth (%)¹



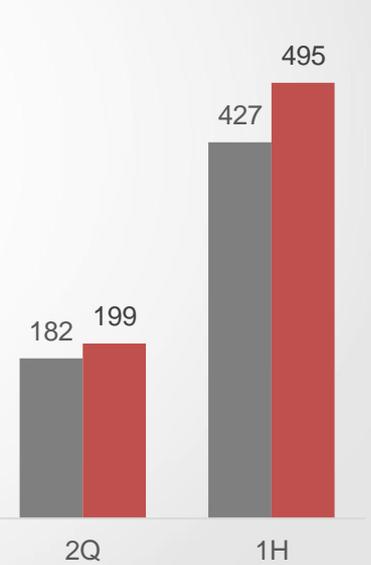
Same Store Sales Growth (%)



Restaurant Margin (%)



Operating Profit (\$ mn)²



¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



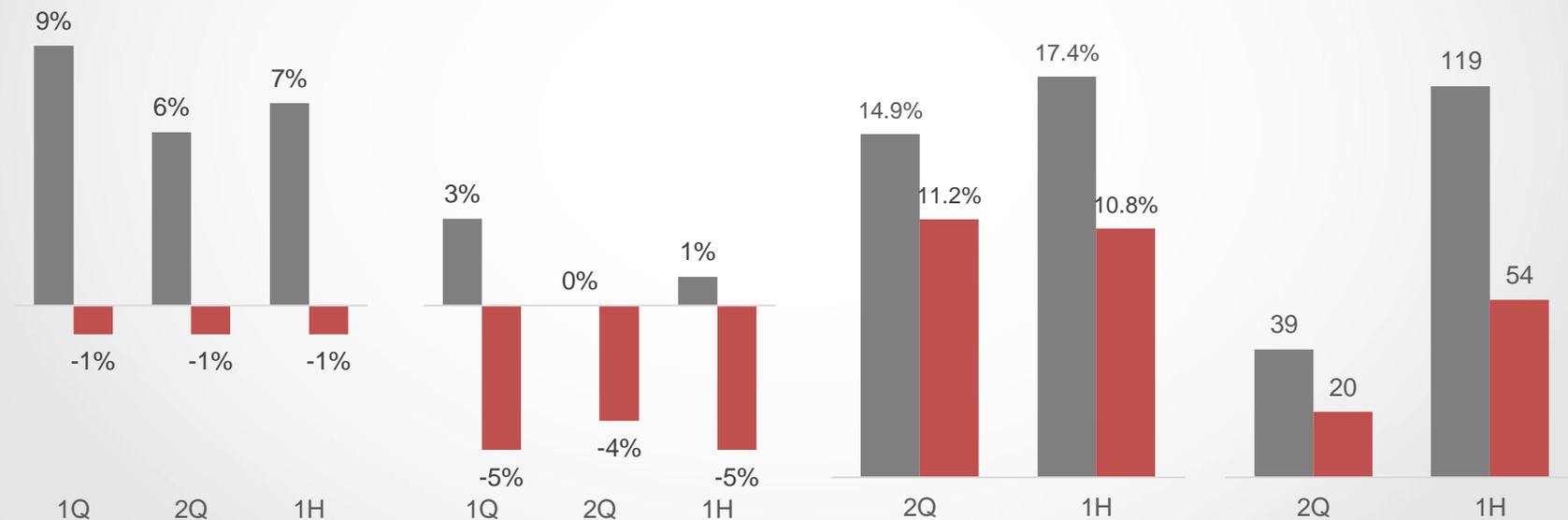
Pizza Hut Challenges Persist, but Sales and Margin Declines Narrowed

**System Sales
Growth (%)¹**

**Same Store Sales
Growth (%)**

**Restaurant Margin
(%)**

**Operating Profit
(\$ mn)²**

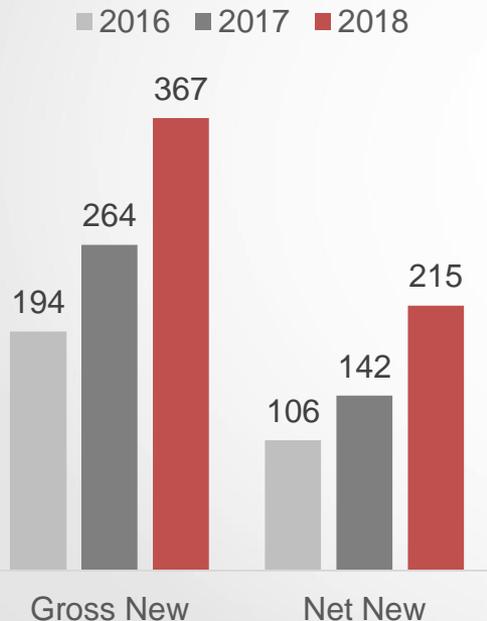


¹ Stated in constant currency basis.

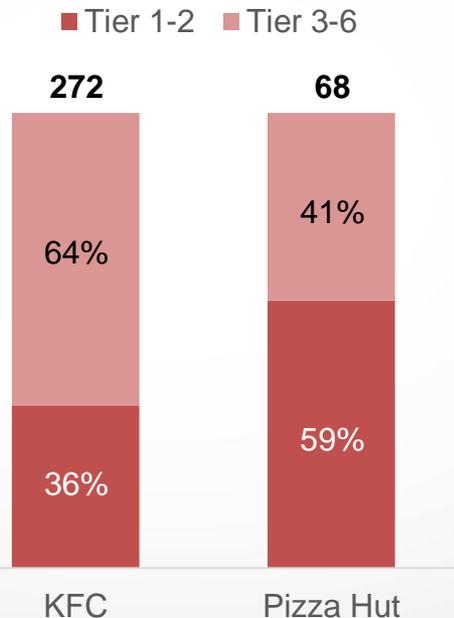
² Segment Operating Profit before unallocated shared service costs.

Accelerated New Restaurant Openings

New Build 1H



New Build Tier Mix 1H



New Unit Return¹

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

Target to open 600-650 new stores in 2018

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

Strong Cash Position



**Net cash from
operating activities**

Jan-Jun 2018

\$819 mn



Free cash flow

Jan-Jun 2018

\$589 mn



**Cash and short-
term investments**

As of Jun 2018

\$1.54 bn

**Cash Dividends of \$77 million, and
Share Repurchases of \$73 million in 1H 2018**

Strategic Priorities Remain Unchanged

Focus on China

Invest locally for growth



Digital and Delivery

Invest and maintain lead

Strengthen Core Business

Improve stores, innovate menu, improve quality and value

Innovation

Product categories, formats and day parts

全球最创新的 餐饮先锋



The World's Most Innovative Pioneer
In Restaurant Industry



YumChina



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Appendix: Reconciliation of Reported Results to Non-GAAP Measures

	Quarter Ended		Year to date Ended	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Detail of Special Items				
Gain from re-measurement of equity interest upon acquisition ^(b)	—	—	98	—
Special Items Income - Operating Profit	—	—	98	—
Tax Expenses on Special Items ^(c)	—	—	(24)	—
Special Items Income, net of tax – including noncontrolling interests	—	—	74	—
Special Items Income, net of tax – noncontrolling interests	—	—	—	—
Special Items Income, net of tax – Yum China Holdings, Inc.	-	-	74	-
Weighted Average Diluted Shares Outstanding	398	399	400	397
Special Items Diluted Earnings Per Common Share	-	-	0.19	-
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	193	171	588	467
Special Items Income - Operating Profit	—	—	98	—
Adjusted Operating Profit	193	171	490	467
Reconciliation of EPS to Adjusted EPS				
Diluted Earnings Per Common Share	0.36	0.31	1.08	0.83
Special Items Diluted Earnings Per Common Share	-	-	0.19	-
Adjusted Diluted Earnings Per Common Share	0.36	0.31	0.89	0.83
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective Tax Rate	26.0%	24.3%	26.4%	27.9%
Impact on Effective Tax Rate as a result of Special Items	—	—	(0.2)%	—
Adjusted Effective Tax Rate	26.0%	24.3%	26.6%	27.9%

(a) Amounts presented as of and for the quarter ended June 30 in 2017 and 2018 are unaudited.

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

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