



Second Quarter 2020 Results Presentation

30 July 2020



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,” “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, business plans, investment, dividend and share repurchase plans, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, and the expected impact of the COVID-19 outbreak, the anticipated effects of our innovation, 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, the changes in public health conditions, including the COVID-19 outbreak, 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.



Overview

Q2 2020 Business Highlights

Q2 2020 Financial Results



Yum China by the Numbers – a Powerful Business

#1 Western QSR &
CDR brands in China

NYSE listed with
\$18bn market cap

9,900+ stores in
1,400+ cities in China



#361 Fortune 500 2020

25 logistics centers

265mn+ digital members of
KFC and Pizza Hut



Our Long-Term Strategy



SUSTAINABLE PLATFORM FOR GROWTH

YUM CHINA RESTAURANT BRAND PORTFOLIO

Western dining



Chinese dining



Coffee



ENABLED BY KEY PILLARS ACROSS BRANDS



DIGITAL



DATA



DELIVERY



ECOSYSTEM

AND CROSS FUNCTIONAL CAPABILITIES

HR

Development

Supply Chain

Operation

Marketing

IT

Finance

Legal

Public Affairs

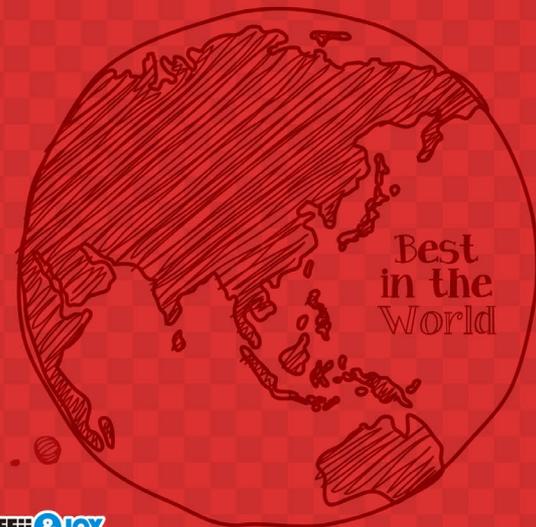
SUPPORTED BY FOUNDER'S MENTALITY CULTURE

POTENTIAL TO GROW TO 20,000 STORES OVER THE LONG TERM, >2X TODAY'S STORE BASE

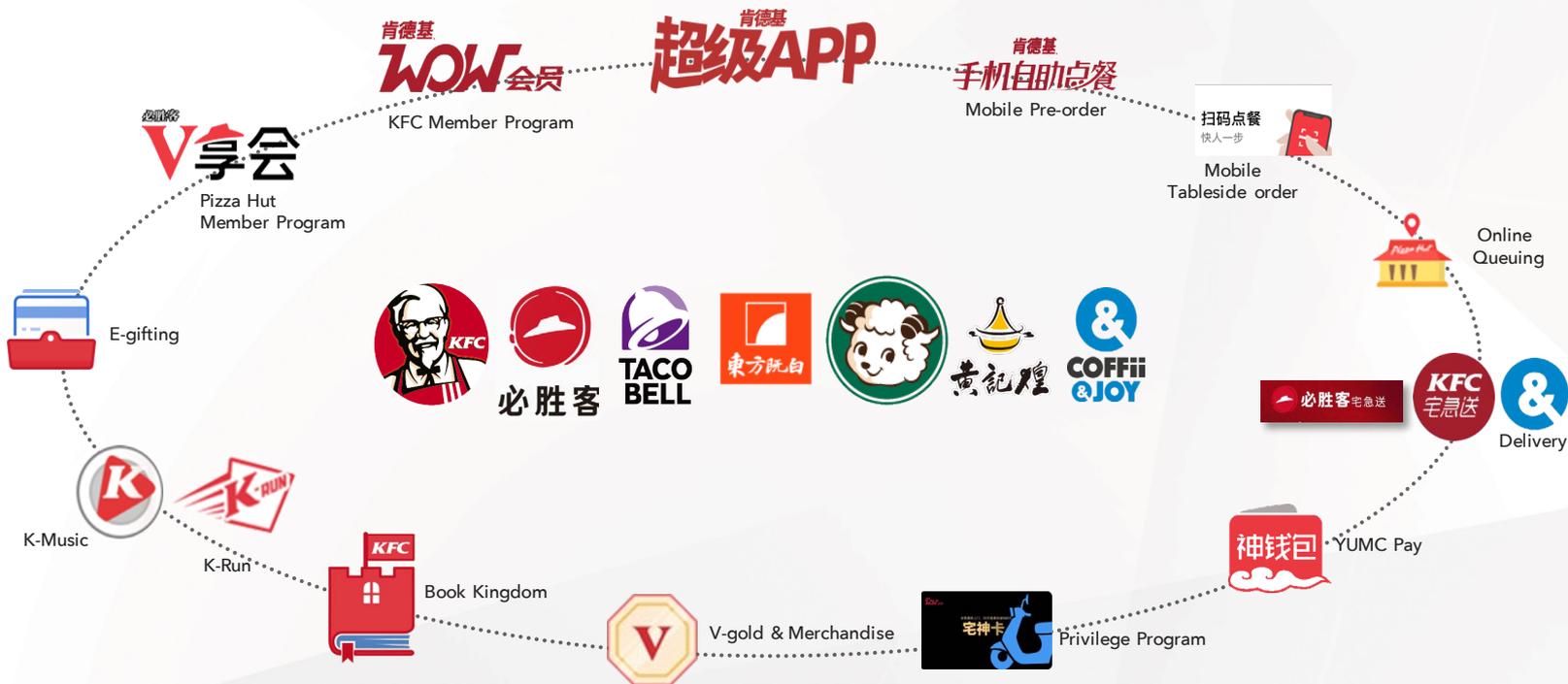
全球最创新的 餐饮先锋



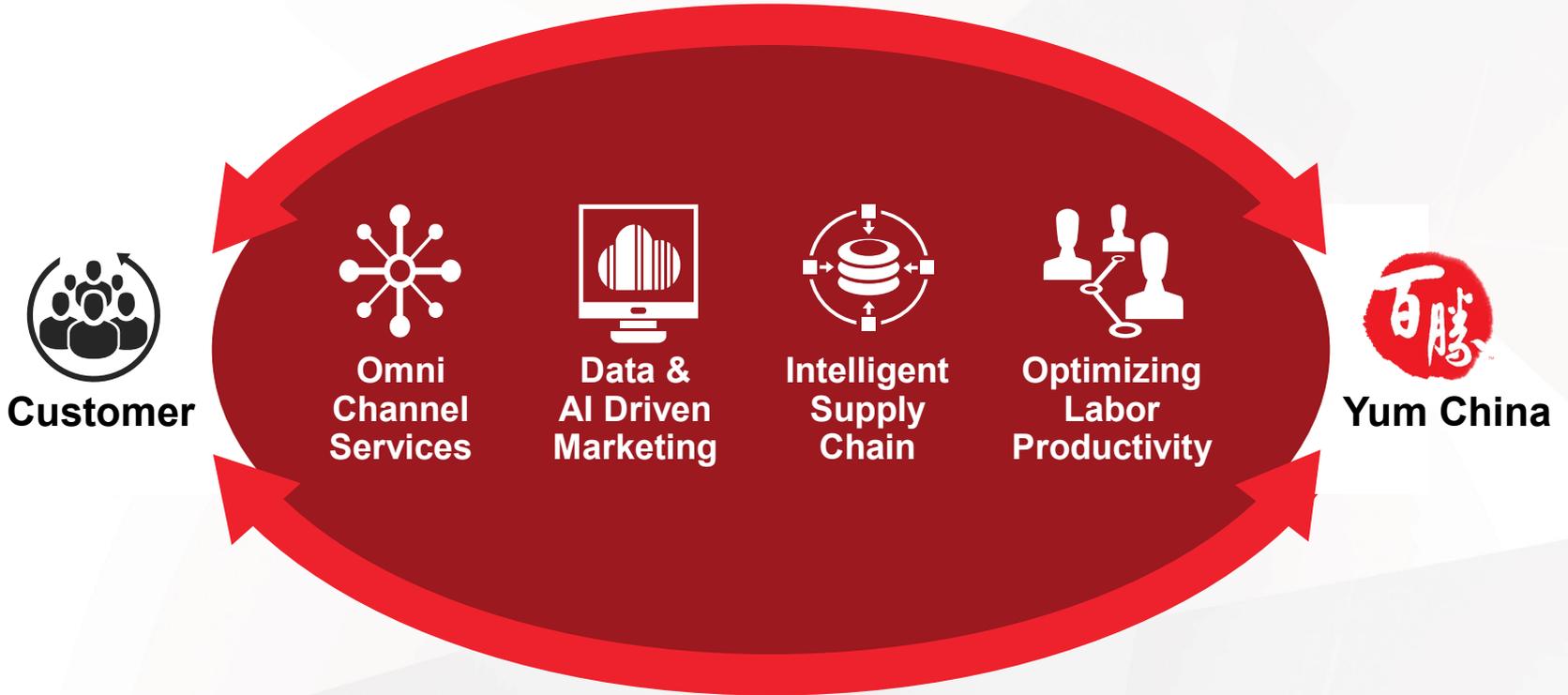
The World's Most Innovative Pioneer
In The Restaurant Industry



Digital Strategy: Connecting with Our Consumers



Digital Strategy: Driving Efficiency Across the Business



Yum China Investment Highlights

Solid track record since spin-off

2.3 new stores opened per day³

Total Revenue

7%

CAGR¹

Operating Profit

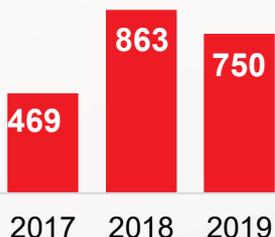
12%

CAGR¹

Strong balance sheet & cash flow generation

\$1.66bn² Cash and short-term investments

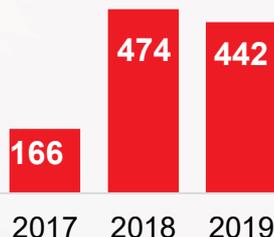
Free cashflow (\$mn)



Track record of shareholder returns

Dividends & Share repurchases (\$mn)

\$361mn/year
In 2017-2019³



Responsible corporate



DJSI: Top 5 in REX⁴ industry



Bloomberg Gender-Equality Index (1 of 3 Chinese companies selected) for 2 years



Named "Top Employer China" by the Top Employers Institute for 2 years



Overview

Q2 2020 Business Highlights

Q2 2020 Financial Results



Solid Q2 Performance in Challenging Environment

- Revenue: **\$1.90** billion
- Operating Profit: **\$128** million



- Gross new stores: **169**
- Total stores: **9,954**
- New store cash payback periods:
 -  ~2-3 years
 -  ~3-5 years

- **99%** stores open
- System sales at **96%** of prior year*
- Same-store sales at **89%** of prior year*
- Recovery was non-linear and uneven

- Sales were
 - Delivery & takeaway: over half
 - Digital order: ~**80%**
 - From Members: **60%+**
- Members: **265+** million

* Both stated in constant currency basis. System sales includes the consolidation of Huang Ji Huang from April 8, 2020.

KFC: Resilient Business Model and Solid Execution



Q2 2020 Highlights



System sales **-6%**¹
Same-store sales **-10%**¹
↳ Transactions **-20%**
↳ Average ticket **+12%**



Restaurant
margin
14.6%
-1.5 ppt y/y



142
Gross new
stores



Operating profit
of **\$159 million**²



Menu innovation
Value promotions
Holiday campaigns
Digital marketing



~86% Digital orders
+23ppts y/y
~27% Delivery sales
+9ppts y/y



Members: **240+** million
Member sales: **~65%**

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



Offered Great Value to Drive Traffic

Crazy Thursday	Original Recipe Bucket	Combo at Half Price	Value Breakfast
 <p>疯狂星期四 三十六根 19.9</p> <p>黄金鸡块 9块 9.9 19.9/9块</p> <p>九龙金玉 黑糖珍珠写龙奶茶 2杯 19.9 19.9/2杯</p> <p>香辣鸡翅尖 36根 19.9 19.9/36根</p> <p>立即前往自助点餐 ▶</p>	 <p>2020 经历了八十年的经典 吮指原味鸡,80岁了!</p>	 <p>加油半价桶 给一点一点正在拼的我们</p> <p>会员凭券专享 2020.05.18-05.20</p>	 <p>WOOOW 早餐季。 5周超值 真的好省!</p> <p>0元 第1周-第2周 6.8-6.21早餐新会员 凭券任意消费享。</p> <p>6元 第2周(6.15-6.21) 芝士西饼 脆皮红薯饼 第3周(6.22-6.28) 牛奶香滑粥 第4周(6.29-7.5) 芝士西饼 脆皮红薯饼 第5周(7.6-7.12) 经典肉味豆花 粥</p>

Offer at ¥9.9/19.9:
Chicken nuggets / bubble milk tea
/ spicy wing tips

Classic original recipe chicken
bucket at half price

Members Only

For 5 weeks: Free breakfast items
for new members;
¥6 combo



Launched Innovative Products

Premium Burger



Messy cod fish & chicken burger with 3-layer cheese

Plant-Based Nuggets



3-day pilot in select stores

Tofu Pudding



Traditional street food for breakfast

K-Coffee



Cross-over with Liushen floral water



Campaigns to Capture Weekend and Holiday Sales

Labor Day



May 1st bucket with big savings

Children's Day



¥149 combo with chocolate cake and Pokemon toy

Dragon Boat Festival



Traditional festive food: Sticky Rice Dumpling

Weekend Campaign



Members only, for selected items: Second piece for free



Digital Marketing to Capture Online Traffic and Increase Loyalty

Capturing Online Traffic



618 promotions in Tmall and KFC app

Live Webcast in KFC app and Taobao

Driving Member Loyalty



Flexible privilege campaign:

Discount on breakfast, delivery and 1 out of 3 other offers (coffee, afternoon tea & dessert)



Pizza Hut: Significant Improvement vs Q1

Q2 2020 Highlights

System sales **-12%**¹

Same-store sales **-12%**¹

- ↳ Transactions **-5%**
- ↳ Average ticket **-7%**



Restaurant margin
11.2%
-0.1 ppt y/y



8 Gross new stores



116 remodels

Operating profit of **\$15** million²



New menu

Attractive value campaigns
 Drive Delivery & Takeaway
 One-person set meal
 Digital marketing



~61% Digital orders
+31 ppts y/y



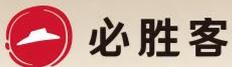
~35% Delivery sales
+10 ppts y/y



Members: **75+** million
Member sales: **~53%**

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



Launched New Menu in June

[必胜客30周年·铂金菜单上市]

Pizza Hut 30th Anniversary • Platinum Menu Launch

超级至尊芝士比萨
(普通款)



Supreme
Stuffed Crust
Pizza



安格斯(ANGUS)
厚切牛排



金枕榴莲多多
芝士比萨 (普通款)



一整颗皇后云朵布拉
芝士比萨 (普通款)



小龙虾
神撩澳牛盛宴
(干煎嫩煎) (蒜香风味)

Crayfish and
Steak Platter



炙烤澳洲西冷牛排
铁锅饭

Australian
Sirloin Pan Fried
Rice



麻辣小龙虾意面

Spicy
Crayfish
Pasta

金枕榴莲多多薄脆
大装比萨



Durian Thin
Crust Pizza



Attractive Offer Targeting Different Needs

Monday – Pizza

[周一]比萨日

超级至尊芝心比萨 普通装



一整颗皇后云朵布拉塔芝士比萨 普通装



Tuesday – Durian

[周二]榴莲日

金枕榴莲多多芝心比萨 普通装



金枕榴莲多多薄脆大装比萨



Wednesday - Steak

[周三]牛人日

安格斯(ANGUS)
厚切牛排



炙烤澳洲西冷牛排铁锅饭



All-you-can-eat
5 Days Only

重磅!

2020年6月
· 必胜客 ·
30周年巨献

必胜客全国2000家餐厅
首推自助餐



会员价:158元/位
扫码购买
自助餐券

30年经典美食
畅饮畅吃

仅限5天
6月8日-6月12日



Expanded Occasions, Categories and Dayparts

One-Person Meal/Takeaway

必胜客 | 手机外带专享

美食福利“神仙卡片”上线!
一人食也能精致不“贵”

18元享30天
一人食套餐19元起

手机外带专享
一人食饭卡

丰富组合随心选

- 29元 3选1 (每天一选)
- 19元 2选1 (每天一选)
- 49元 3选1 (每天一选)

30-day privilege at ¥18
Meal set from ¥19

Ready-to-Cook Steak

必胜客

外送带
整切牛排上线

秒变“星级”大厨
全进口牛肉

澳洲西冷牛排
Australian Sirloin Steak
肉质细密, 柔嫩多汁, 好口感席卷味蕾

尝鲜价
78元/2片装

Australian Sirloin Steak for
Delivery or Takeaway

Plant-based Burger

必胜客

牛排双堡联盟59元
—— 现时 X 未来 ——

澳洲西冷牛排堡
未来植造牛排堡
BEYOND MEAT 植造牛排
*植造牛排为牛肉风味植物蛋白制品

扫码预约
试吃未来

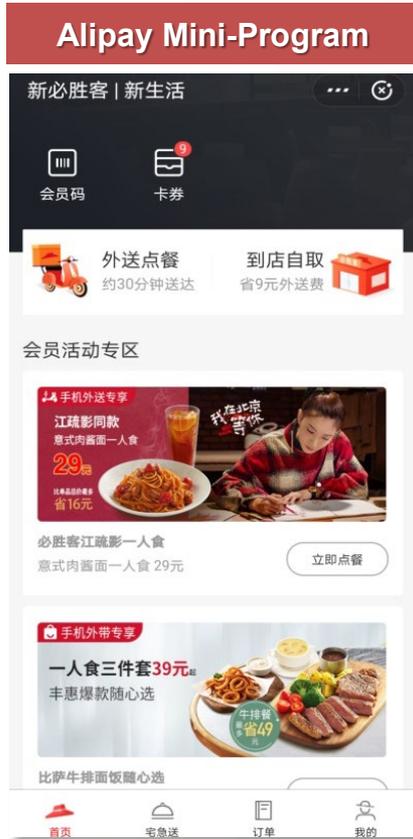
Beyond Burger and Australian
Sirloin burger combo at ¥59

Afternoon Tea

Tea set for two



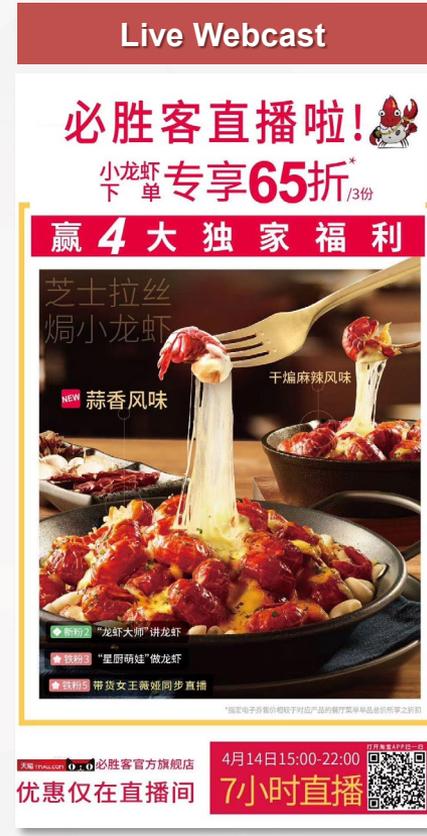
Enhanced Digital Experience Drove Online Traffic



Delivery and takeaway



Partnership with JD



35% off
Baked crayfish with cheese



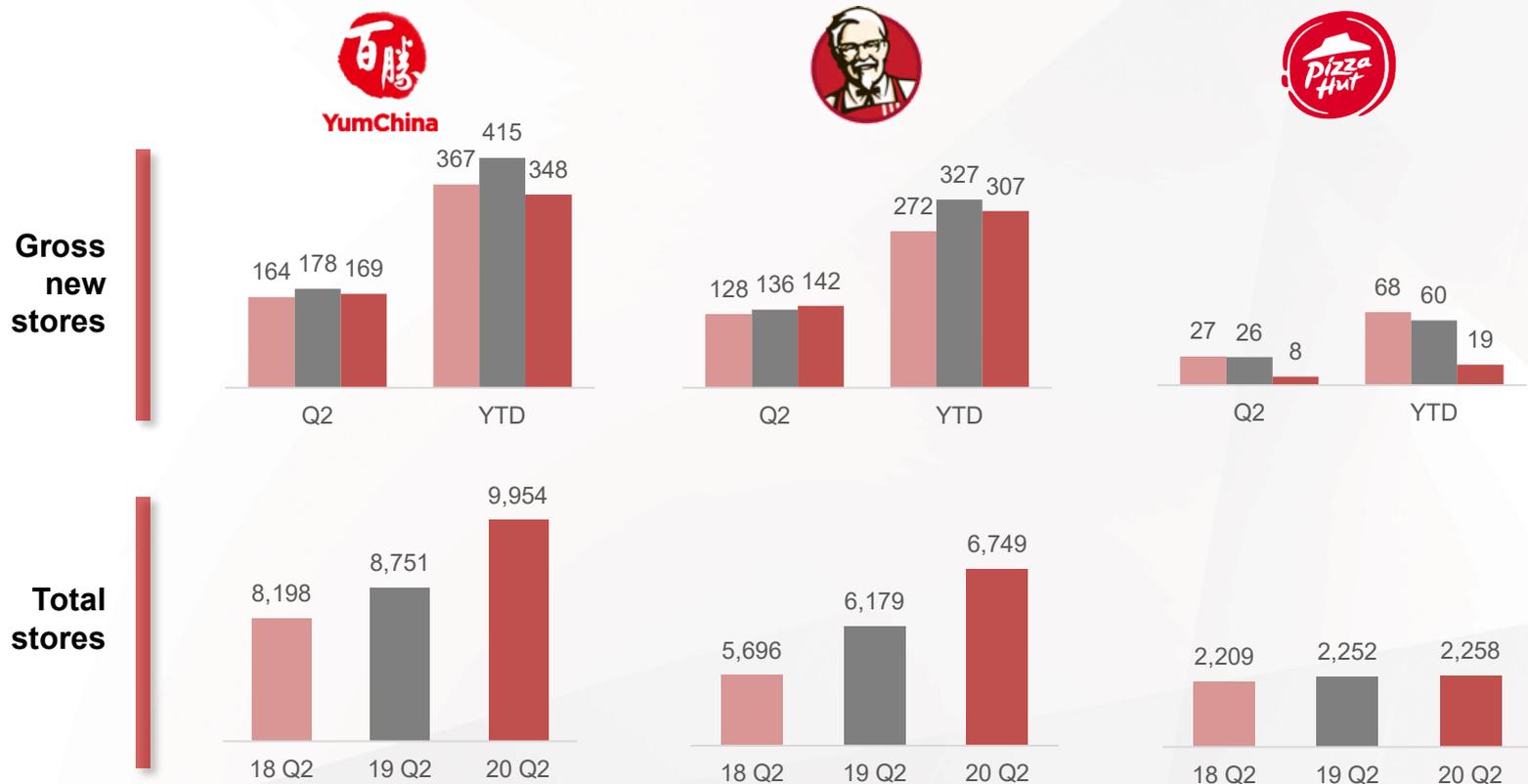
Overview

Q2 2020 Business Highlights

Q2 2020 Financial Results



348 Gross New Stores Opened in First Half, Mainly KFC

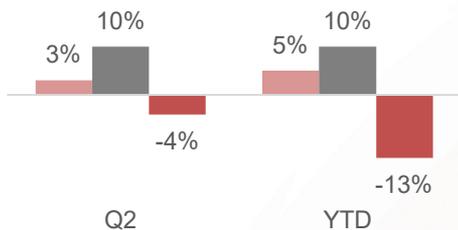


Note: Included Huang Ji Huang stores from 2020 Q2

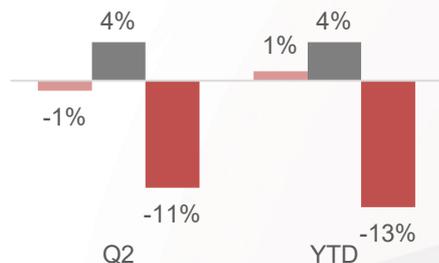
Q2 Results Showing Sequential Improvement

Sales Growth¹

System sales growth (%)



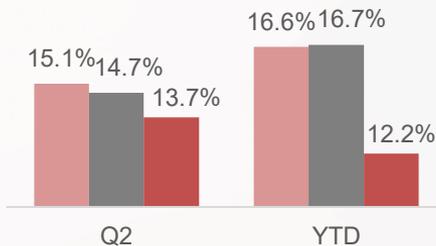
Same-store sales growth (%)



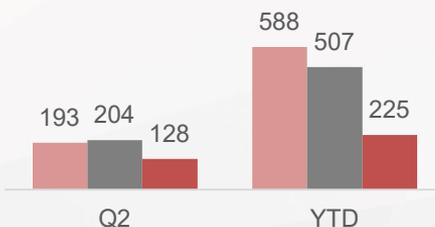
■ 2018 ■ 2019 ■ 2020

Profit Margin

Restaurant Margin (%)

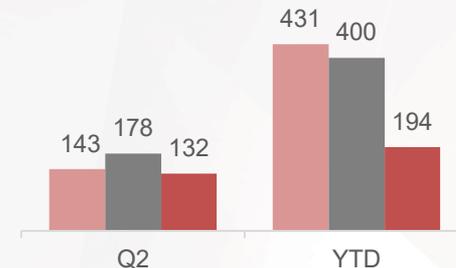


Operating Profit (OP) (\$ mn)



Net Income & EPS

Net Income (NI) (\$ mn)



Diluted EPS (\$)



Note: 2018 YTD OP, NI and EPS included gain from re-measurement of equity interest upon Wuxi KFC acquisition

¹Stated in constant currency basis.

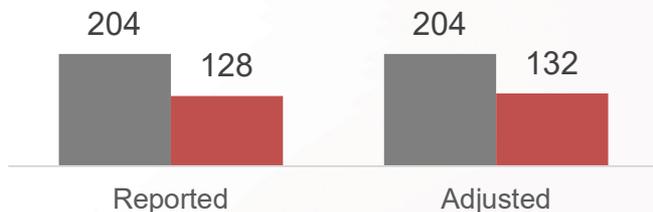
Note: Included Huang Ji Huang from 2020 Q2

Productivity Improvement and Additional One-Time Relief Partially Offset Sales Deleverage

Operating Profit (\$ mn)

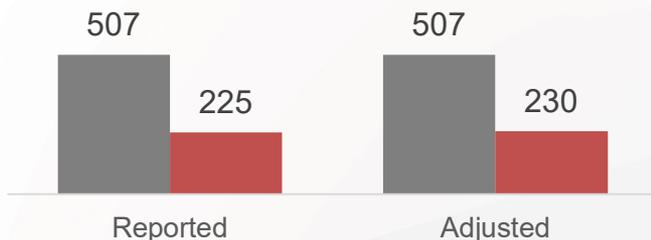
■ 2019 ■ 2020

Q2



YoY	-38%	-36%
YoY ex F/X	-35%	-33%

YTD



YoY	-56%	-55%
YoY ex F/X	-54%	-53%

Key Factors for Q2 Year-Over-Year Movement



- Sales deleverage impact from same-store sales decline
- Higher promotion costs
- Wage and commodity inflation
- Higher store impairment charges



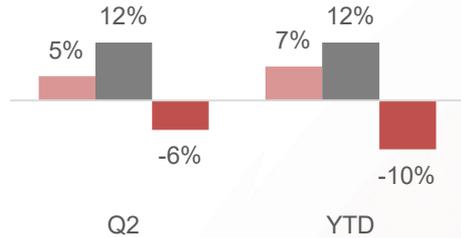
- Labor productivity improvement
- Cost structure realignment
- One-time relief provided by landlords and government agencies



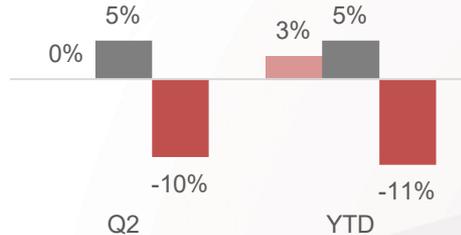
KFC Continued to Demonstrate Resilience

Sales Growth¹ (%)

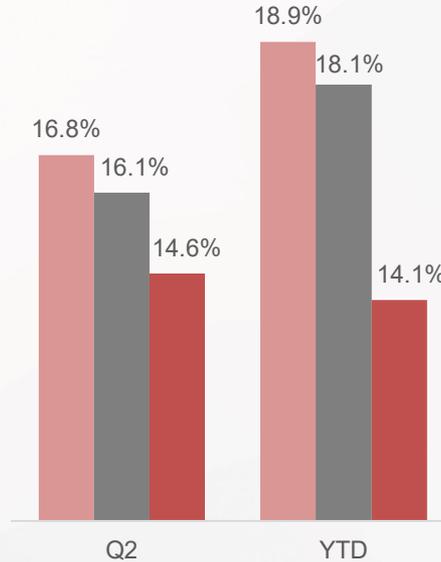
System sales growth



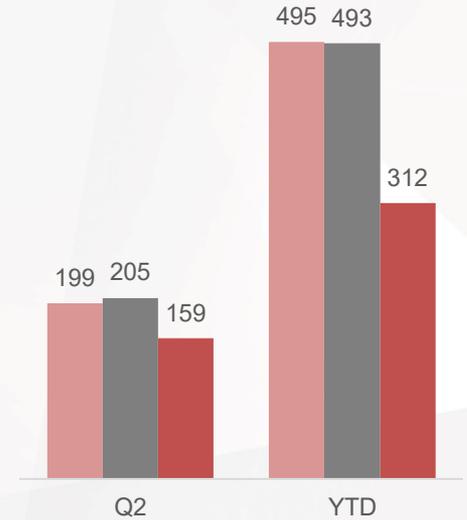
Same-store sales growth



Restaurant Margin (%)



Operating Profit² (\$ mn)



¹ Stated in constant currency basis.

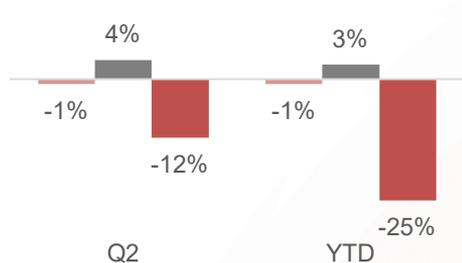
² Segment Operating Profit before unallocated shared service costs.



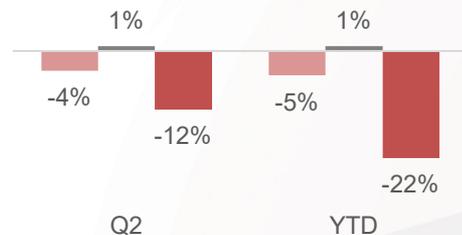
Pizza Hut Improved Sales and Margin vs Q1

Sales Growth¹ (%)

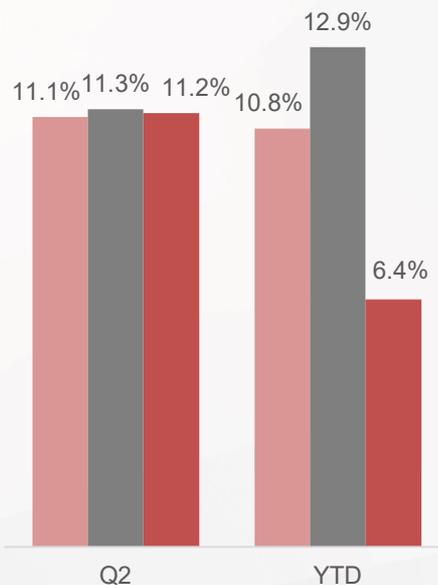
System sales growth



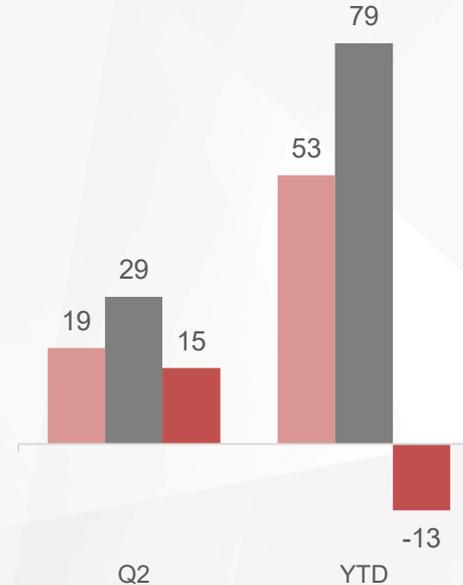
Same-store sales growth



Restaurant Margin (%)



Operating Profit (\$ mn)²



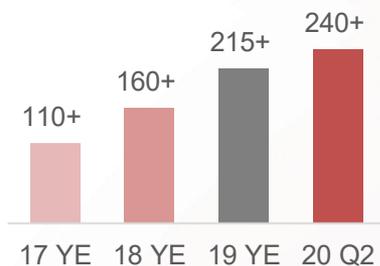
¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

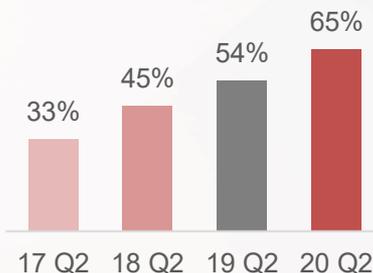
Membership and Digital Order Grew in Popularity



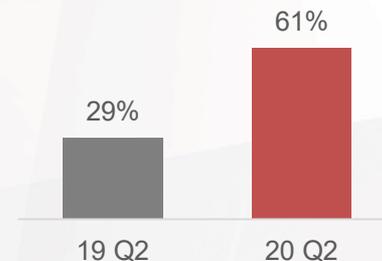
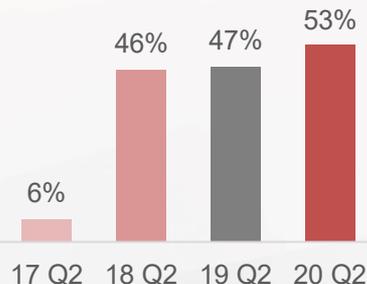
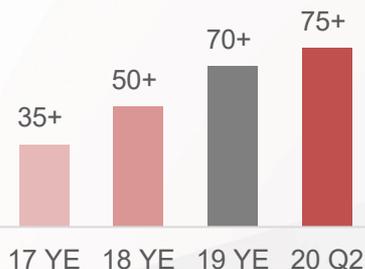
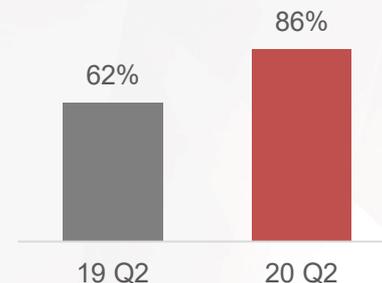
Members (mn)



Member Sales



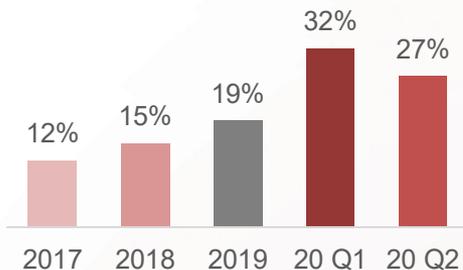
Digital Order



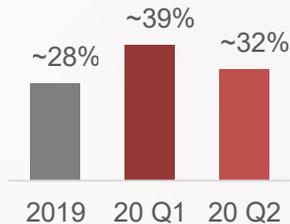
Delivery and Takeaway Increased Year-over-Year



Delivery Sales

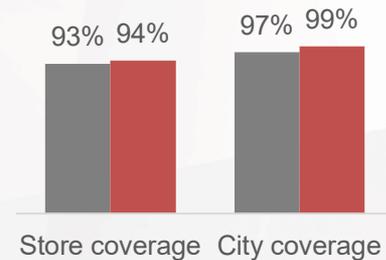
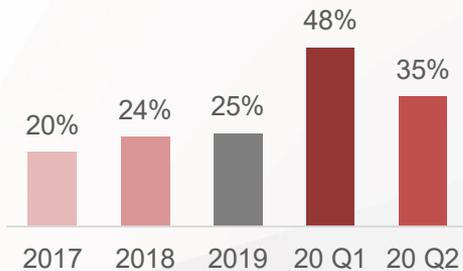
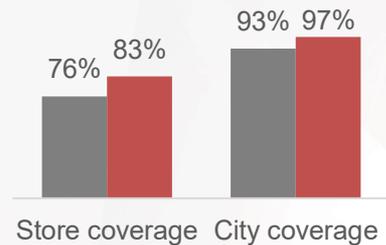


Takeaway Sales



Delivery Coverage

■ 2019 Q2 ■ 2020 Q2



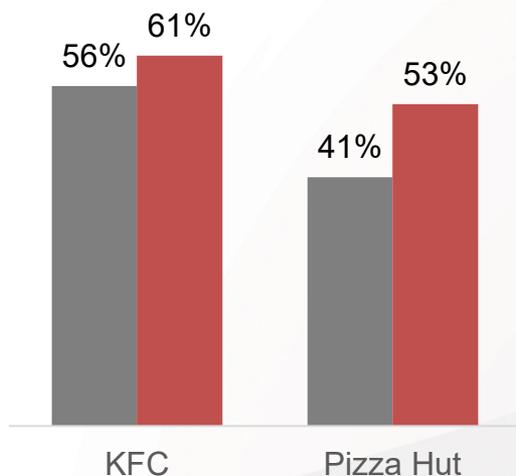
Continued Penetrating into Lower Tiers with Healthy Return



Lower Tier Penetration

Store Mix in Tier 3-6

■ All Stores ■ YTD Gross New Openings



Drive New Unit Return¹

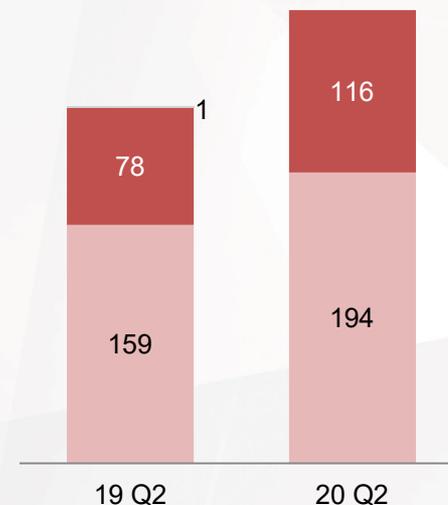
	Tier 1-2	Tier 3-6
KFC	~2-3 yrs	~2 yrs
Pizza Hut	~4-5 yrs	~3-4 yrs

Remodel

■ KFC ■ Pizza Hut ■ Others

YUMC: 238

310



¹ Refers to Average Pre-tax Cash Payback Period; Includes units opened from April 2018 to March 2019, after deduction of 3% license fee.

Continued to Take Cautious Actions Despite Strong Balance Sheet

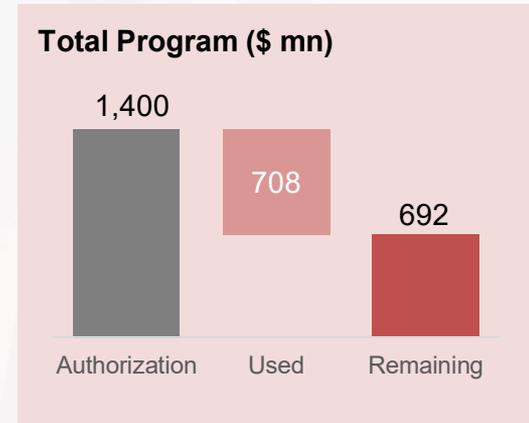
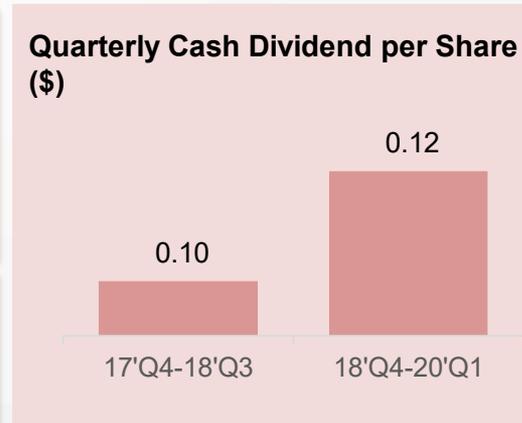


Dividends

Since spin-off: \$426 mn
20 Q2: -

Share Repurchases

Since spin-off: \$708 mn
20 Q2: -



The Company temporarily suspended share repurchases and, through the end of third quarter of 2020, cash dividends

2020 Outlook and Strategic Priorities

2020 FINANCIAL TARGETS

- 800-850 gross new units, excluding Huang Ji Huang
- \$500-550 million Capex
- Targets subject to revision based on how the COVID-19 situation evolves

STRATEGIC PRIORITIES

- Top priority is to safeguard the health and safety of our employees and customers
- Drive innovation across the business and adapt to the fluid situations
- Leverage digital infrastructure and member base to drive frequency and ticket average
- Further capture delivery and takeaway demand
- Vigilant cost management and efficiency improvement
- Invest in key growth opportunities including new stores, digital, supply chain and technology capabilities

Appendix: Reconciliation of Reported Results to Non-GAAP Measures



Detail of Special Items	Quarter Ended		Year Ended	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Derecognition of indemnification assets related to Daojia ^(b)	\$ (3)	\$ —	\$ (3)	\$ —
Share-based compensation expense for Partner PSU awards ^(c)	(1)	—	(2)	—
Special Items, Operating Profit	(4)	—	(5)	—
Tax effect on Special Items ^(d)	—	—	—	—
Impact from the Tax Act ^(e)	—	—	—	(8)
Special Items, net income – including noncontrolling interests	(4)	—	(5)	(8)
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income – Yum China Holdings, Inc.	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ (5)</u>	<u>\$ (8)</u>
Weighted Average Diluted Shares Outstanding (in millions)	388	389	387	389
Special Items, Diluted Earnings Per Common Share	<u>\$ (0.01)</u>	<u>\$ —</u>	<u>\$ (0.01)</u>	<u>\$ (0.02)</u>
Non-GAAP Reconciliations				
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 128	\$ 204	\$ 225	\$ 507
Special Items, Operating Profit	(4)	—	(5)	—
Adjusted Operating Profit	<u>\$ 132</u>	<u>\$ 204</u>	<u>\$ 230</u>	<u>\$ 507</u>
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	\$ 132	\$ 178	\$ 194	\$ 400
Special Items, Net Income – Yum China Holdings, Inc.	(4)	—	(5)	(8)
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 136</u>	<u>\$ 178</u>	<u>\$ 199</u>	<u>\$ 408</u>
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	\$ 0.35	\$ 0.47	\$ 0.51	\$ 1.06
Special Items, Basic Earnings Per Common Share	(0.01)	—	(0.02)	(0.02)
Adjusted Basic Earnings Per Common Share	<u>\$ 0.36</u>	<u>\$ 0.47</u>	<u>\$ 0.53</u>	<u>\$ 1.08</u>
Diluted Earnings Per Common Share	\$ 0.34	\$ 0.46	\$ 0.50	\$ 1.03
Special Items, Diluted Earnings Per Common Share	(0.01)	—	(0.01)	(0.02)
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.35</u>	<u>\$ 0.46</u>	<u>\$ 0.51</u>	<u>\$ 1.05</u>
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	25.2%	20.0%	27.8%	25.2%
Impact on effective tax rate as a result of Special Items	<u>0.6%</u>	<u>—%</u>	<u>0.5%</u>	<u>1.4%</u>
Adjusted effective tax rate	<u>24.6%</u>	<u>20.0%</u>	<u>27.3%</u>	<u>23.8%</u>

(a) Amounts presented as of and for the quarters and years to date ended June 30, 2020 and 2019 are unaudited.

(b) In the quarter ended June 30, 2020, the Company derecognized \$3 million indemnification asset previously recorded for Daojia acquisition as the indemnification right expired pursuant to the purchase agreement. The amount was included in Other income, net, as a deduction item, but was not allocated to any segment for performance reporting purposes.

(c) 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 during the performance period. The impact from these special awards is excluded from metrics that management uses to assess the Company's performance. The Company recognized share-based compensation cost of \$1 million and \$2 million associated with the Partner PSU Awards for the quarter and year to date ended June 30, 2020, respectively.

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

(e) We completed the evaluation of the impact on our transition tax computation based on the final regulations released by the U.S. Treasury Department and the U.S. Internal Revenue Service became effective in the first quarter of 2019, and recorded an additional tax expense of \$8 million for the transition tax accordingly.