



Fourth Quarter 2019 Results Presentation

6 February 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 plans, earnings, performance and returns of Yum China, statements regarding the revitalization of Pizza Hut, anticipated effects of population and macroeconomic trends, and the expected impact of the coronavirus outbreak and 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 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, our ability to control costs and expenses, including tax costs, as well as changes in political, economic, regulatory and public health conditions in China, including the coronavirus outbreak. 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) 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

Q4 2019 Business Highlights

Q4 2019 Financial Results



Yum China by the Numbers – a Powerful Business

#1 Western QSR &
CDR brands in China

NYSE listed with
\$18bn market cap

9,200 stores in
1,300+ cities in China

24 logistics centers

215mn+ digital members of KFC
70mn+ digital members of Pizza Hut

~450,000 employees in China
Strong management



Our Long-Term Strategy



SUSTAINABLE PLATFORM FOR GROWTH

YUM CHINA BRAND PORTFOLIO



COFFII & JOY

ENABLED BY THREE PILLARS ACROSS BRANDS



DIGITAL



DATA



DELIVERY

AND CROSS FUNCTIONAL CAPABILITIES

People

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

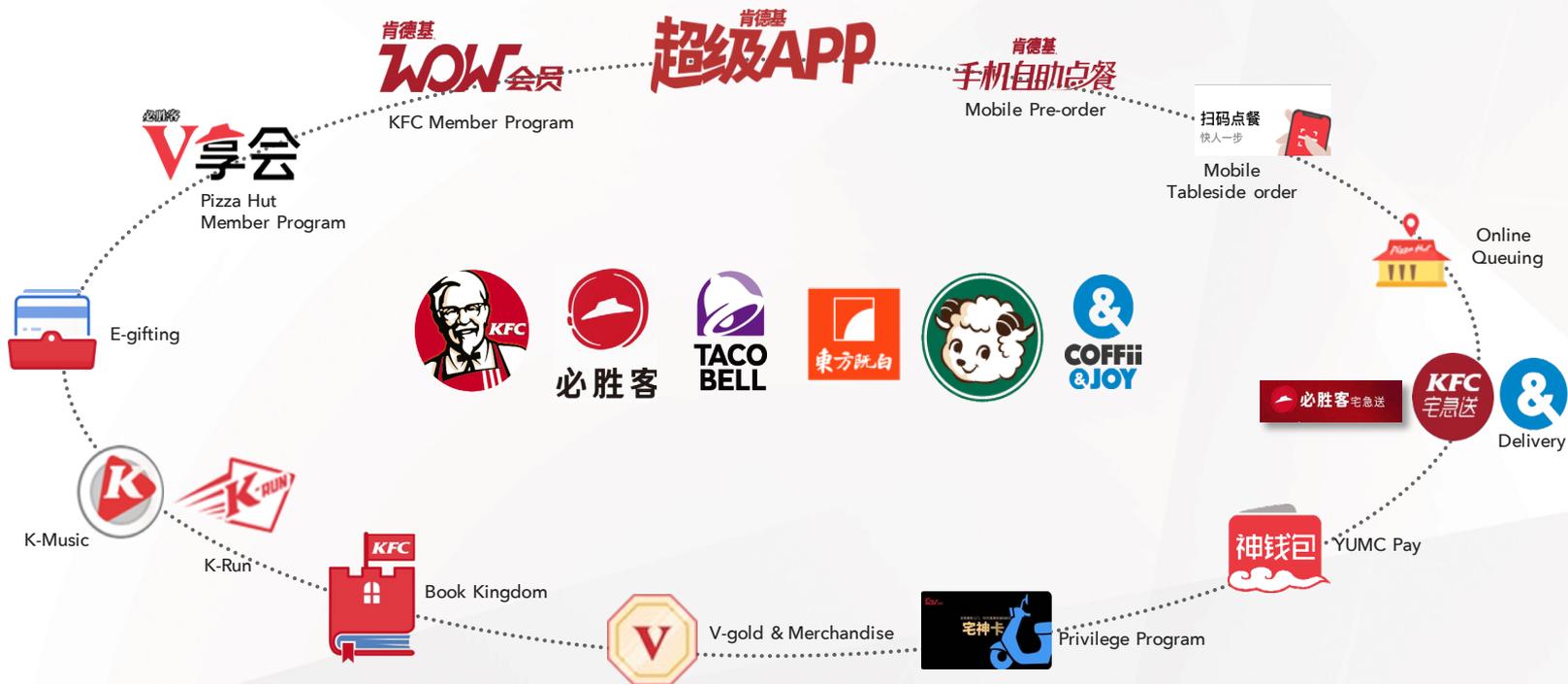
全球最创新的 餐饮先锋



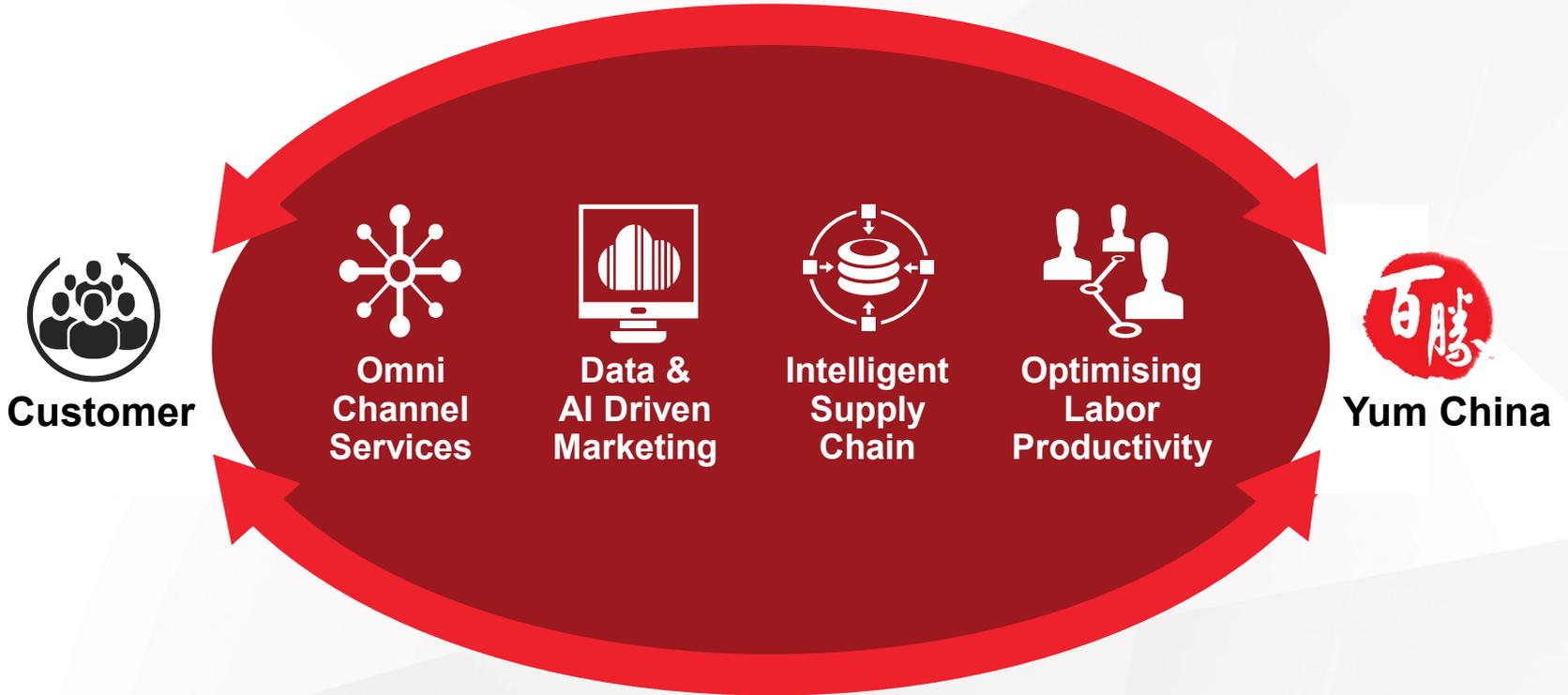
The World's Most Innovative Pioneer
In The Restaurant Industry



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

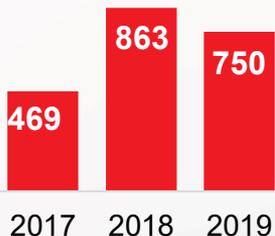
12%

CAGR¹

Strong balance sheet & cash flow generation

\$1.66bn² Cash and short-term investments

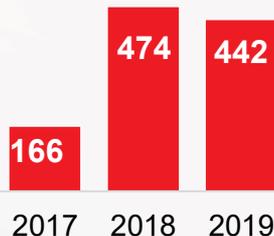
Free cashflow (\$mn)



Commitment to shareholder returns

Dividends & Share repurchases (\$mn)

\$361mn Per year³



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

Q4 2019 Business Highlights

Q4 2019 Financial Results



Q4 2019: Solid Growth

- System sales growth of **8%***
- **13th** consecutive quarter of positive system sales growth
- Operating Profit growth of **14%**

- World's leading restaurant membership with **240mn+** members
- Over **50%** of sales from members
- Delivery contributed **23%** of sales, **+3ppts** y/y



- Opened **360** new stores, reaching a total of **9,200** stores
- Maintained new store cash payback of **~2 years** for KFC and **3-4 years** for Pizza Hut
- Returned **\$102 million** to shareholders
- Declare dividend of **\$0.12** per share, payable in March 2020

* Stated in constant currency basis.

A Recognized Leader

Fortune 500



Higher ranking compare to 2018

Restaurant Chain Innovation Award



Awarded by the China Chain Store and Franchise Association

3 Gold Cannes Lions Awards for KFC Pocket Store



Over 4 million pocket stores opened

KFC: Consistently Delivering Solid Results



Q4 2019 HIGHLIGHTS



3% SSSG*

10% System sales growth*



14.5%

Restaurant margin,
+0.2ppt y/y



241 new store openings



20% Operating profit growth*



Various innovative products, digital campaigns and partnerships



21% Delivery sales, up **4ppt** y/y, led by our own channels



215mn+ Members
57% Member sales
70% Digital orders



Disruptive Product Innovations

Kimchi Burger



Kimchi, beef and chicken

Crispy Chicken



Crispy chicken coated with Lays chips and seaweed (Christmas campaign)

Premium Burger 2.0



Thick cut Australian steak / Pulled turkey & spicy chicken

New Croissant



Croissant with salted egg yolk filling and dry shredded pork coating



Emphasis on Smart and Abundant Value

Crazy Thursday

KFC

疯狂星期四

#天生翅粉#抓稳了
十月的王炸福利
连!环!来!袭!

九龙金玉
黑糖珍珠写龙奶茶
2杯 19.9
¥19.9/2杯

肯德基品牌代言人
王源

老北京香辣鸭肉卷
2个 19.9
¥19.9/2个

2 for 19.9 yuan – Milk tea with boba / Peking duck twister

Wing Buckets

#天生翅粉#抓稳了
十月的王炸福利
连!环!来!袭!

肯德基王炸双子桶

十翅一桶
¥39
超值

四十根一桶
¥39
超值

Buckets of chicken wings or wing tips

Double 11

天猫全品类狂欢节 2019

11.11!

立省心愿11实现!

预售不止
5折

肯德基品牌代言人
王源

*5折是相较店内菜单单品总价的5折

Captured online traffic of Nov 11. Pre-sale at 50% off

Christmas

2019 KFC 圣诞节

圣诞巨大的桶

三层美味 一桶打尽

¥129

热辣海苔薯片脆皮鸡

比利时黑巧克力流心慕斯蛋糕

¥129 Mega Christmas bucket – 3 layers including Belgian chocolate cake and crispy chicken



Growing Dayparts and Categories

Breakfast

K记粥铺

全新上市
新 生滚牛肉粥

Thinly sliced beef congee

Coffee

K
COFFEE

双倍浓缩咖啡 丝滑馥郁
双萃澳白。
Flat White

圣诞新品
浓郁上市。

Christmas launch of new coffee flavor
Flat White and Caramel Macchiato

Dessert

KFC 甜品站 限定

九龙金玉·秋冬新品
芋泥大满足
三重好料 三重满足

WINTER

芋泥红豆大满足
芋泥芋头大满足
芋泥紫薯大满足

精选荔浦芋头
高温熬煮 绵密软糯 芋香四溢

New hot taro tea with 3 layers



Innovative Digital Campaigns and Partnerships

Digital Membership

肯德基 超级APP

圣诞奇遇季

首次下载肯德基超级APP

送你价值96元新人礼

产品满39 外送免费

产品满99 减15

APP# 超级新人礼 #

首次下载后注册或登录立享

SuperApp download promotion:
Worth 96 RMB

Privilege Subscription

WOW 会员

大神卡 宅神卡 醒神卡 提神卡

大神卡

醒神卡

提神卡

宅神卡

Breakfast, Coffee, Delivery and
All-in-one privileges

Online Partnership

KFC 口碑 Koubei 天猫

肯德基 超级APP 金商城

V金商城11.11

不止5折

活动时间: 11.1-11.13

Double 11 promotions on
Koubei/T-mall and in own APP

Corporate Delivery

员工早餐福利 单单免外送费

¥6起

燕麦笋丁鸡肉粥 + 安心大油茶 ¥6

芝士鸡肉帕尼尼 + 豆浆(热) ¥6

元气满满 5天不重样 即扫码点餐享福利

Corporate employees enjoy free
delivery for breakfast

Expanding with Multiple Store Formats



Gas Station Partnership

CNPC – Kunming, Yunan



Corporate Partnership

Lenovo – Beijing



Exhibition Center

Shenzhen World Exhibition & Convention Center



Sinopec – Tianyuan, Dalian



Huawei – Dongguan, Guangdong



~1,800 sqm – opened in Nov 2019



First franchised KFC stores opened in CNPC/Sinopec gas stations after announcement of partnership in March 2019



Pizza Hut: Revitalization Continues

FOUR PILLARS DRIVING OUR REVITALIZATION PROGRAM

Fixing the Fundamentals

Food, Service, Value

Driving our Digital Ecosystem

Engagement & Experience

Optimizing Delivery

Own channels & 3rd parties

Enhancing Our Asset Portfolio

Remodel & Development

Q4 2019 HIGHLIGHTS



Flat SSSG*
1% System sales growth*



6.7% Restaurant margin,
1.8ppt y/y



48 new store openings and
281 remodels



Operating loss reduced
72%



Various innovative products introduced with great value



28% Delivery sales, up **2ppt** y/y, led by our own channels

* Stated in constant currency basis.



Innovative Products to Excite Customers

Autumn Festival



Chinese flavor pizza
(e.g. Peking duck, double chili)

Korean Spicy Pizza



Slow cook ox-tongue in Korean style spicy sauce

Christmas Snow Pizza



Slow cook beef pizza with snowflake ricotta cheese

Turkey Thigh



Buy one get one free – Christmas seasonal and 10 days only



Improving Value for Money

Scream Wednesday

必胜客 PIZZA HUT
尖叫星期三
[11月限定 | 每周三]

29元
新**肉肉联盟** 比萨
MEATY PIZZA
三重肉肉 豪华配料 劲道拉丝 过瘾过瘾
放肆狂欢 过瘾选择

39元 3份
抹茶雪域 (蛋糕冰淇淋)
MATCHA ICE CREAM CAKE
仅限堂食

29 yuan Meaty pizza and 39 yuan Matcha ice-cream cake x3

Afternoon Tea Discount

“**圣诞**”
多肉CP
Christmas

甜品买1送1
下午茶时段 14:00-17:00

NEW
有肉的奶盖茶
海盐焦糖培根风味奶盖茶

Buy 1 get 1 free during 2-5pm
Sea salt caramel bacon milk tea

Double 12

美团·美食 | 必胜客

12.12上美团
必胜客爆款
低至**3折**

Double 12 promotions on Meituan
(up to 70% discount)

Delivery

必胜客宅急送 | 外送订餐

大雪节气
自**点热比萨**
必胜客APP外送点餐立减

张艺兴
必胜客品牌代言人

99元
指定比萨 任选2份
比单总价最多省80元

99 yuan for 2 selected pizzas
(up to 80 yuan savings)

Remodeled 281 Stores in Q4, 513 Stores Full Year



Shanghai Global Harbor, 345 sqm

71 New Stores for Our Smaller Brands in Q4, 132 New Stores Full Year

COFFii & JOY: 8 in Q4 / 40 full year



Taco Bell: 2 in Q4 / 3 full year



East Dawning: 1 in Q4 / 3 full year



Little Sheep: 60 in Q4 / 86 full year



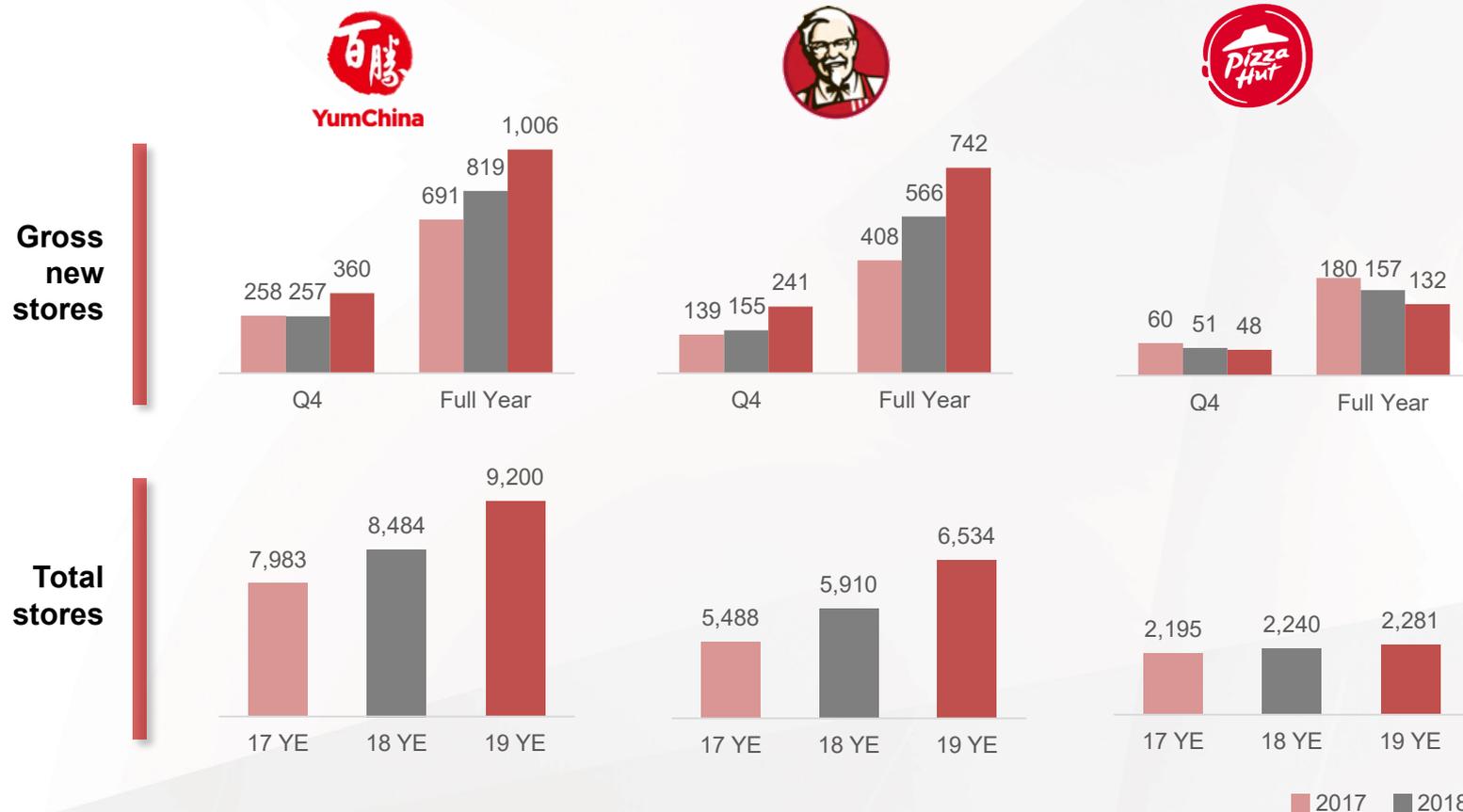
Overview

Q4 2019 Business Highlights

Q4 2019 Financial Results



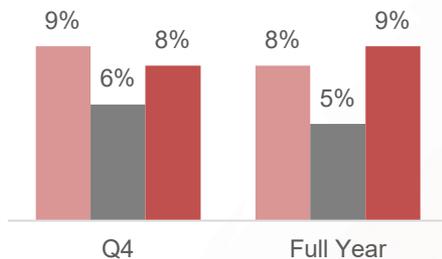
Accelerated New Store Openings Driven by KFC



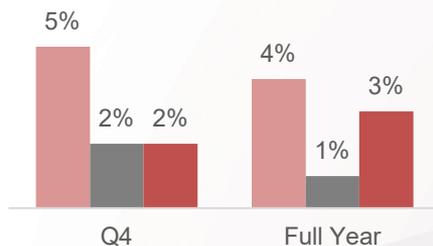
Strong Financial Performance

Sales Growth¹

System sales growth (%)

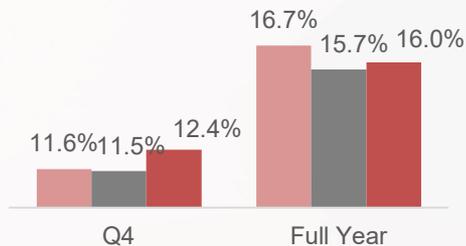


Same-store sales growth (%)

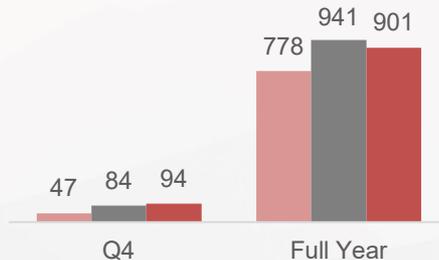


Profit Margin

Restaurant Margin (%)

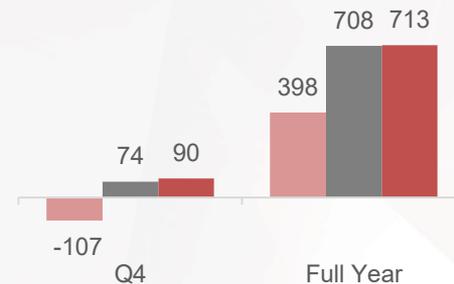


Operating Profit (\$ mn)

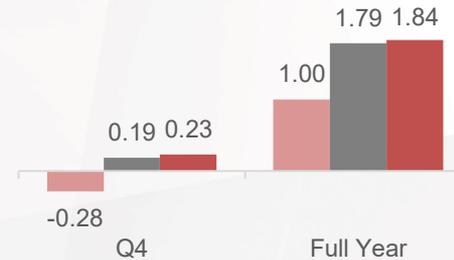


Net Income & EPS

Net Income (\$ mn)



Diluted EPS (\$)



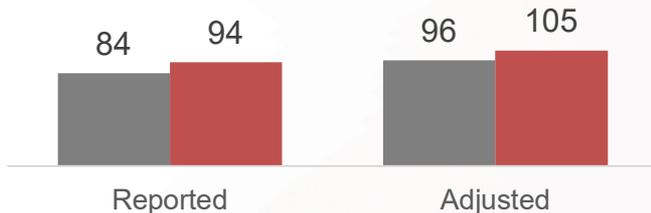
¹Stated in constant currency basis.

Operating Profit Improved Year on Year in Q4

Operating Profit (\$ mn)

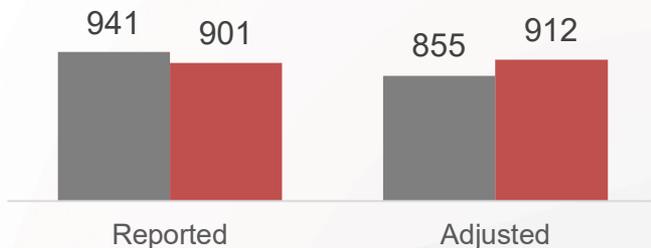
■ 2018 ■ 2019

Q4



YoY	+14%	+12%
YoY ex F/X	+16%	+14%

Full year



YoY	- 4%	+7%
YoY ex F/X	+1%	+12%

Key Factors for Q4 Year-Over-Year Movement



- Same-store sales leverage
- Net new unit growth
- Productivity improvement
- Savings in other restaurant operating costs



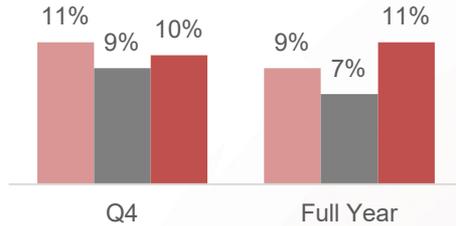
- Wage and commodity inflation
- Promotion cost
- Higher G&A expense



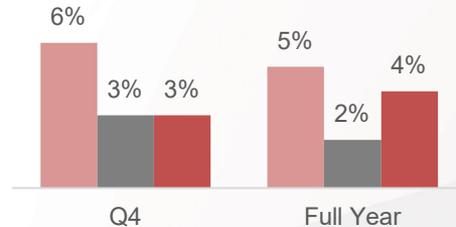
KFC Achieved 3% SSSG and 20% OP Growth in Q4

Sales Growth¹ (%)

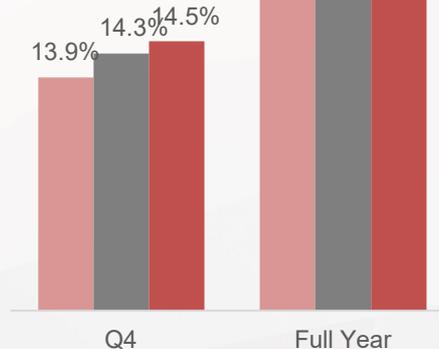
System sales growth



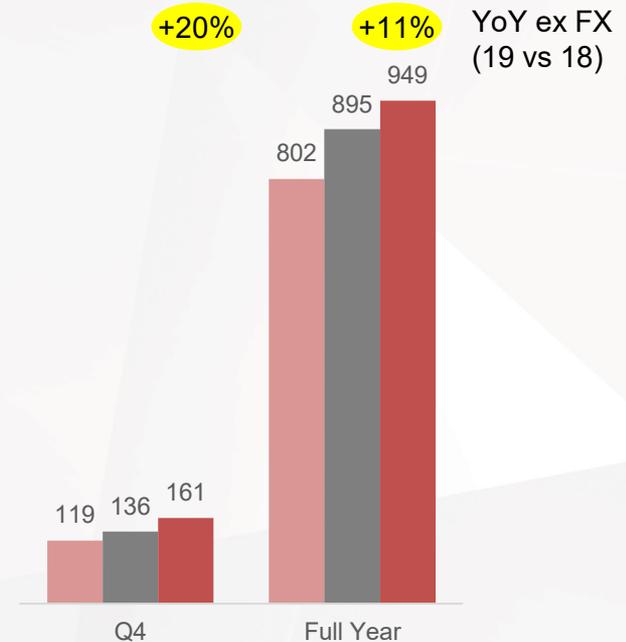
Same-store sales growth



Restaurant Margin (%)



Operating Profit (\$ mn)²



¹ Stated in constant currency basis.

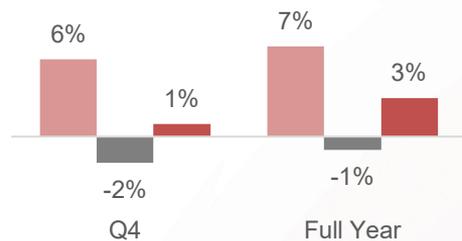
² Segment Operating Profit before unallocated shared service costs.



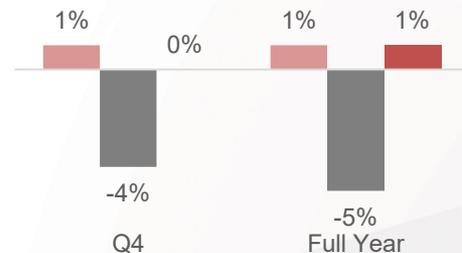
Pizza Hut Delivered 22% OP Growth in 2019

Sales Growth¹ (%)

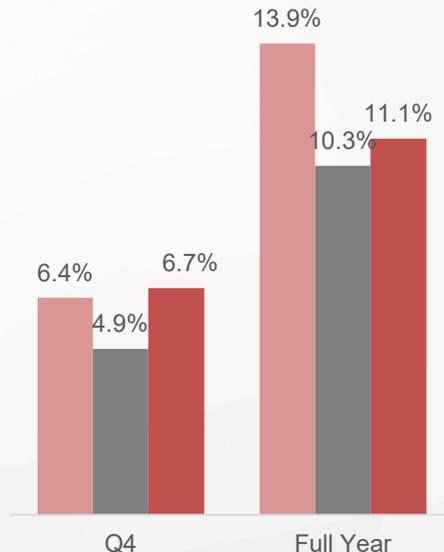
System sales growth



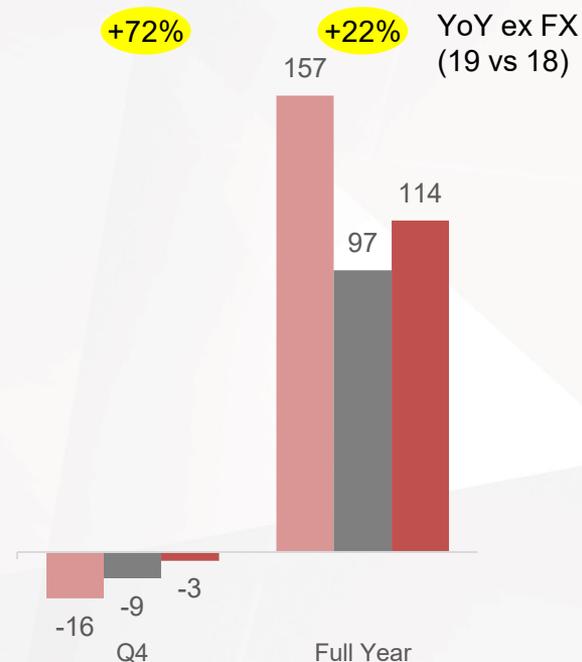
Same-store sales growth



Restaurant Margin (%)



Operating Profit (\$ mn)²



¹ Stated in constant currency basis.

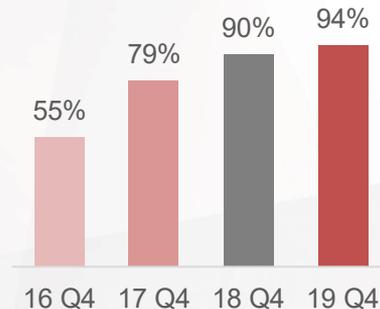
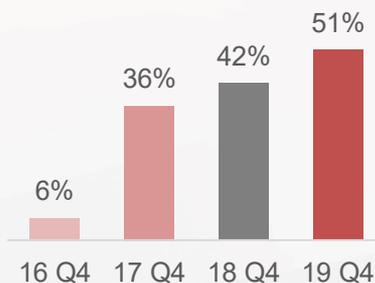
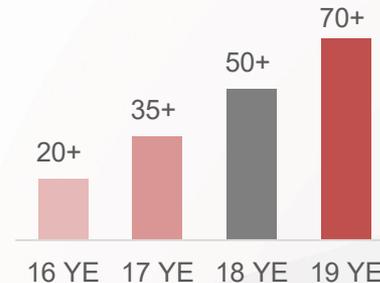
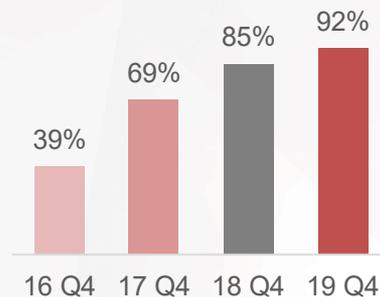
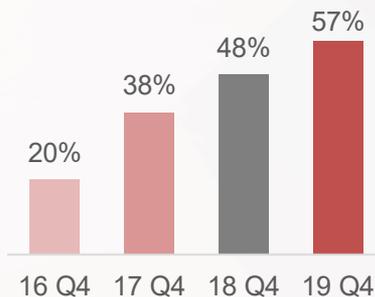
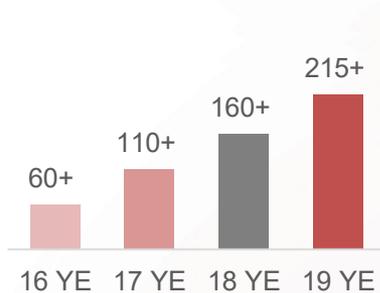
² Segment Operating Profit before unallocated shared service costs.

Improving Digital KPIs

Members (mn)

Member Sales

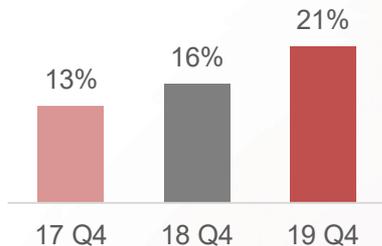
Digital Payment



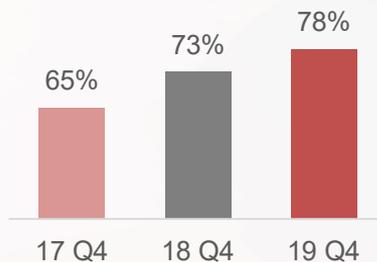
Delivery Capability Continued to Grow



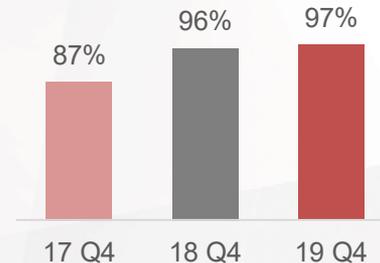
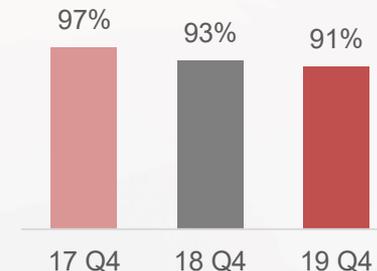
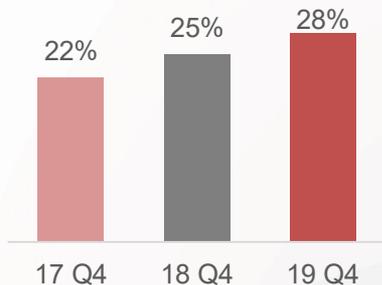
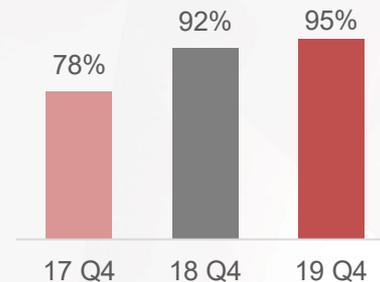
Delivery Sales



Delivery Store Coverage



Delivery City Coverage



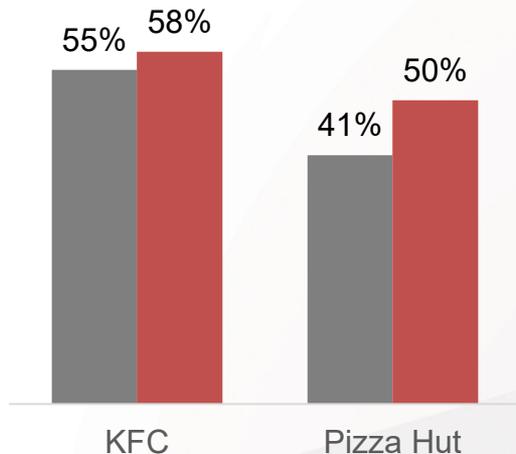
Penetrating into Lower Tiers with Healthy Return



Lower Tier Penetration

Store Mix in Tier 3-6

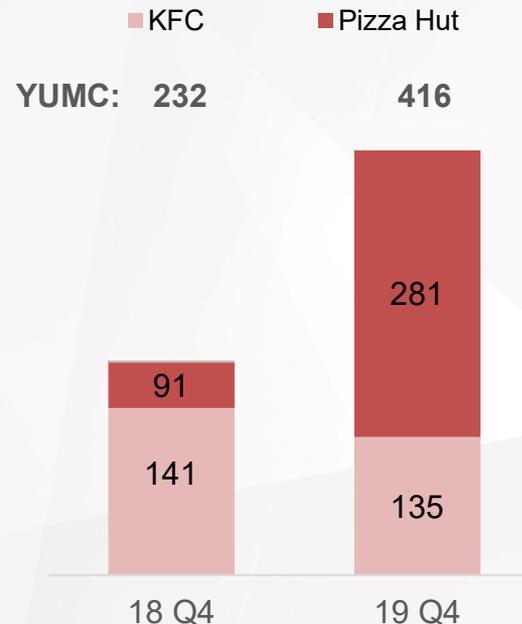
■ All Stores ■ YTD Gross New Openings



Drive New Unit Return¹

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

Remodel



¹ Refers to Average Pre-tax Cash Payback Period; Includes units opened between October 2017 and September 2018, after deduction of 3% license fee.

Strong Cash Flow Rewarding Shareholders



Net cash from
operating
activities **\$1.18 bn**

Jan-Dec 2019



Free cash
flow **\$750 mn**

Jan-Dec 2019



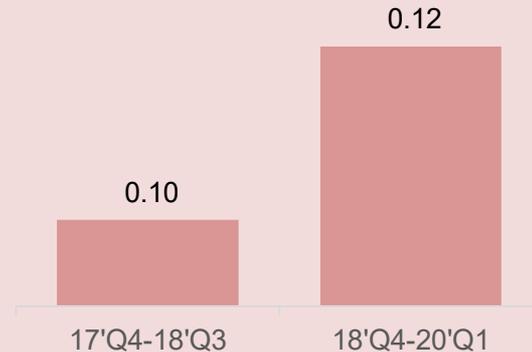
Cash and
short-term
investments **\$1.66 bn**

As of Dec 31 2019

Dividends

19 Q4: \$45 mn
Since spin-off: \$381 mn

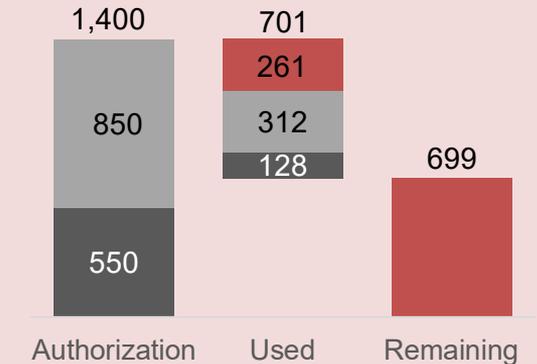
Quarterly Cash Dividend per Share (\$)



Share Repurchases

19 Q4: \$57 mn
Since spin-off: \$701 mn

Total Program (\$ mn)



Outlook and Strategic Priorities

2020 FINANCIAL TARGETS

- 800-850 gross new units
- \$500-550 million Capex
- Targets subject to revision based on the impact from coronavirus

STRATEGIC PRIORITIES

- Focus on expanding our core brands – KFC & Pizza Hut
- Invest in key growth opportunities including our emerging brands
- Leverage and invest in our digital, supply chain and technology capabilities
- Vigilant cost management to offset cost inflation (e.g., labor and chicken)

**Focus to overcome the challenges of coronavirus,
and to protect the health and safety of our employees and customers**

Appendix: Reconciliation of Reported Results to Non-GAAP Measures



Detail of Special Items	Quarter Ended		Year Ended	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
Daojia impairment ^(b)	\$ (11)	\$ (12)	\$ (11)	\$ (12)
Gain from re-measurement of equity interest upon acquisition ^(c)	\$ —	\$ —	\$ —	\$ 98
Special Items, Operating Profit	(11)	(12)	(11)	86
Tax effect on Special Items ^(d)	1	3	1	(21)
Impact from the Tax Act ^(e)	—	36	(8)	36
Special Items, net income – including noncontrolling interests	(10)	27	(18)	101
Special Items, net income – noncontrolling interests	(2)	(1)	(2)	(1)
Special Items, Net Income –Yum China Holdings, Inc.	\$ (8)	\$ 28	\$ (16)	\$ 102
Weighted Average Diluted Shares Outstanding	387	389	388	395
Special Items, Diluted Earnings Per Common Share	\$ (0.02)	\$ 0.07	\$ (0.04)	\$ 0.26
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 94	\$ 84	\$ 901	\$ 941
Special Items, Operating Profit	(11)	(12)	(11)	86
Adjusted Operating Profit	\$ 105	\$ 96	\$ 912	\$ 855
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	\$ 90	\$ 74	\$ 713	\$ 708
Special Items, Net Income –Yum China Holdings, Inc.	(8)	28	(16)	102
Adjusted Net Income – Yum China Holdings, Inc.	\$ 98	\$ 46	\$ 729	\$ 606
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	\$ 0.24	\$ 0.19	\$ 1.89	\$ 1.84
Special Items, Basic Earnings Per Common Share	(0.02)	0.07	(0.04)	0.26
Adjusted Basic Earnings Per Common Share	\$ 0.26	\$ 0.12	\$ 1.93	\$ 1.58
Diluted Earnings Per Common Share	\$ 0.23	\$ 0.19	\$ 1.84	\$ 1.79
Special Items, Diluted Earnings Per Common Share	(0.02)	0.07	(0.04)	0.26
Adjusted Diluted Earnings Per Common Share	\$ 0.25	\$ 0.12	\$ 1.88	\$ 1.53
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	26.8%	(20.1)%	25.9%	22.6%
Impact on effective tax rate as a result of Special Items	1.7%	(53.6)%	1.0%	(3.9)%
Adjusted effective tax rate	25.1%	33.5%	24.9%	26.5%

(a) Amounts presented as of and for the quarter and year ended December 31, 2019 are unaudited, and the Company's Annual Report on Form 10-K for the year ended December 31, 2019 may contain updates to the information disclosed in this press release.

(b) During the year ended December 31, 2019 and 2018, we recorded an impairment charge of \$11 million and \$12 million, respectively, on intangible assets and goodwill attributable to the Daojia business. It was included in Closures and impairment expenses in our Condensed Consolidated Statement of Income, but was not allocated to any segment for performance reporting purposes. We recorded a tax benefit of \$1 million and \$3 million associated with the impairment, respectively, and allocated \$2 million and \$1 million of the after-tax impairment charge to noncontrolling interests, respectively.

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

(e) In the fourth quarter of 2018, we recognized a tax benefit of \$36 million as a result of adjusting the provisional amount of transition tax previously recorded. 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 in the first quarter of 2019 and recorded an additional tax expense of \$8 million for the transition tax accordingly.