



Analyst Meeting

Non-GAAP

Reconciliations

October 2016

Yum!

Non-GAAP Definitions

In an effort to provide investors with additional information regarding the Company's financial results and other financial information as determined by generally accepted accounting principles (GAAP), the company also discusses in these materials, the following Non-GAAP information which management believes provides useful information to investors:

EBITDA — We define EBITDA as net income before Special Items, excluding interest expense, income taxes, depreciation, amortization and net facility actions, unless otherwise noted. EBITDA is not a presentation made in accordance with GAAP and our use of the term may vary from the use of similarly-titled measures by others in our industry. We reconcile EBITDA to net income as the most directly comparable GAAP financial measure.

System-Sales — We define system sales as the results of all restaurants regardless of ownership including unconsolidated affiliates (joint ventures), company-owned, franchise and license restaurants, except for franchise restaurants for which we do not receive sales-based royalties. Sales of unconsolidated affiliates (joint ventures), franchise and license restaurants generate franchise and license fees for the company (typically at a rate of 4% to 6% of sales). Unconsolidated affiliates (joint ventures), franchise and license restaurant sales are not included in company sales we present in our financial statements; however, the franchise fees are included in the company's revenues.

Constant Currency (EX-FX) — We refer to growth rates at constant currency or adjusting for currency so that the business results can be viewed without the impact of fluctuations in foreign currency exchange rates. These amounts are calculated by translating current-year results at prior-year average exchange rates. We believe elimination of the foreign currency translation impact provides better year-to-year comparability of sales trends.

China EBITDA (\$BN)

	<u>2016F</u>	
Before Special Items	Operating Profit before Special Items	\$0.6
	Depreciation, amortization & impairment	0.5
	EBITDA	\$1.1

China System Sales (\$BN)

	<u>2016F</u>
Company Sales	\$7.7
Franchise Net Sales	0.5
System Sales	\$8.2

China Pro Forma Operating Profit (\$MM)

	<u>2014</u>	<u>2015</u>
Revenue		
Company sales	\$6,821	\$6,789
Franchise fees and income	113	120
Total revenues	6,934	6,909
Costs and Expenses, Net		
Company restaurants		
Food and paper	2,207	2,159
Payroll and employee benefits	1,407	1,386
Occupancy and other operating expenses	2,415	2,386
Company restaurant expenses	6,029	5,931
General and administrative expenses	389	395
Franchise expenses	64	70
Closures and impairment expenses, net	517	64
Refranchising gain, net	(17)	(13)
Other income, net	(51)	(26)
Total costs and expenses, net	6,931	6,421
Operating Profit Reported	3	488
Add back: Little Sheep non-cash impairment	463	-
Adjusted Operating Profit	466	488

Profitability Improvement

	<u>2015 Actual</u> <u>Reported</u>	<u>2016F</u> <u>Reported*</u>
Operating Profit	488	At least 600

*Expecting at least 30% core OP growth in constant currency which includes forex impact of approximately 5%.

2016 Pro forma operating profit assumes 3% license fee on 2016F KFC and Pizza Hut system sales, G&A associated with being an independent company, and refranchising gains

PHDI China Historical System Sales

\$BN

PHDI China	2012	2013	2014	2015
	<u>Total</u>	<u>Total</u>	<u>Total</u>	<u>Total</u>
Company Sales	1.2	1.5	1.7	1.8
Franchise Net Sales	-	-	-	-
System Sales	\$ 1.2	\$ 1.5	\$ 1.7	\$ 1.8

Franchisee Sales represent combined estimated sales of franchise, unconsolidated affiliate and license restaurants. Franchisee sales, which are not included in the company sales we present on our Consolidated Statements of Income, generate franchise and license fees (typically at a rate of 4% to 6% of sales) that are included in the company's revenues.