



2017 Yum China Investor Day

Financial Update

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OCT. 18 Shanghai

Cautionary Language Regarding Forward-Looking Statements

Forward-Looking Statements. Our presentation may contain “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,” “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 including all targets, statements regarding future dividends, anticipated effects of population and macroeconomic trends and the capital structure of Yum China, statement regarding 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 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 on our presentation are only made as of the date indicated on the relevant materials, and we disclaim any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances. Numerous factors could cause our actual results 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.

Market and Industry Data. Unless we indicate otherwise, we base the information concerning our industry contained on this presentation on our general knowledge of and expectations concerning the industry. Our market position and market share is based on our estimates using data from various industry sources and assumptions that we believe to be reasonable based on our knowledge of the industry. We have not independently verified the data obtained from these sources and cannot assure you of the data’s accuracy or completeness.

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Non-GAAP Measures. Our presentation includes certain non-GAAP financial measures. Reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures are included on our presentation where indicated. Investors are urged to consider carefully the comparable GAAP measures and reconciliations.



**STAY
TRUE**

**AIM
HIGH**

Unique Strengths of Yum China

No. 1

Restaurant company
in China

Top

Brands

Western

Governance

Best-in-class

Management

Nationwide

Supply chain

How we create value for shareholders

1

**NET NEW UNIT
DEVELOPMENT**

2

**SAME-STORE
SALES GROWTH**

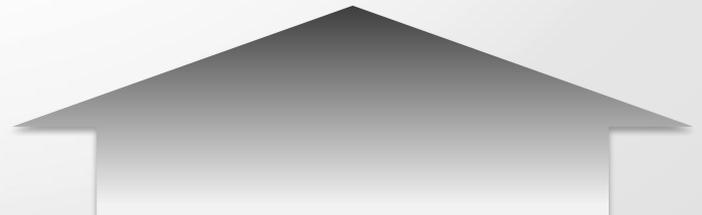
3

**MARGINS & G&A
MANAGEMENT**

4

**STRATEGIC
CAPITAL ALLOCATION**

**SHAREHOLDER
RETURNS**



1

Solid development plan to drive system sales growth

7,747

Restaurants¹

~1.5

Average no. of restaurants
opened daily²

1,220

Remodeled stores
(Jan 2016 – Aug 2017)

>1,100

No. of cities present¹

¹As of the end of August 2017.

²Per our previous guidance, Yum China targets to open 550-600 new units on a gross basis.. Average no. of restaurants opened daily = 550 restaurants divided by 365 days

1

Compelling new unit return

Average Pre-tax Cash
Payback Period¹

Average Unit Volume

Cash Investment

Cash Margin



~**2** Years

~**RMB 6.1mn**

~**RMB 2.6mn**

~**22%**



<**4** Years²

~**RMB 5.6mn**

~**RMB 3.3mn**

~**17%**

¹Includes all units opened from June 2015 to May 2016, after deduction of 3% license fee.

²For Pizza Hut Casual Dining units only.

1

Significant lead over competitors



>2x

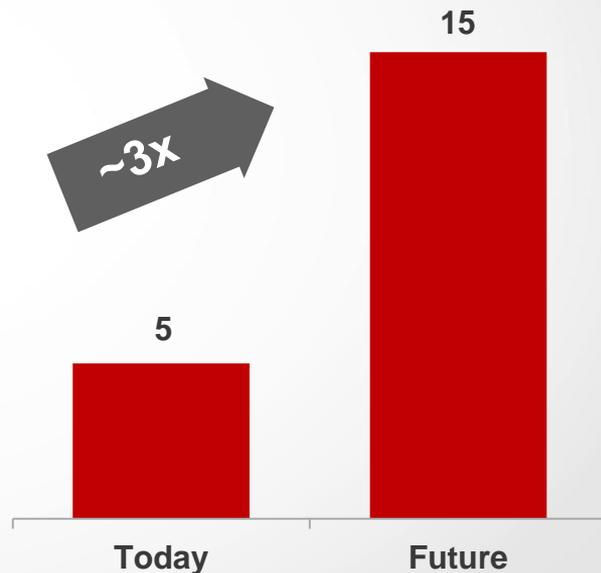
More units than
nearest competitor



>5x

More units than
nearest competitor¹

Yum China Restaurant Penetration²

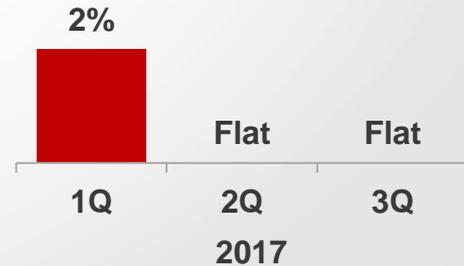
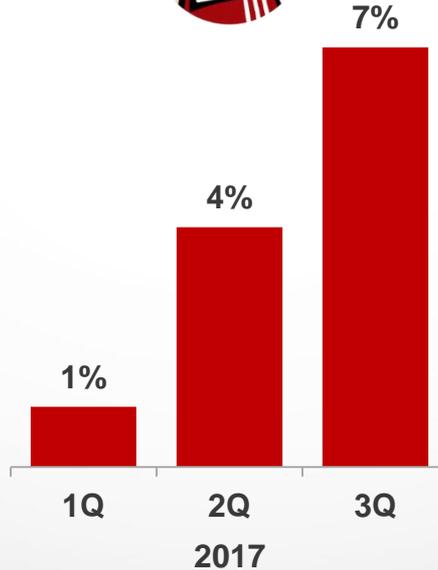
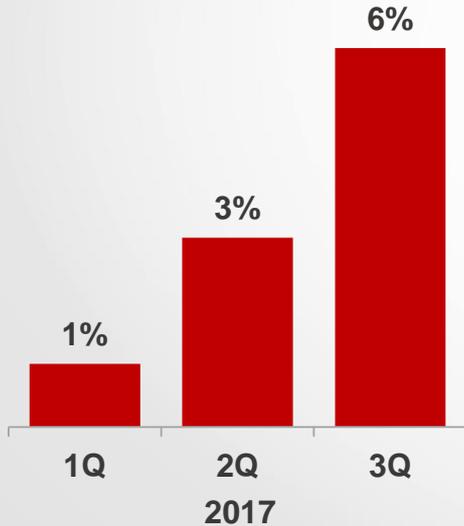


¹Includes both Pizza Hut Casual Dining and Pizza Hut Home Service units.

²We define restaurant penetration as number of Yum China restaurants per million people. It is calculated as follow: Yum China's total unit count divided by total China population.

2

Encouraging trend in same-store sales growth



2

Focusing on SSSG to drive sales leverage

Innovation

Great value

Digital capability

Delivery network

SSS
Growth

Restaurant Margin

Commodity Inflation

Labor Inflation

Efficiency

Key Factors Affecting Restaurant Margin (Aug YTD 2017)

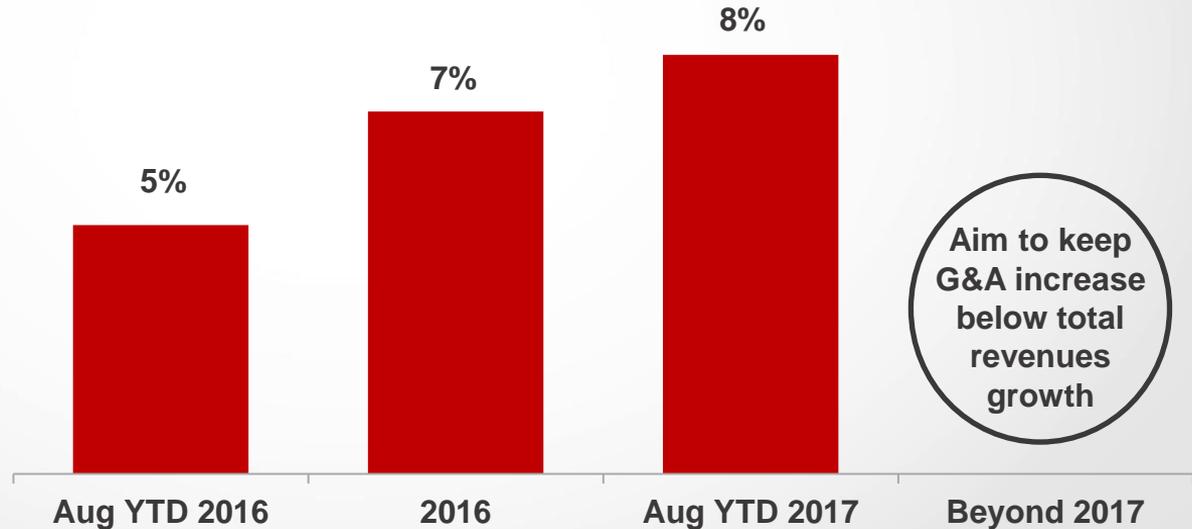


G&A Costs

Low-teens percentage increase in 2017

Cost structure optimization

G&A Change YoY



4

Generating robust free cash flow

26%

Free cash flow CAGR¹ (2014-2016)

\$1.6bn

Cash and short-term investment²

\$987mn

Operating cash flow (Jan-Aug 2017)

Zero

Debt²

¹Free cash flow is net operating cash flow less capital expenditure.

²As of the end of August 2017.

4

Recap of capital allocation

\$550mn

Total share repurchase authorization¹

\$61.7mn

Acquisition³

\$128mn

Share repurchase completed²

~\$39mn

First quarterly dividend
announced¹

¹As of October 5, 2017.

²As of the end of August 2017.

³Yum China agreed to pay a cash consideration of \$36.7mn to the sellers and made a concurrent capital contribution of \$25.0mn to Daojia.

4

Strategic capital allocation

Invest

Into the core business

Repurchase

More shares

Strategic

Growth initiatives

Dividend

Increase on per share basis



**STAY
TRUE**

**AIM
HIGH**

Ongoing financial targets

**High Single
Digit**

System sales growth,
ex FX

~17%

Restaurant margin

**Double
Digit**

Operating profit
growth, ex FX

Factors impacting EPS growth

August YTD 2017

29.3%

397mn

August YTD 2016

28.0%

364mn

Effective tax rate

Diluted share count



YumChina™

Thank You

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:

Adjusted EBITDA – We define adjusted EBITDA as net income including noncontrolling interests adjusted for income tax, interest income, depreciation, amortization and other items, including store impairment charges.

System-Sales – System sales growth reflects the results of all restaurants regardless of ownership, including Company-owned, franchise and unconsolidated affiliate restaurants that operate our concepts, except for non-Company-owned restaurants for which we do not receive a sales-based royalty. Sales of franchise and unconsolidated affiliate restaurants typically generate ongoing franchise fees for the Company at a rate of approximately 6% of system sales. Franchise and unconsolidated affiliate restaurant sales are not included in Company sales on the Condensed Consolidated and Combined Summary of Results; however, the franchise fees are included in the Company's revenues. We believe system sales growth is useful to investors as a significant indicator of the overall strength of our business as it incorporates all of our revenue drivers, Company and franchise same-store sales as well as net unit growth.

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.

Reconciliations of Reported Results to Non-GAAP Measures

Reconciliation of Net Income to Adjusted EBITDA

(In US\$ million)

	Quarter ended		Year to date ended	
	8/31/2017	8/31/2016	8/31/2017	8/31/2016
Net income – noncontrolling interests	\$ 10	\$ 10	\$ 21	\$ 10
Net Income – Yum China Holdings, Inc.	211	192	493	414
Income tax provision	102	87	213	165
Interest income, net	(6)	(3)	(13)	(7)
Operating Profit	317	286	714	582
Depreciation and amortization	105	101	265	272
Store impairment charges	6	6	28	43
Special Items Income – Operating Profit	(3)	(3)	(3)	(2)
Adjusted EBITDA	<u>\$ 425</u>	<u>\$ 390</u>	<u>\$ 1,004</u>	<u>\$ 895</u>

Yum China System Sales

(In US\$ million)

	Year to date ended
	8/31/2017
Company sales	4,818
Franchisee sales	1,163
Total system sales	<u>5,981</u>