



YumChina™

First Quarter 2020 Results Presentation

29 April 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, anticipated effects of population and macroeconomic trends, and the expected impact of the COVID-19 outbreak, 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, 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) 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

Q1 2020 Business Highlights

Q1 2020 Financial Results



Yum China by the Numbers – a Powerful Business

#1 Western QSR &
CDR brands in China

NYSE listed with
\$16bn market cap

9,200+ stores in
1,400+ cities in China



#362 Fortune 500 2019

25 logistics centers

250 mn+ digital members of
KFC and Pizza Hut



Our Long-Term Strategy



SUSTAINABLE PLATFORM FOR GROWTH

YUM CHINA BRAND PORTFOLIO



ENABLED BY THREE PILLARS ACROSS BRANDS



DIGITAL



DATA



DELIVERY

AND CROSS FUNCTIONAL CAPABILITIES

People

Development

Supply Chain

Operation

Marketing

IT

Finance

Legal

Public Affairs

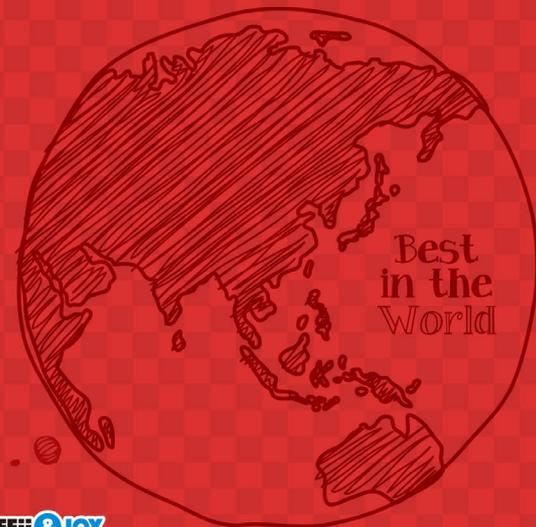
SUPPORTED BY FOUNDER'S MENTALITY CULTURE

Potential to grow to 20,000 stores over the long term, >2x today's store base

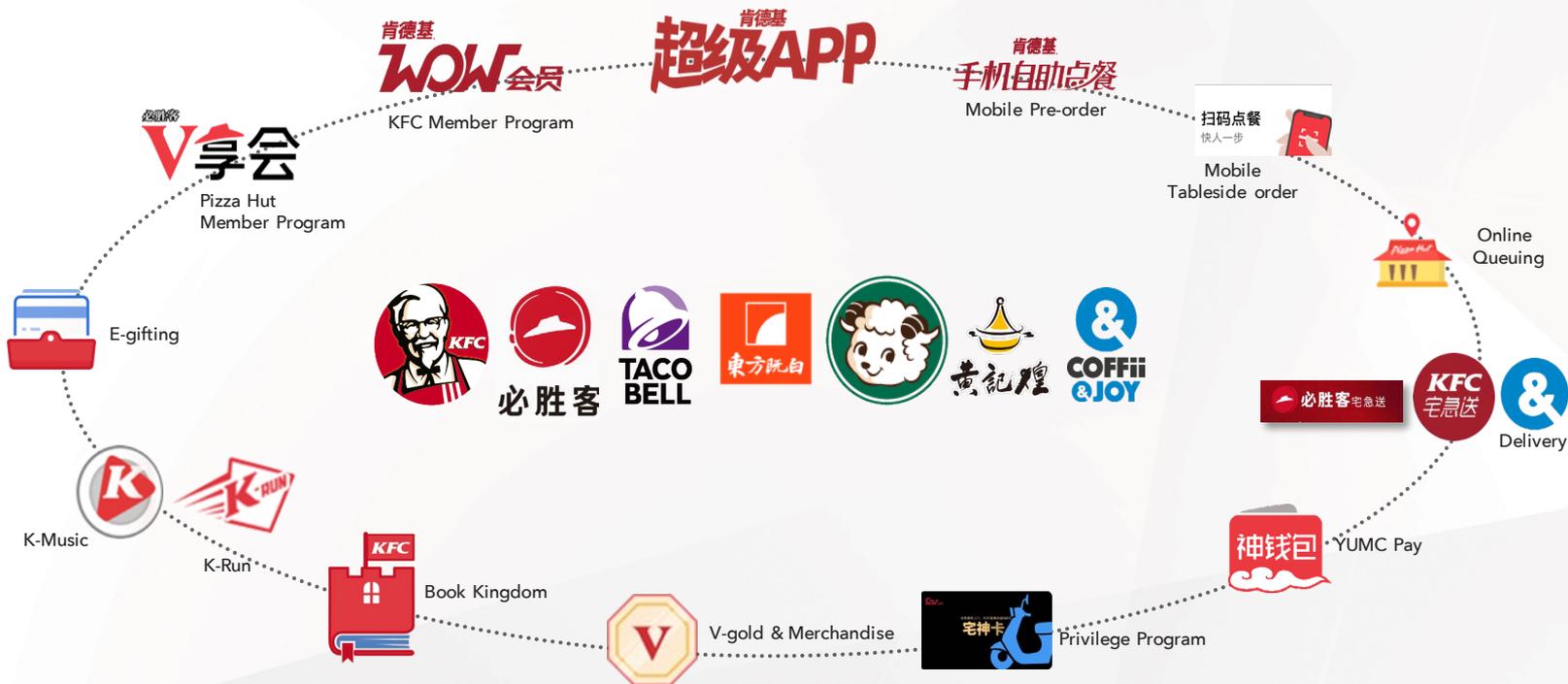
全球最创新的 餐饮先锋



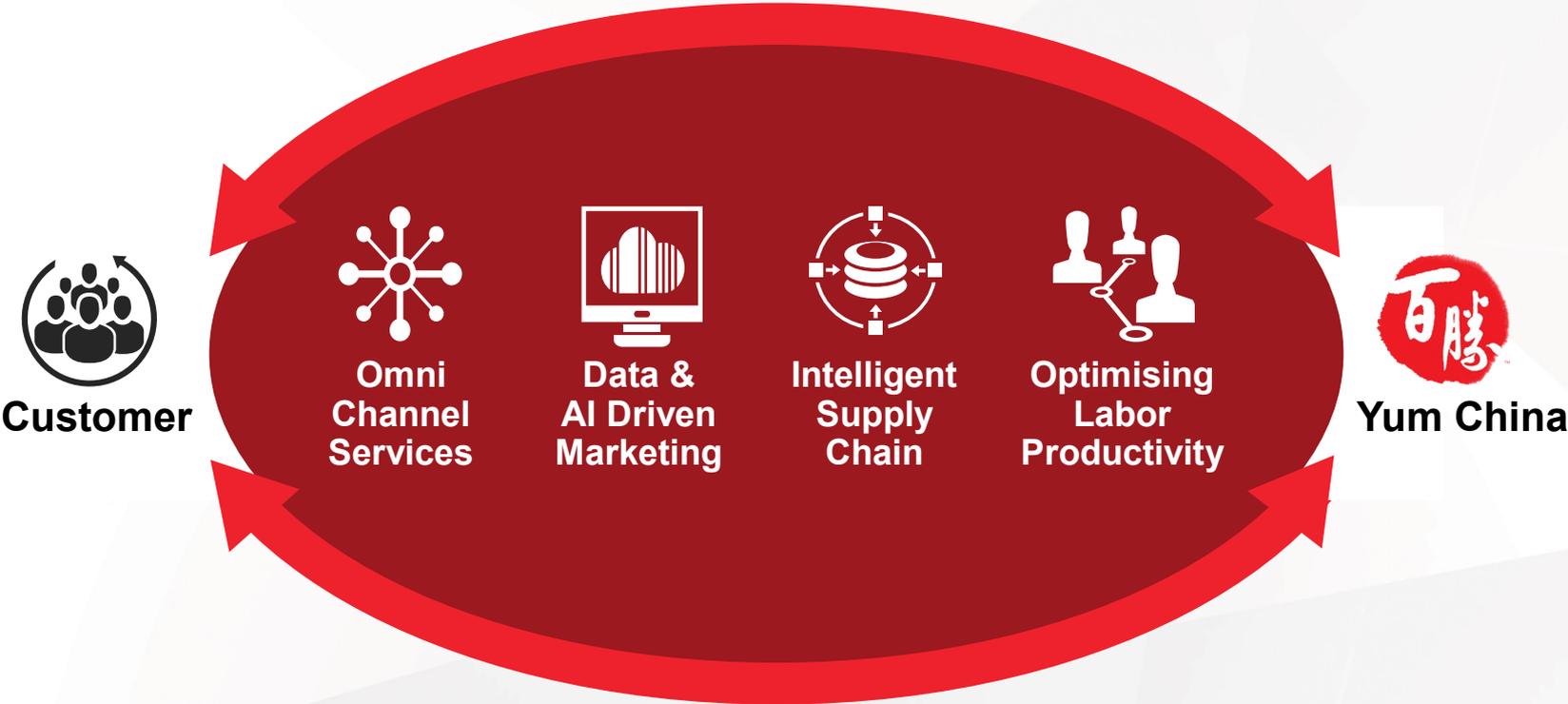
The World's Most Innovative Pioneer
In The Restaurant Industry



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

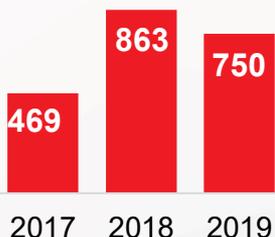
12%

CAGR¹

Strong balance sheet & cash flow generation

\$1.66bn² Cash and short-term investments

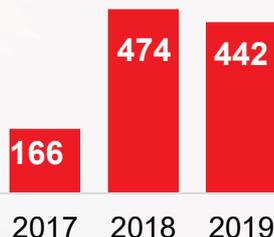
Free cashflow (\$mn)



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

Q1 2020 Business Highlights

Q1 2020 Financial Results



Achieved \$97mn Operating Profit in Q1

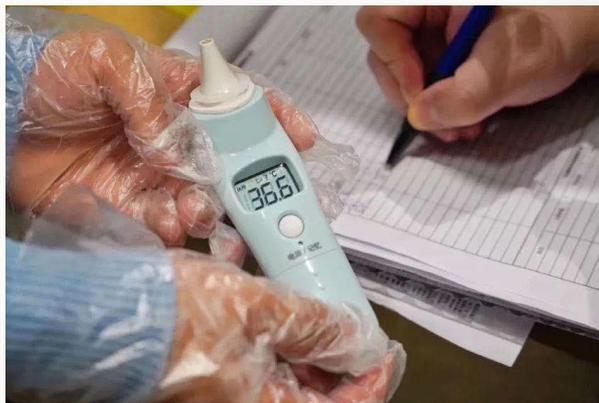
Digital Order Contributed to 80% of Sales

- **\$1.75 bn** Revenue
 - System sales declined **20%***
 - Same store sales declined **15%***
 - **\$97 mn** Operating Profit
-
- Digital order contributed to **80%** of sales, including **35%** from delivery, **+16ppts** y/y
 - **250 mn+** members, and over **50%** member sales



- Opened **179** new stores, reaching a total of **9,295** stores
- Maintained new store cash payback of **~2 years** for KFC and **~3-4 years** for Pizza Hut
- Returned **\$52 mn** to shareholders
- **\$1.54 bn** Cash and short-term investment as of March 31

Our Top Priority is to Ensure the Health and Safety of our Employees and Customers



Pioneered Contactless Delivery in Late January



员工和骑手每日上岗前严格检查，确保健康上岗。



每次送餐前后，骑手都必须及时洗手并做消毒处理。



骑手上岗送餐全程都佩戴口罩，安心服务。



增加餐厅清洁消毒频率，每次送餐后对外送箱进行清洁消毒。



随餐安心卡记录餐食接触人员，确保全程安心可查。



骑手和你约定取餐位置，与你保持一定距离，降低传播风险。

Six Key Actions

1. Rider temperature checks
2. Face masks for entire delivery journey
3. Handwashing pre and post deliveries
4. Delivery box disinfected after every delivery
5. Temperature logs for each delivery
6. Safe distance at point of delivery

Contactless Takeaway Leveraged Our Digital Capabilities: Mobile Pre-order and Self Order Kiosks

Contactless takeaway:

Mobile pre-order

or

Self order kiosk

Pick up



4 steps for safe, Contactless takeaway



Pre-order and pick up



Kiosks disinfected regularly



Dedicated counters for Contactless takeaway (some stores)

Supporting the Medical Staff and Frontline Workers



Donated RMB 3 million to support hospital workers in Wuhan
Yum China provided 170,000+ free meals to 1,450+ hospitals and community health centers

KFC: Resilient Business Model Supported by Digital, Delivery, Takeaway and Solid Execution



Q1 2020 HIGHLIGHTS



Same store sales
down **11%**¹

System sales
down **15%**¹



13.6%

Restaurant margin,
down **6.4ppt** y/y



165 new
store openings



Operating profit
of **\$153mn**²
down **45%**¹



Focused on operation,
digital marketing and
Delivery/takeaway



84% Digital order

32% Delivery sales,
up **14ppt** y/y, led by
our own channels



225mn+ Members

62% Member sales

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



Built on Digital Campaigns and Partnerships

New Coffee Privilege

肯德基
安心送取

扫码限量抢购

**38元30天
每天1杯1元**
指定中杯现磨咖啡
无套路，买即享

指定中杯现磨咖啡：美式 (24杯)、拿铁 (24杯)。在有效期内，咖啡包月卡 (30天) 权益仅限在总店先使用该权益的4个城市中使用。

K COFFEE 咖啡包月卡。

无接触式体验 | 肯德基安心点取

38 yuan for 30 days

Cross-brands Privilege

666神卡。

6大权益，最高劲省488元

- 每天1次任一早餐两件套6折
- 每天1次任一午餐精选小食6折
- 6杯中杯拿铁每杯6元 饿了么肯德基专享券

YOUKU 优酷VIP会员31天 价值20元
 饿了么品质联盟红包 价值6元x2个
 淘票票 淘票票代金券 价值3元x2张

一起666

Members enjoy discounts at KFC, Youku (streaming platform), Eleme (food aggregator) and Taopiaopiao (ticketing platform)

Lunch Privilege

28元安心午餐包月卡(30天)
12种午餐套餐组合，一周天天不重样
2020年3月9日起开售，限量20万张，售完即止

立即抢购

安心午餐包月卡

28 yuan for 30 days
12 combo choices
Limited to 200,000

Corporate Delivery

KFC 宅急送

企业专送 · 企业大单

满300元减50元 + 免外送费
满1000元减180元 + 免外送费
满2000元减400元 + 免外送费

*活动日期：2020/2/24-2020/3/31
*疫情期间，湖北省暂未开通企业专送服务

无接触安心送 肯德基承诺以下措施

1. 员工测温 每日上岗前测温
2. 佩戴口罩 员工全部佩戴口罩
3. 餐厅消毒 增加清洁消毒频次
4. 外送箱消毒 每次送餐后及时消毒

企业大单 > 员工定制 >

多点多优惠，安心随时送 仅支持预约2小时后的服务

友情提示：疫情期间审核需要较长时，敬请谅解

Big ticket delivery
Tailor-made menu



Launched Great Value to Drive Traffic

Crazy Thursday

特殊时期
每个人都在全力发光发热

疯狂星期四

也为你给力就位
是时候来补充一波满满能量
向每个不断奋力前行的人致敬

热辣香骨鸡
15块19块9
¥19.9/15块

安心外带

Single bone chicken
19.9 yuan/15 pieces

Value Bucket

劲省53元

春日新生

新威蛋黄
鸡肉酥青团

KFC THE NATIONAL GALLERY

Save 53 yuan
Rice dumpling with salted egg

Value Breakfast

KFC 早餐

6元坚守 早安加油

第4周
¥6 10.9-11.9
*麦滑鸡粥
+安心大油条

第3周
¥6 10.9-11.9
*麦滑鸡粥
+绿豆浆(中)

第2周
¥6 10.9-11.9
*牛肉蛋花粥
+安心大油条

第1周
¥6 10.9-11.9
*芝士鸡肉帕尼尼
+绿豆浆(中)

Breakfast combo from 6 yuan

Coffee Trial

肯德基
安心送取

0元喝 现磨咖啡。

任意消费可享

好久不见 咖啡我请

3月16日-3月29日
扫一扫打开卡包
咖啡新会员领券专享

你喝咖啡
我喝K咖啡

无接触式体验 | 肯德基安心送取

Free coffee to
acquire new coffee users



Selective New Products as the Situation Stabilized

Chicken & Mushroom

肯德基
安心点取

会员专享

2020年3月23日-29日

香辣鸡枞菌菇鸡腿双层堡
单件价 20元
会员凭券专享价 **18元**

赠

香辣鸡枞菌菇鸡腿双层堡单人餐
香辣鸡枞菌菇鸡腿卷单人餐
会员凭券专享 **得免费红豆派1个**

以上优惠可与肯德基优惠券“随心享”

Assorted spicy mushrooms & chicken burger

Rice Dumpling

春期有限，任君采撷

春日青团礼盒·4只装

27元
会员专享价
29元
券期 2020.3.27-4.6
凭券购买

春日限定

Festive food: Rice dumpling filled with salted egg

Durian Egg-tart

特殊时期宅家，云生活全面解锁
软萌陪伴，Q弹解压，温柔又轻盈.....
榴莲之神云朵蛋挞自带云属性
一口云治愈，在心底化开柔软暖意

榴莲之神云朵蛋挞
甜暖上市

Cloud egg tart

一口云治愈

Egg tart with durian lava and marshmallow

Tea-infused Egg

KFC 早餐

匠心上市

九龙金玉茶叶蛋

茶香四溢 蛋香醇厚

肯德基九龙金玉茶叶蛋自2020年3月24日起上市，仅限10:00-10:00供应，具体以餐厅实际供应情况为准。因疫情影响，部分地区的餐厅及外卖平台暂时下架相关产品，具体请以餐厅实际供应为准。产品包装请以实物为准。

Oolong tea-infused hard boiled egg



Pizza Hut: Dine-In Business Severely Impacted

Q1 2020 HIGHLIGHTS



Same store sales
down **31%**¹

System sales
down **38%**¹



0.3% Restaurant
margin, down
14.0ppt y/y



11 new store
openings

7 remodels



Operating loss
of **\$28mn**²



Focused on operation,
digital marketing and
Delivery/takeaway

Promoted individual meal
set and ready-to-cook steak



65% Digital order

48% Delivery sales,
up **24ppt** y/y, led by
our own channels



70mn+ Members

44% Member sales

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Launched Great New Products before Chinese New Year



Cod Fish Pizza



灵感
源于国宴金品菜肴

芙蓉金沙咸蛋黄鳕鱼比萨

指定比萨牛排
买一送一



Cod fish with salted egg

Chinese Barbecue Pork Pizza



复刻
粤菜星级料理

浓情蜜意黑叉烧比萨

指定比萨牛排
买一送一



Barbecue pork with honey sauce

Crayfish Mozzarella Pasta



拉丝
马苏里拉芝士 口口拉丝

芝士拉丝焗小龙虾

指定比萨牛排
买一送一



Crayfish with mozzarella cheese

White Wine Ice cream



干杯
融入酱香型白酒

干杯冰淇淋

指定比萨牛排
买一送一



Mao tai ice cream

Focus on Delivery and Takeaway During Outbreak



Delivery BOGO offer

必胜客宅急送

尖叫一二三

周一 / 周二 / 周三
活动日期: 3月2日 - 3月4日

不止实惠 大有格“焗”

39元

单品总价: 78元
西班牙风情
虾虾焗饭 (2份)

扫码立即点餐

¥39 for two shrimp baked rice

Steak Delivery

必胜客宅急送

尖叫一二三

周一 / 周二 / 周三
活动日期: 3月2日 - 3月4日

超值酣畅 “牛”气上阵

49元

单品总价: 78元
臻选嫩肩牛排 (1份)

扫码立即点餐

¥49 for one steak

Delivery Privilege

必胜客宅急送

限时贴心送

暖心宅享卡

领券时间: 2020年2月12日到2月29日

众志成城·有爱必胜

用美味
赠ta爱的惊喜

立即扫码领取
凭卡每日2次 每月最多
免外送费 省540元
(消费满39元)

2 free deliveries a day (for orders over ¥39), can save up to ¥540 a month

Takeaway Offer

Pizza Hut 手机外带专享

白色情人节 不白过

浪漫与牛排 一起带走

节日比萨牛排餐
149元 最多省94元

扫码立即点餐

Valentine's Day offer: save ¥94 on a steak combo

必胜客宅急送



Ready-to-Cook Steak Offered for Takeaway or Delivery

整切牛排上线，

全进口原肉整切

秒变“星级”大厨



STEAK



One-Person Set Meal and Privilege

必胜客 | 一人食套餐

一人食

有牛排啦

36元起

工作日见

照烧鸡肉饭套餐

甄选嫩肩牛排套餐

铁盘超级至尊比萨套餐

One-person set meal from 25 yuan;
Steak set from 36 yuan

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“贵”

18元享30天

一人食套餐19元起

一人食饭卡

丰富组合随心选

29元 (25元+4元)

19元 (15元+4元)

49元 (45元+4元)

Privilege for takeaway
18 yuan for 30 days



Opened Lavazza's First Flagship Store in Asia



Joint venture partnership with the Lavazza Group
Opened a new Lavazza flagship store in Shanghai

Completed the Acquisition of Huang Ji Huang in April



640+ restaurants in China and internationally, primarily under franchise model
Huang Ji Huang – an industry-leading simmer pot brand
San Fen Bao – a newly launched Chinese fast food concept



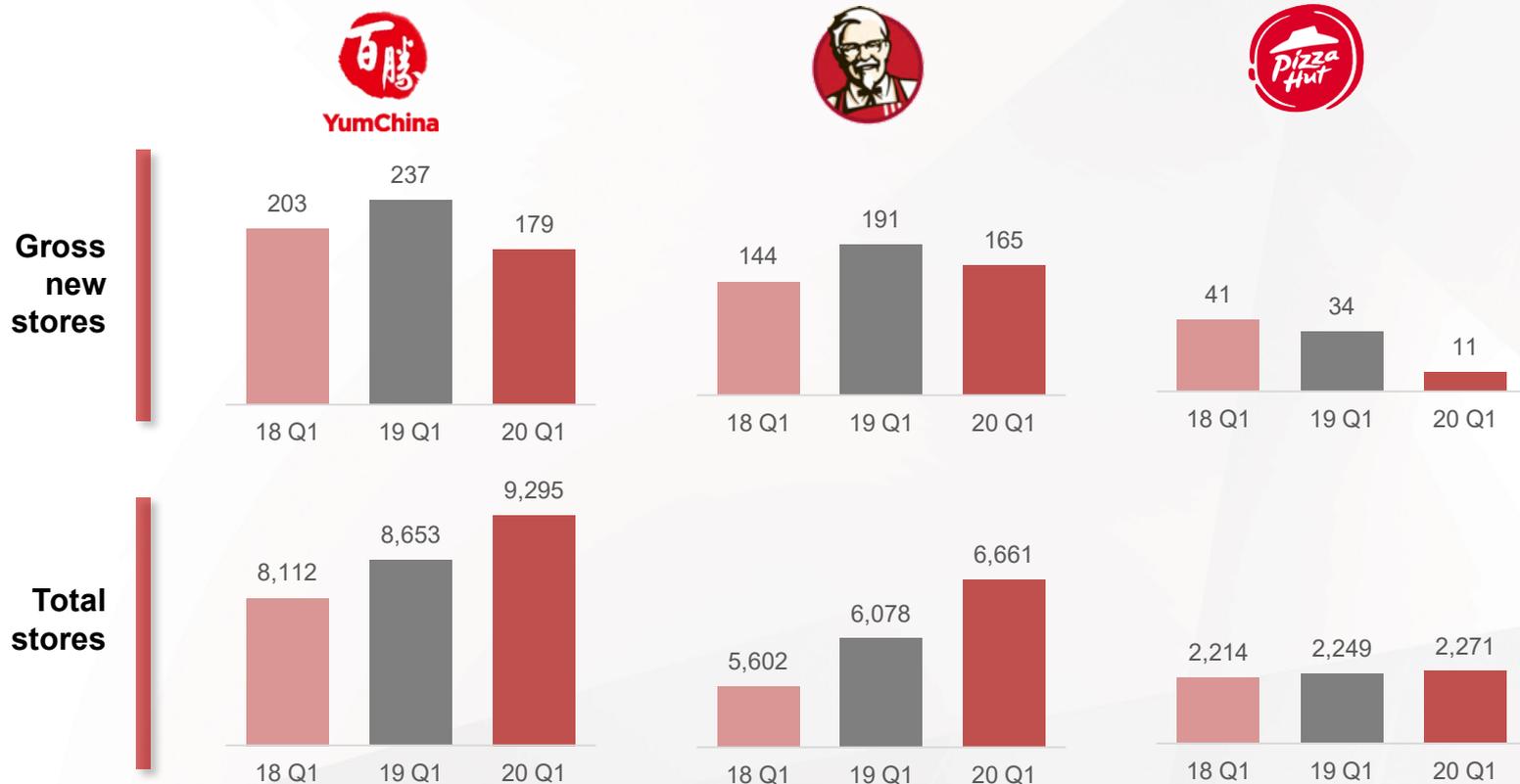
Overview

Q1 2020 Business Highlights

Q1 2020 Financial Results



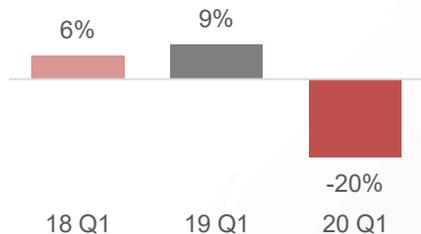
Majority of New Stores Opened in January



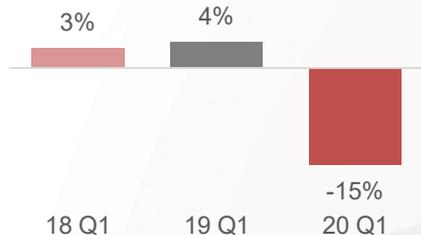
Q1 Financials Impacted by COVID-19 Outbreak

Sales Growth¹

System sales growth (%)

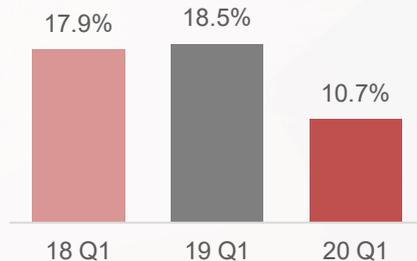


Same-store sales growth (%)

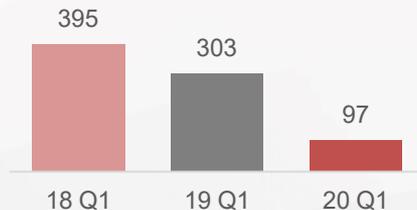


Profit Margin

Restaurant Margin (%)

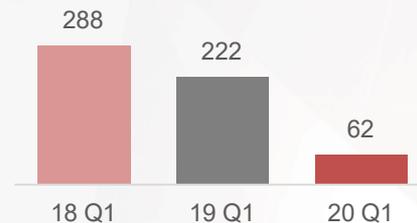


Operating Profit (OP) (\$ mn)

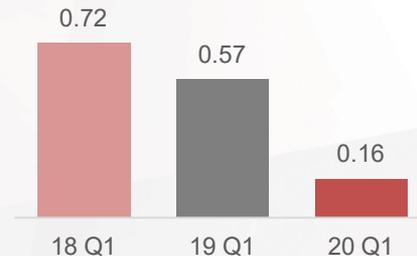


Net Income & EPS

Net Income (NI) (\$ mn)



Diluted EPS (\$)



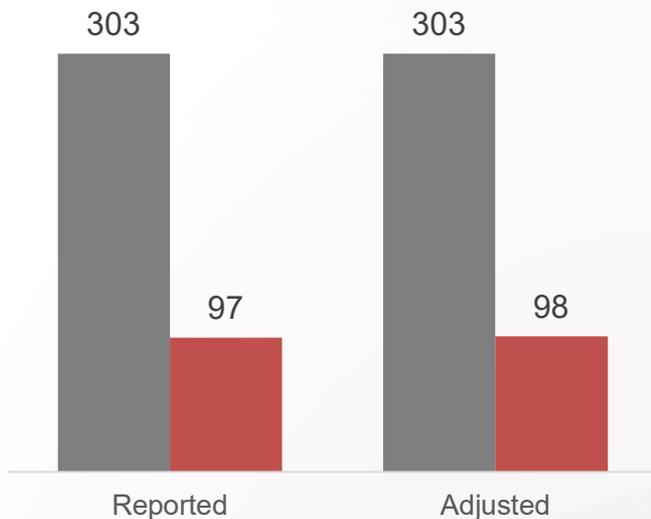
Note: 2018 OP, NI and EPS included gain from re-measurement of equity interest upon Wuxi KFC acquisition

Sales Deleverage is the Main Factors of OP Decline

Operating Profit (\$ mn)

■ 2019 ■ 2020

Q1



YoY	-68%	-67%
YoY ex F/X	-67%	-66%

Key Factors for Q1 Year-Over-Year Movement



- Sales deleverage impact from same-store sales decline and temporary store closure
- Wage and commodity inflation
- Increased proportion of sales to delivery thus higher rider costs



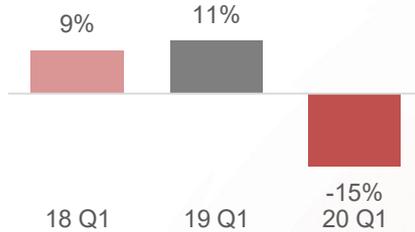
- Labor productivity improvement
- One-time relief provided by landlords and government agencies
- Savings in G&A expenses



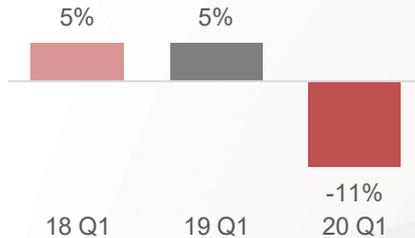
KFC Sales Down 15%¹, Remained Profitable

Sales Growth¹ (%)

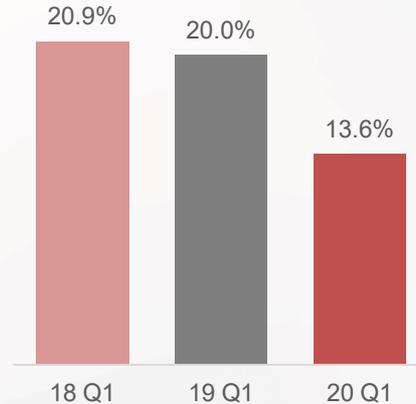
System sales growth



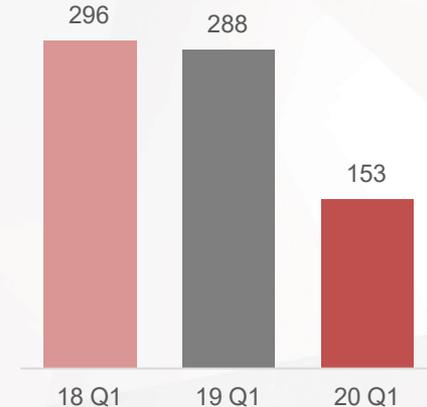
Same-store sales growth



Restaurant Margin (%)



Operating Profit (\$ mn)²



¹ Stated in constant currency basis.

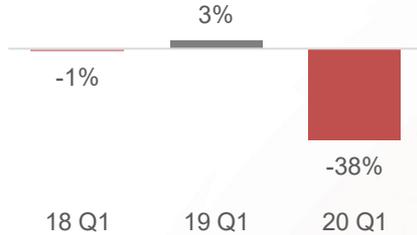
² Segment Operating Profit before unallocated shared service costs.



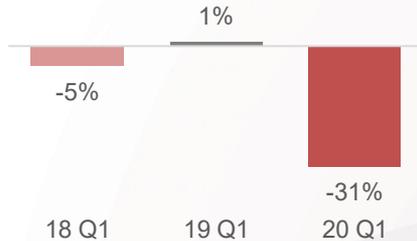
Pizza Hut Sales Down 38%¹, Operating Losses

Sales Growth¹ (%)

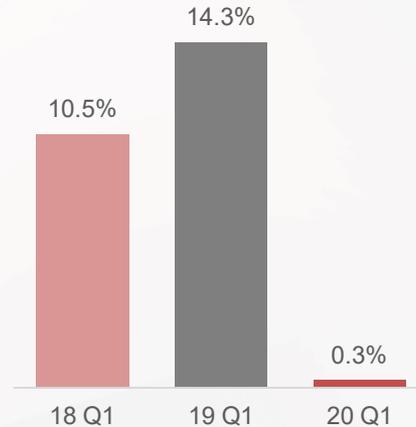
System sales growth



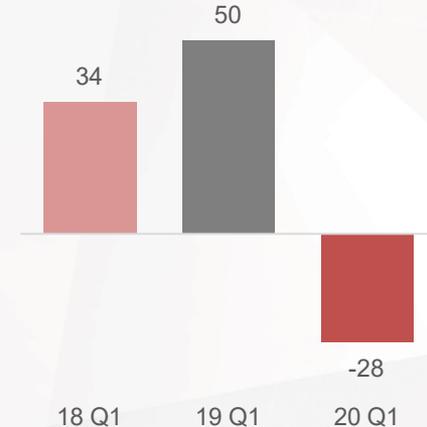
Same-store sales growth



Restaurant Margin (%)



Operating Profit (\$ mn)²



¹ Stated in constant currency basis.

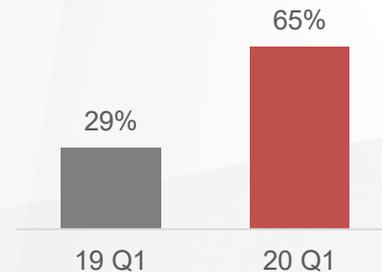
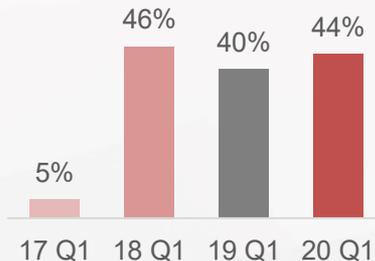
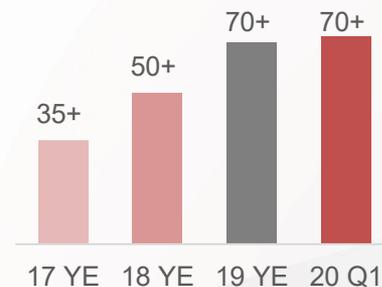
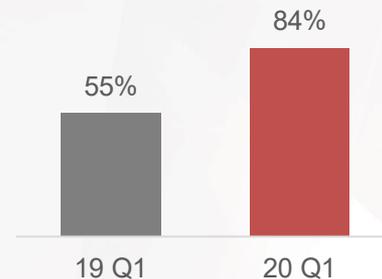
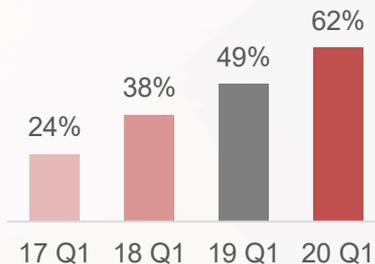
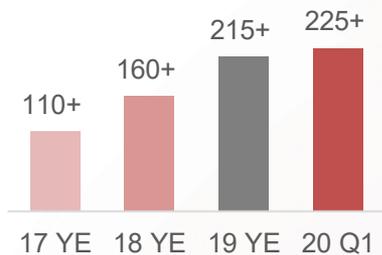
² Segment Operating Profit before unallocated shared service costs.

Digital Order Increased Substantially in 2020 Q1

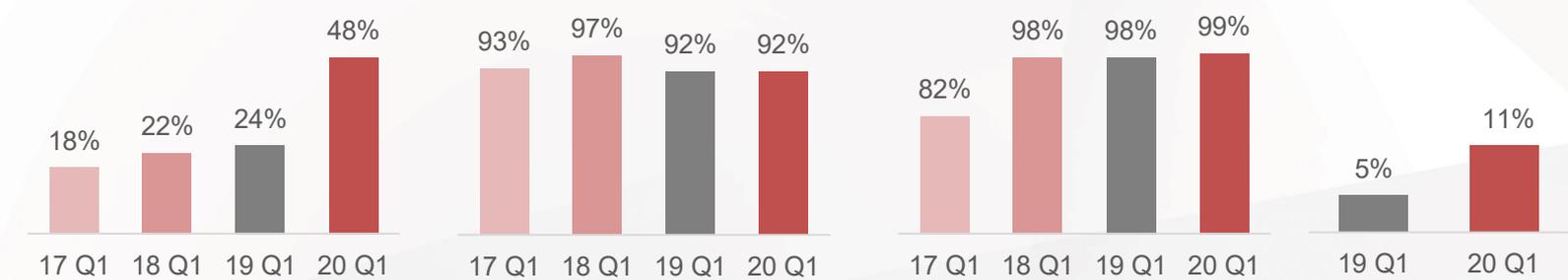
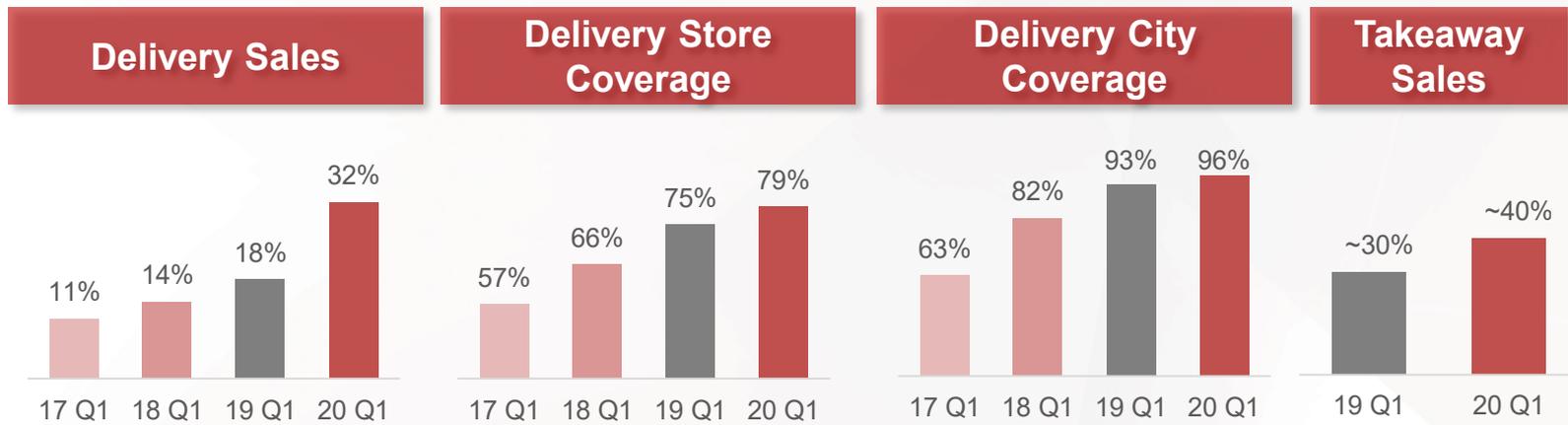
Members (mn)

Member Sales

Digital Order



Strong Increases in Delivery and Takeaway



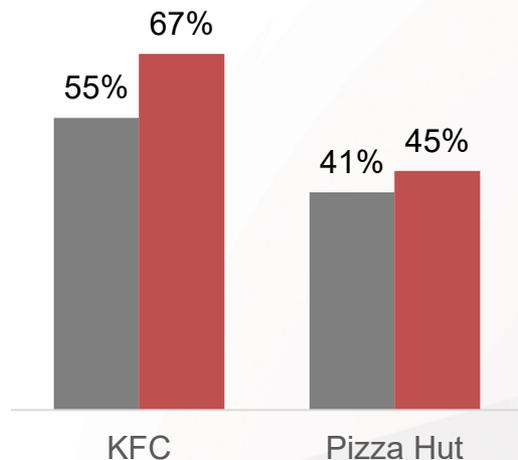
Note: Delivery as % of Company sales exclude KFC Wuxi in 2017 and 2018, include KFC Wuxi since 2018.

Penetrating into Lower Tiers with Healthy Return

Lower Tier Penetration

Store Mix in Tier 3-6

■ All Stores ■ YTD Gross New Openings

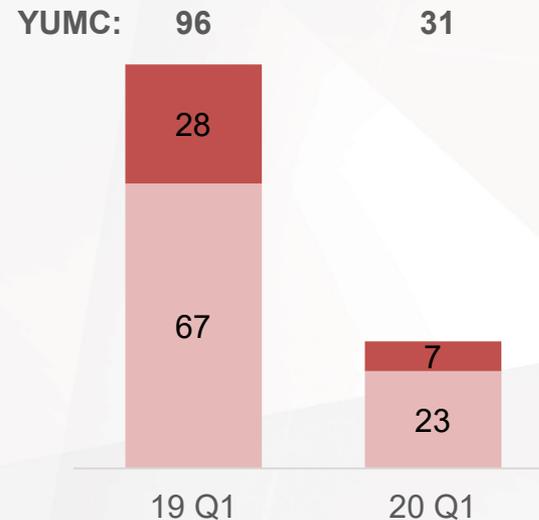


Drive New Unit Return¹

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

Remodel

■ KFC ■ Pizza Hut



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

Despite Strong Balance Sheet, Temporarily Suspend Share Repurchases and Dividends as Cautious Actions



	2020 Q1	2019 Q1
Cash and short-term investments As of Mar 31	\$1.54 bn	\$1.53 bn



Net cash from operating activities Jan-Mar	\$60 mn	\$344 mn
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Free cash flow from operations Jan-Mar	-\$27 mn	\$234 mn
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Dividends

Since spin-off: \$426 mn
20 Q1: \$45 mn

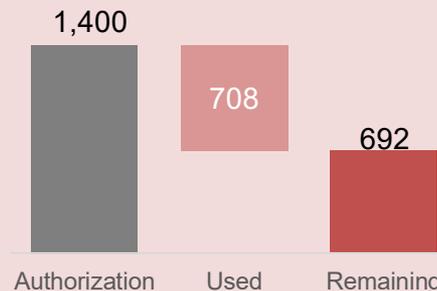
Quarterly Cash Dividend per Share (\$)



Share Repurchases

Since spin-off: \$708 mn
20 Q1: \$7 mn

Total Program (\$ mn)



The Company will temporarily suspend share repurchases and, for the next 2 quarters, 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 the impact from COVID-19

STRATEGIC PRIORITIES

- Top priority is to safeguard the health and safety of our employees and customers
- Restore restaurant traffic and adjust operations to the “new normal”
- Continue to drive innovation and offer great value to consumers
- Vigilant cost management to offset inflation and sales deleveraging
- Invest in key growth opportunities including new stores, digital, supply chain and technology capabilities

Appendix: Reconciliation of Reported Results to Non-GAAP Measures

	Quarter Ended	
	3/31/2020	3/31/2019
Detail of Special Items		
Partner PSU awards ^(b)	(1)	—
Special Items, Operating Profit	(1)	—
Tax effect on Special Items	—	—
Impact from the Tax Act ^(c)	—	(8)
Special Items, net income – including noncontrolling interests	(1)	(8)
Special Items, net income – noncontrolling interests	—	—
Special Items, Net Income –Yum China Holdings, Inc.	<u>\$(1)</u>	<u>\$(8)</u>
Weighted Average Diluted Shares Outstanding (in millions)	<u>386</u>	<u>388</u>
Special Items, Diluted Earnings Per Common Share	<u>\$—</u>	<u>\$(0.02)</u>
Reconciliation of Operating Profit to Adjusted Operating Profit		
Operating Profit	\$ 97	\$ 303
Special Items, Operating Profit	(1)	—
Adjusted Operating Profit	<u>\$ 98</u>	<u>\$ 303</u>
Reconciliation of Net Income to Adjusted Net Income		
Net Income – Yum China Holdings, Inc.	\$ 62	\$ 222
Special Items, Net Income –Yum China Holdings, Inc.	(1)	(8)
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 63</u>	<u>\$ 230</u>
Reconciliation of EPS to Adjusted EPS		
Basic Earnings Per Common Share	\$ 0.16	\$ 0.59
Special Items, Basic Earnings Per Common Share	(0.01)	(0.02)
Adjusted Basic Earnings Per Common Share	<u>\$ 0.17</u>	<u>\$ 0.61</u>
Diluted Earnings Per Common Share	\$ 0.16	\$ 0.57
Special Items, Diluted Earnings Per Common Share	—	(0.02)
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.16</u>	<u>\$ 0.59</u>
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate		
Effective tax rate	32.7%	28.9%
Impact on effective tax rate as a result of Special Items	0.3%	2.4%
Adjusted effective tax rate	<u>32.4%</u>	<u>26.5%</u>

(a) Amounts presented as of and for the quarter ended March 31, 2020 and 2019 are unaudited.

(b) In February 2020, the Company granted a special award of performance stock units (“Partner PSU Awards”) to selected employees who were deemed critical to the Company’s execution of its strategic operating plan. The vesting of the awards are subject to market conditions and performance conditions, and the Company recognized a share-based compensation cost on a straight-line basis over the services period, when performance conditions are probable of being achieved.

(c) 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.