



Second Quarter 2019 Results Presentation

July 30, 2019



COFFii & JOY
手冲精品咖啡

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 business plans, earnings, performance and returns of Yum China, statements regarding the revitalization of Pizza Hut, anticipated effects of population and macroeconomic trends, the capital structure and effective tax rate 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 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.

Contents

- Business Highlights
- Financial Results



Yum China by the Numbers – a Powerful Business

#1 Western QSR & CDR brands in China

NYSE listed with
\$17.5bn market cap
#362 Fortune 500 2019

8,750+ stores in
1,300+ cities in China

185mn+ members of KFC
60mn+ members of Pizza Hut

Leader in digital & delivery capabilities in China

~460,000 employees in China
Strong management



Long-Term Yum China 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

Q2 2019: Another Strong Quarter

Sales & Profit

- Strong system sales growth of 10%, 11th consecutive quarter of positive growth since spin off
- Operating Profit growth of 6%, or 14% in constant currency
- KFC: System sales +12%; Same store sales +5%; Operating Profit +10% (constant currency)
- Pizza Hut: System sales +4%; Same store sales +1%; Operating Profit +60% (constant currency)

Stores

- Opened 178 new stores and reached total 8,751 stores, strengthening our leading market position
- Maintained new store cash payback of ~2 years for KFC and 3-4 years for Pizza Hut

Digital & Delivery

- A world's leading restaurant membership with 200mn+ members (KFC+PH)
- KFC and Pizza Hut sold 4mn and 1mn privilege subscriptions, respectively
- Delivery contributed 20% of sales, +4ppts year-over-year

Capital

- Returned \$120 million to shareholders in the form of share repurchases and cash dividends



KFC: Popular New Core Products

Chicken Taco



Double Chili Chicken



Premium Burgers



Duck Twister





Continued Emphasis on Smart Value

Crazy Thursday

肯德基
疯狂星期四
四个九块九*

红豆派
4个9块9
¥9.9/4个

老北京鸡肉卷
2个19块9
¥19.9/2个

每个九块九四个红豆派5元

仅限堂食 外送不送

家#超级新人礼#

Wing Bucket

十翅
一桶 翅桶 ¥39
劲省 ¥13

¥79 二十二块翅
超级翅桶

YUMC Pay Promotion

神钱包, 省钱包!

肯德基
疯狂星期四

神钱包 X 疯狂星期四

全单6.2折*
叠加19.9元疯狂优惠

20块黄金鸡块 19.9元
使用神钱包绑定的银行卡支付

仅需 **12.34元**

*使用神钱包绑定的银行卡支付(堂食/外卖/自助点餐)全单6.2折, 6月11日-6月17日最高省10元(限单), 详情请见活动规则。



Growing Dayparts, Categories and Delivery

Breakfast



New panini with chicken breast

Dessert Kiosk



10 new Oolong tea and fruit drinks across ~400 kiosks

Coffee



Coffee coupon to recruit coffee members

Delivery



Delivery privilege membership – 18 yuan for 30 days

Expanding with Multiple Store Formats



University
Shenyang Jianzhu University



Transportation Hub
HK-Zhuhai-Macau Bridge



Hospital
Hangzhou Wenling



Gas Station
Tangshan



Corporate Headquarter
Ant Financial



Pop up
Chengdu





Pizza Hut: Exciting Limited Time Offers

Salted-egg
Pizza

发现咸蛋黄的
N种吃法

咸蛋黄“双虾争霸”比萨
大方薄底

裹 | 酿 | 蘸 | 融



Double
Crispy
Pizza



Durian Pie/
Pizza



Summer
Smoothie





Great Value as Traffic Driver

Screen
Wednesday

6月限定

必胜客 **尖叫星期三**
WEDNESDAY

张艺兴
必胜客品牌代言人

29元 臻选嫩肩牛排
39元 夏威夷海鲜比萨 (首港澳铁版)

NEW

Pizza Hut

Family
Privilege

亲享卡
FAMILY CARD

全年最高省1000元

Delivery

DELIVERY CARD
宅享卡



早餐指定套餐
买一送一



精选咖啡外带
半价享



下午茶冰淇淋双球
买一送一



官网点餐
免外送费

Special deals on breakfast, afternoon tea, coffee and free delivery

星期一 星期二 星期三 **星期四** 星期五 星期六 星期日

说曹操,曹操就到

半价 45.5元

(单份价91元)
新奥尔良风情烤肉
芝士比萨
(芝士10英寸)



Experimenting with Smaller Stores

Suzhou
Wujiang
157sqm



Hangzhou
Xingqiao
68sqm
Hub & spoke

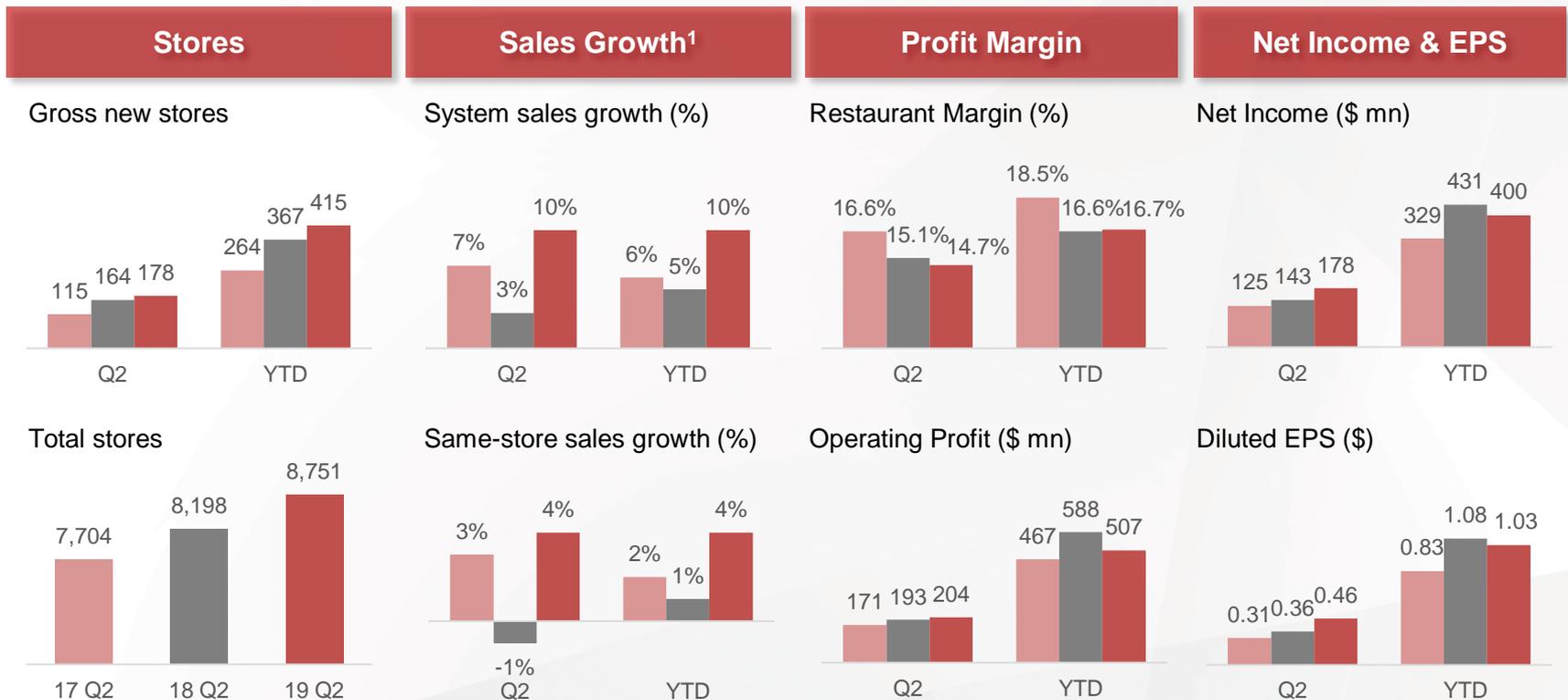


Contents

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Overall Results Showing Resilience



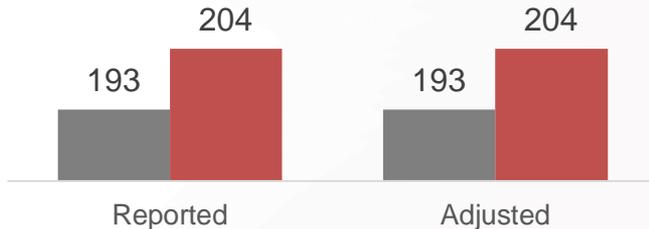
¹Stated in constant currency basis.

Operating Profit Improved Year on Year in Q2

Operating Profit (\$ mn)

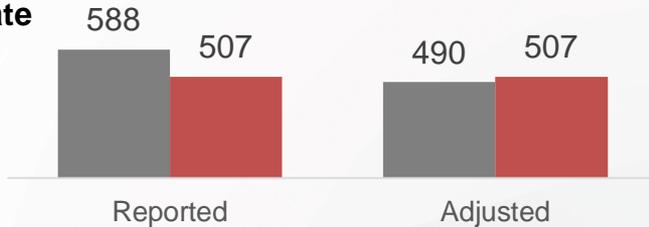
■ 2018 ■ 2019

Q2



YoY	+6%	+6%
YoY ex F/X	+14%	+14%

Year-to-date



YoY	-14%	+4%
YoY ex F/X	-8%	+11%

Key Factors for Q2 Year-Over-Year Movement

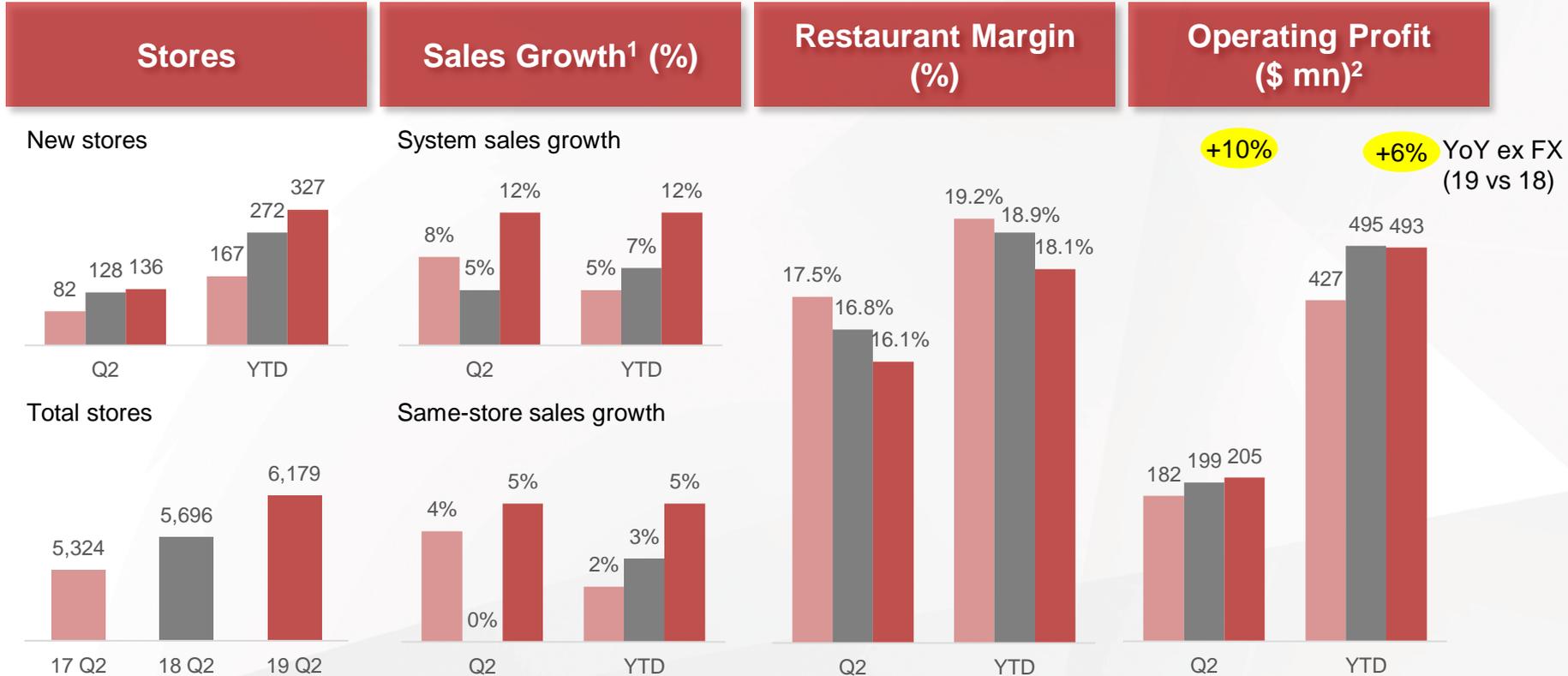


- Same-store sales leverage
- Net new unit growth
- Productivity improvement
- Less impairment



- Wage and commodity inflation
- Promotion costs
- Foreign exchange impact

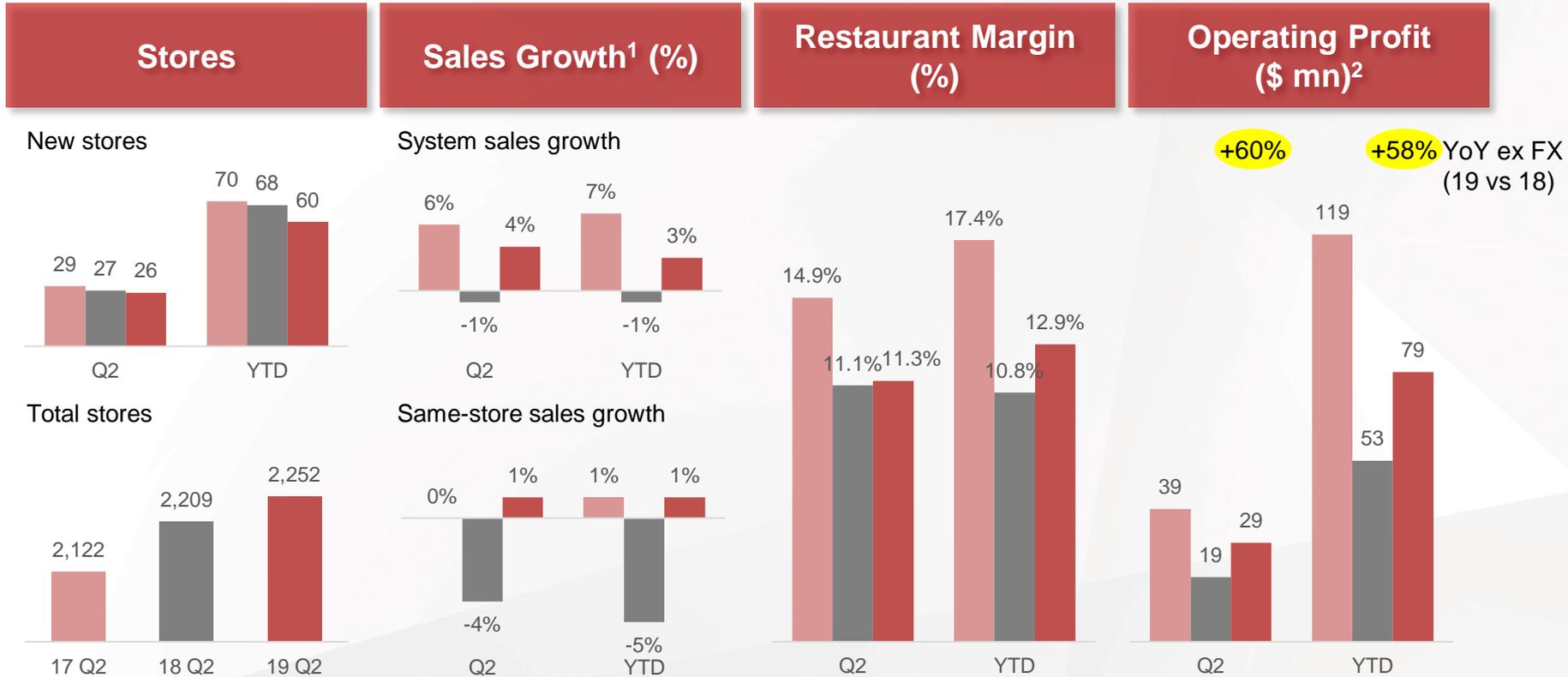
KFC Achieved 5% SSSG and 12% System Sales Growth



¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Pizza Hut Continued Positive SSSG and OP Growth



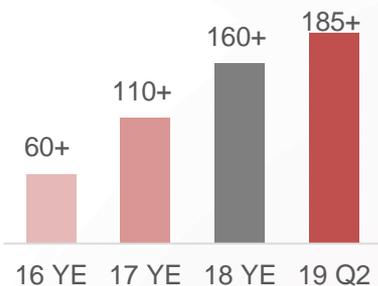
¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

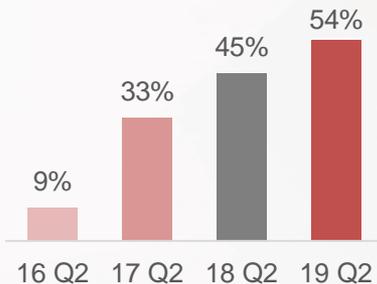
Digital KPIs Continued to Improve



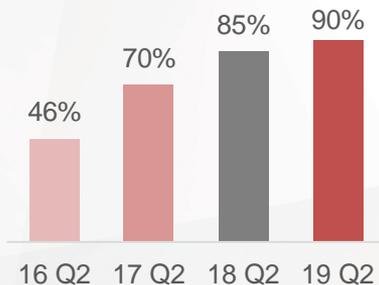
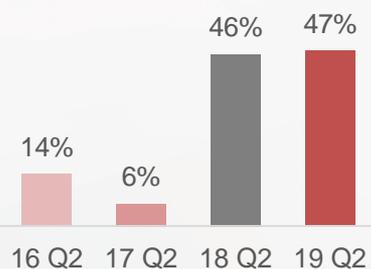
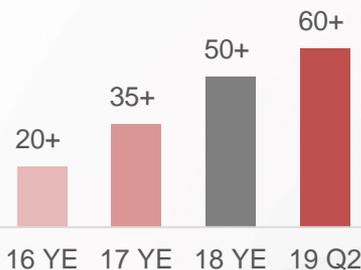
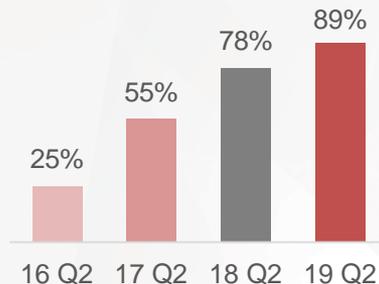
Members (mn)



Member Sales



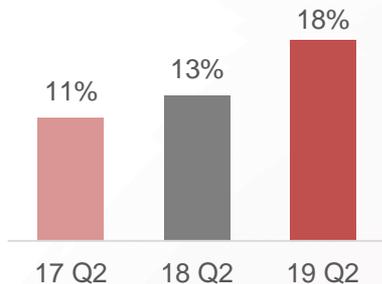
Digital Payment %



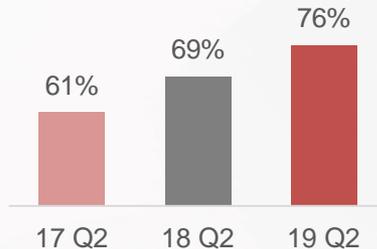
Delivery Capability Continued to Grow



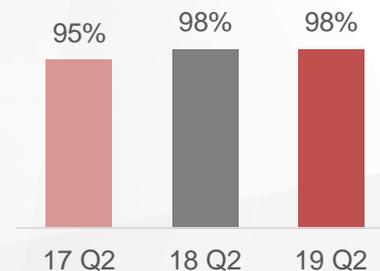
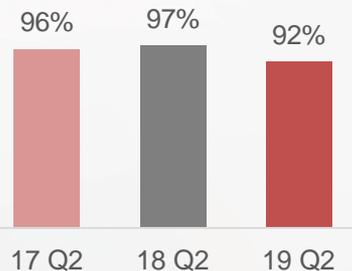
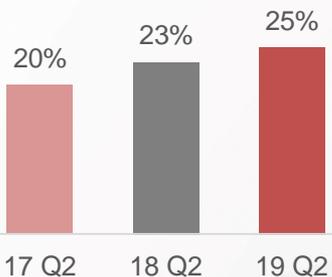
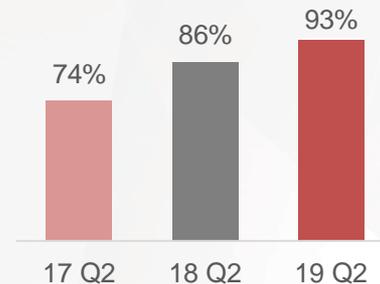
Delivery Sales



Delivery Store Coverage



Delivery City Coverage

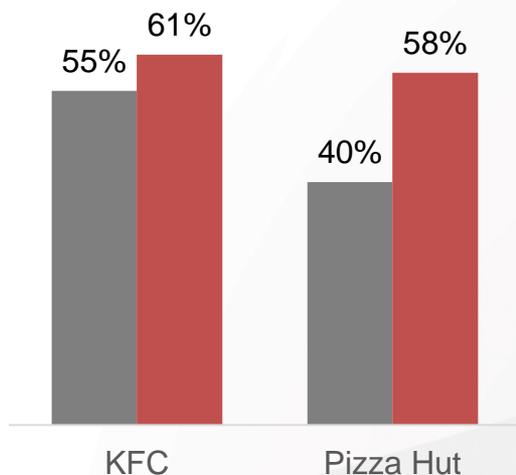


Accelerated New Store Openings with Healthy Return

Lower Tier Penetration

Store Mix in Tier 3-6

■ All Stores ■ YTD Gross New Openings

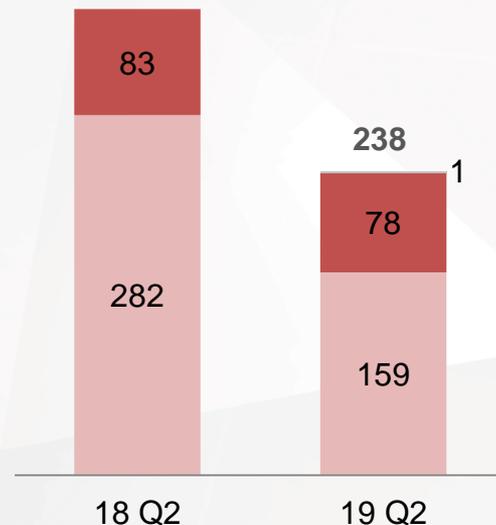


Drive New Unit Return¹

	<u>Tier 1-2</u>	<u>Tier 3-6</u>
KFC	~2 yrs	~2 yrs
Pizza Hut	~3 yrs	<4 yrs

Remodel

■ KFC ■ Pizza Hut ■ Others
YUMC: 365



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

Strong Cash Flow Generation Funds Growth and Shareholder Returns



Net cash from
operating
activities **\$657 mn**

Jan-Jun 2019



Free cash
flow **\$445 mn**

Jan-Jun 2019



Cash and
short-term
investments **\$1.58 bn**

As of Jun 30 2019

Dividends

19 Q2: \$45 mn
Since spin-off: \$290 mn

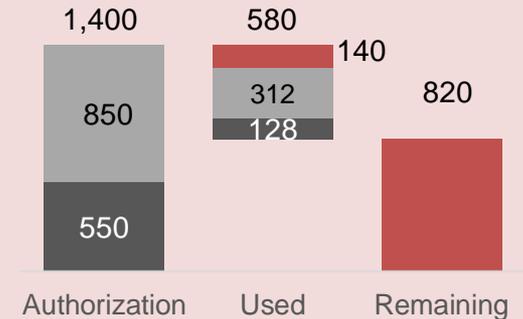
Quarterly Cash Dividend per Share (\$)



Share Repurchases

19 Q2: \$75 mn
Since spin-off: \$580 mn

Total Program (\$ mn)



Outlook

2019 Financial Targets

- Updated Targets:
 - 800-850 gross new units (based on accelerating development of multiple brands, with the majority of the incremental new units coming from KFC and the new inclusion of COFFii & JOY)
 - \$475-525 million Capex
- Continue to expect effective tax rate to be below 28%, excluding any impact from the Company's equity investment in Meituan Dianping

Long Term Financial Targets

- High single digit system sales growth ex FX
- ~17% restaurant margin
- Double digit operating profit growth ex FX

Appendix: Reconciliation of Reported Results to Non-GAAP Measures



	Quarter Ended		Year to Date Ended	
	6/30/2019	6/30/2018	6/30/2019	6/30/2018
Detail of Special Items				
Gain from re-measurement of equity interest upon acquisition ^(b)	\$ —	\$ —	\$ —	\$ 98
Special Items, Operating Profit	—	—	—	98
Tax effect on Special Items ^(c)	—	—	—	(24)
Impact from the Tax Act ^(d)	—	—	(8)	—
Special Items, net income – including noncontrolling interests	—	—	(8)	74
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income –Yum China Holdings, Inc.	\$ —	\$ —	\$ (8)	\$ 74
Weighted Average Diluted Shares Outstanding	389	398	389	400
Special Items, Diluted Earnings Per Common Share	\$ —	\$ —	\$ (0.02)	\$ 0.19
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 204	\$ 193	\$ 507	\$ 588
Special Items, Operating Profit	—	—	—	98
Adjusted Operating Profit	\$ 204	\$ 193	\$ 507	\$ 490

(a) Amounts presented as of and for the quarters and years to date ended June 30, 2019 and 2018 are unaudited.

(b) 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.

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

(d) We completed the evaluation of the impact on our transition tax computation based on the final regulations released by the US Treasury Department and the IRS in the first quarter of 2019 and recorded an additional amount of \$8 million for the transition tax accordingly.