



Third Quarter 2019 Results Presentation

October 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 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, 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.



YumChina

YUMC Overview

Q3 2019 Business Highlights

Q3 2019 Financial Results



Yum China by the Numbers – a Powerful Business

#1 Western QSR & CDR brands in China

NYSE listed with **\$17bn** market cap

8,900+ stores in
1,300+ cities in China
22 logistics centers

#362 Fortune 500 2019

200mn+ members of KFC
65mn+ members of Pizza Hut

~450,000 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

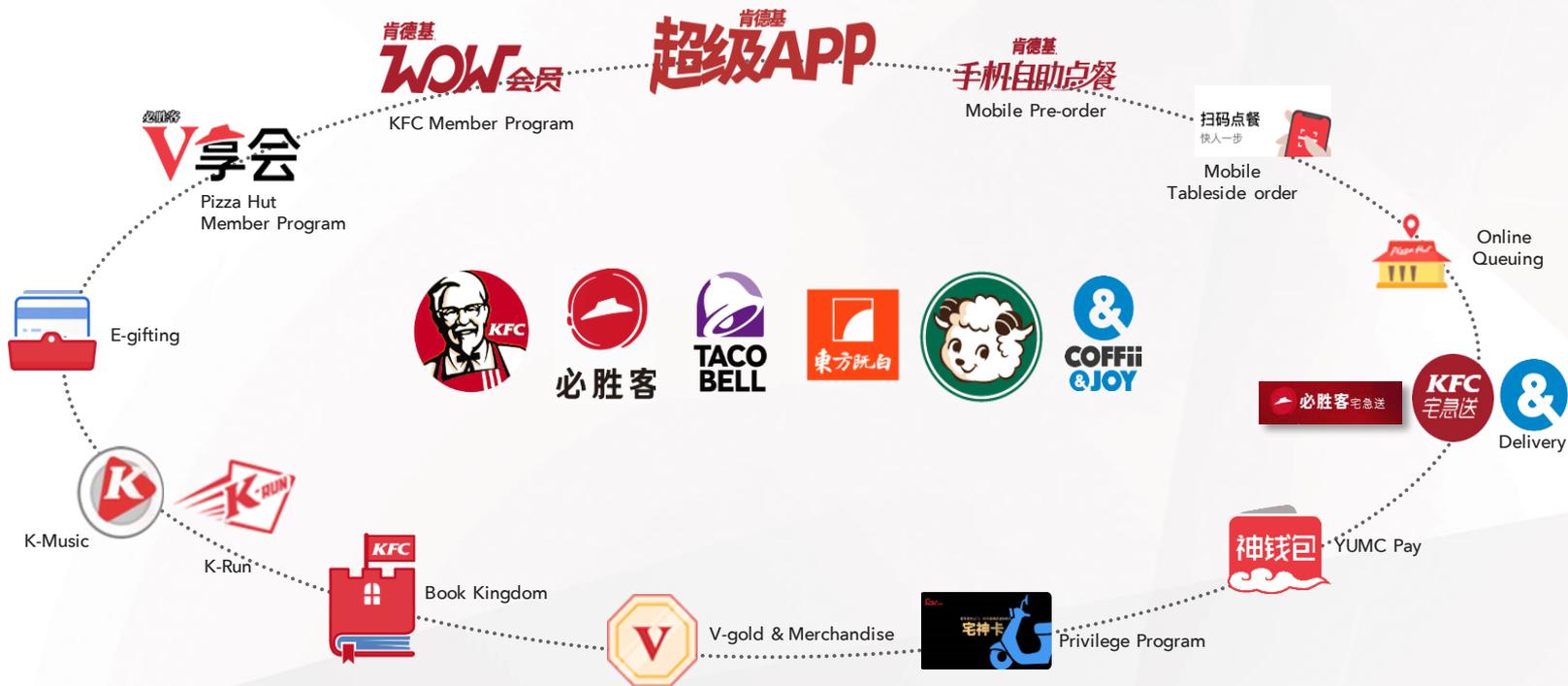
Legal

Public Affairs

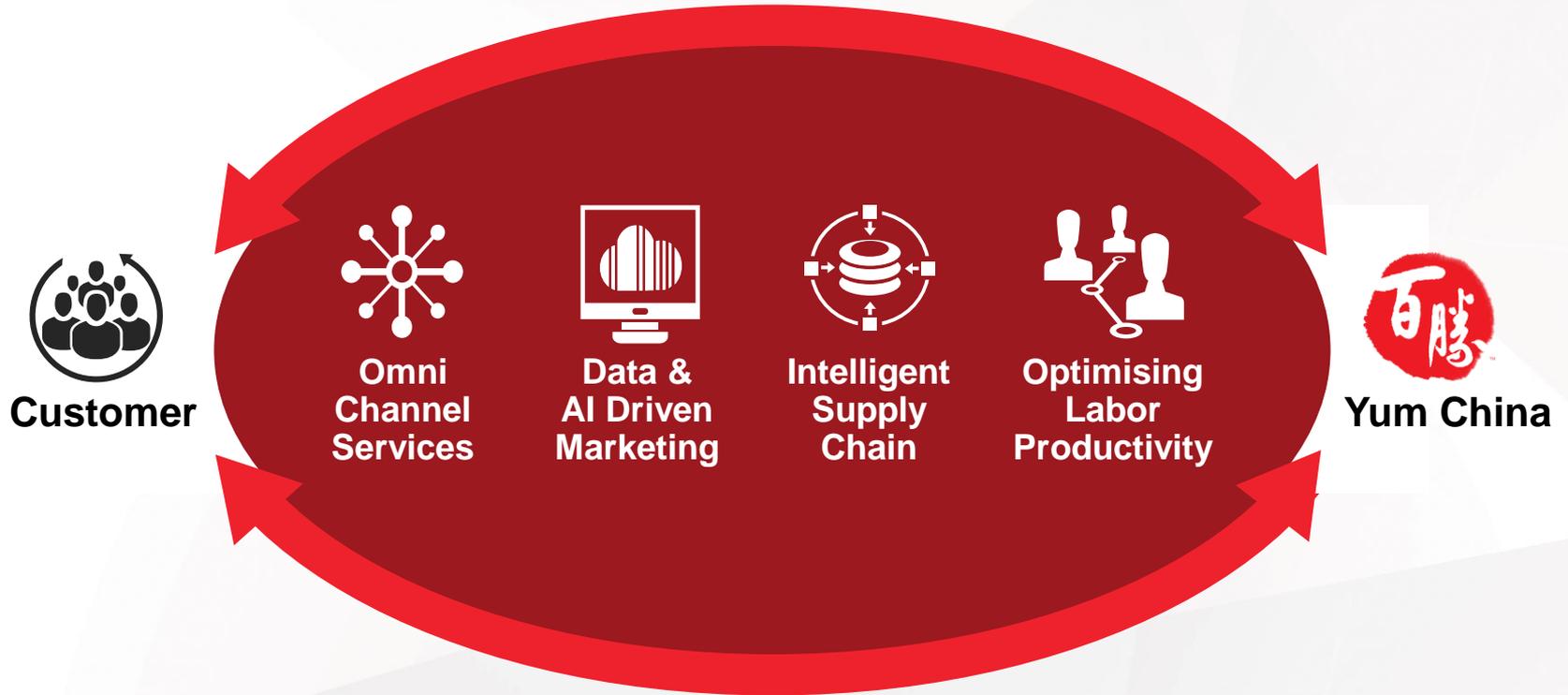
SUPPORTED BY FOUNDER'S MENTALITY CULTURE

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

Digital Strategy: Connecting with Our Consumers



Digital Strategy: Driving Efficiency Across Business



Yum China Investment Highlights

Solid track record since spin-off

2 new stores opened per day

Total Revenue

9%

CAGR¹

Operating Profit

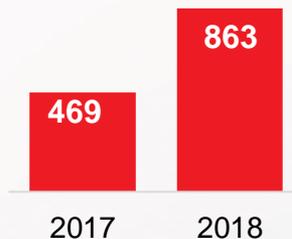
22%

CAGR¹

Strong balance sheet & cash flow generation

\$1.4bn² Cash and short-term investments

Free cashflow (\$mn)



Commitment to shareholder returns

Dividends & Share repurchases

\$320mn
Per year³

Responsible corporate



DJSI: Top 5 in REX⁴ industry



Bloomberg Gender-Equality Index (1 of 3 Chinese companies selected)



Named "Top Employer China" by the Top Employers Institute



YumChina

YUMC Overview

Q3 2019 Business Highlights

Q3 2019 Financial Results



Q3 2019: Continued Solid Growth

- System sales growth of **8%***
 - **12th** consecutive quarter of positive system sales growth
 - Operating Profit growth of **11%**
-
- World's leading restaurant membership with **230mn+** members and over **50%** member sales
 - Delivery contributed **20%** of sales, **+3ppts** y/y



- Opened **231** new stores, reaching a total of **8,917** stores
 - Maintained new store cash payback of **~2 years** for KFC and **3-4 years** for Pizza Hut
-
- Returned **\$109 million** to shareholders
 - Agreed to acquire a controlling interest in **Huang Ji Huang**, a simmer pot chain, subject to the satisfaction of closing conditions

* Stated in constant currency basis.

KFC: Delivering Consistently Solid Results



Q3 2019 HIGHLIGHTS



3% SSSG*

10% System sales growth*



20.1%

Restaurant margin,
+0.9%pt y/y



174 new store openings



16%

Operating profit growth*



Various new and innovative products introduced



18% Delivery sales, up **4%pt** y/y, led by our own channels



200mn+ Members

55% Member sales

66% Digital orders



Disruptive Product Innovations

Mushroom Burger



KFC's first vegetarian burger

Double Down



Chicken burger for meat lovers

Spicy Skewers



Sichuan street food launched in 10 cities

Mooncake



Celebrated mid-autumn festival with mooncakes for the third year



Continued Emphasis on Smart and Abundant Value



Spicy wing tips / Ice-cream cones / Fruit mojito's (virgin)



5-item platter with new product – Durian stuffed chicken nugget



Bucket with seasonal items including mooncake and wings



Growing Dayparts and Categories

Breakfast



New Tuna rice roll & Seaweed pancake

Coffee



Coffee Privilege – ¥28 for 30 days

Dessert



Extended from 10 tea drinks to 14, from ~400 kiosk to 550 (out of 1383 kiosks)

Expanding with Multiple Store Formats



Transportation



Tourist



Shopping Mall



Highway service center,
Lake Yang Cheng, Suzhou

Xixi wetland, Hangzhou
Separate dessert kiosk

U-fun shopping center, Suzhou
Separate dessert kiosk



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

Q3 2019 HIGHLIGHTS



1% SSSG*
3% System sales growth*



11.4% Restaurant margin,
-2.4%pt y/y



24 new store openings and
126 remodels



Operating profit down*
30%



Various new limited time offers introduced and holiday specials launched



26% Delivery sales, up **1%pt** y/y
Growth led by our own channels

* Stated in constant currency basis.



Innovative Products and Great Value

Seafood Festival



盛夏海鲜季

Canadian crab pizza and Seafood platter

Autumn Festival



必胜客
中国味 THE PRIDE OF CHINESE TASTE
比萨系列 59元起

冰糖梅菜慢煮牛肉比萨

盛世双椒鸡肉比萨

Chinese taste:
Slow-cooked beef pizza
Double chili chicken pizza

Peach Dessert



必胜客下午茶
白桃炸弹
AFTERNOON TEA
白桃乌龙下午茶系列

Small text describing drink prices and ingredients.

Peach-olong drinks,
ice cream and cake

Scream Wednesday



活动时间: 9月25日

必胜客 尖叫星期三

29元

美式黑椒牛排
肉多汁嫩 酱汁浓郁
肉香控 一口就嗨

39元

美式黑椒牛肉比萨
大块牛肉 搭配黑椒风
味酱汁 风味层层递进

39元

6球冰淇淋
随心搭配
甜蜜滋味融化到心尖

¥29 for steak,
¥39 pizza / ice-cream

Building Steak Category

Menu Innovation

超牛联盟 牛排拼盘

Steak platter for sharing

Value for Money

牛排买一送一

畅享多重滋味

买 澳洲西冷牛排

送 臻选嫩肩牛排

DELICIOUS

周一至周日 (除周三以外)
8月26日至9月1日 (除28日以外) 凭券使用

Buy one (Sirloin) get one (Chuck) free

Member Privilege

想吃就吃
欢迎来到
牛排新纪元

7.15 牛气登场

必胜客 牛人卡
STEAK CARD

牛排半价 每周享

立即扫码购买 49元

Steak privilege: ¥49 for 3 months



Remodeled 126 Stores in Q3, 232 Stores YTD

New Variation of Store Design – Idyllic Escape



Bailian Youyicheng, Shanghai, 330 sqm

Nurturing Smaller Brands





YumChina

YUMC Overview

Q3 2019 Business Highlights

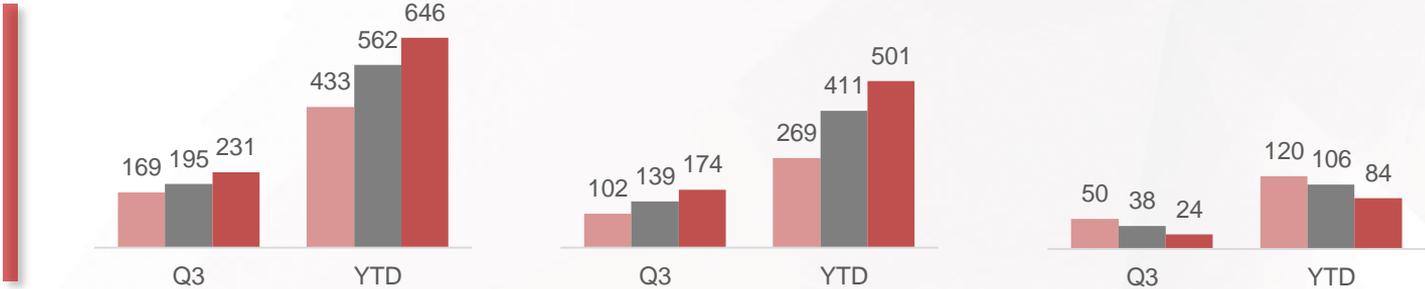
Q3 2019 Financial Results



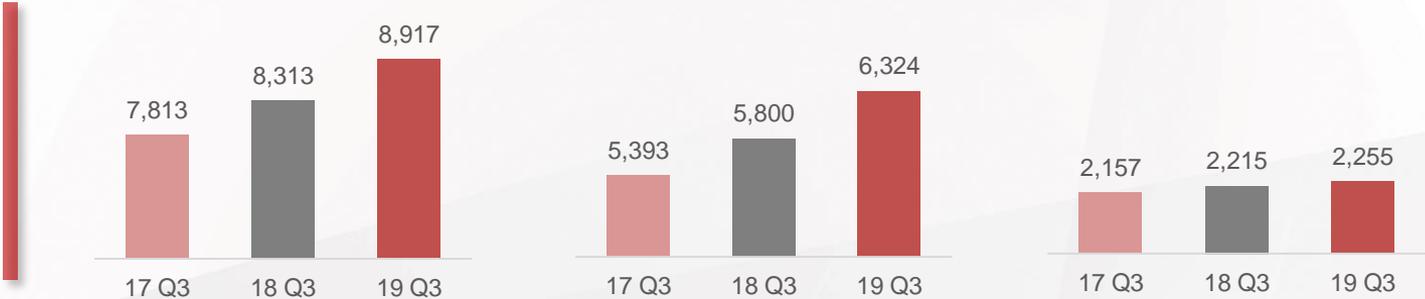
Accelerated New Store Openings Driven by KFC



Gross new stores



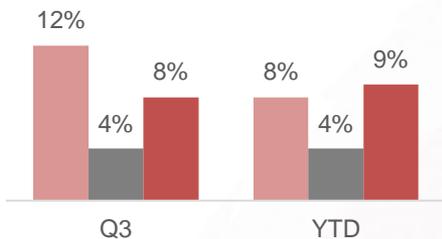
Total stores



Overall Results Showing Resilience

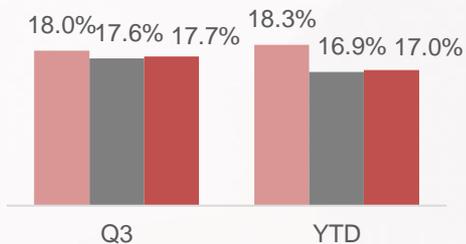
Sales Growth¹

System sales growth (%)



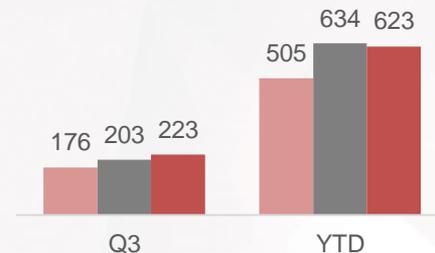
Profit Margin

Restaurant Margin (%)

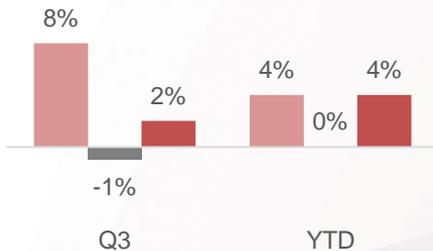


Net Income & EPS

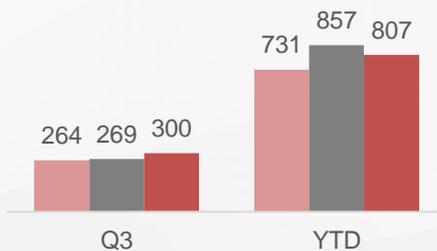
Net Income (\$ mn)



Same-store sales growth (%)



Operating Profit (\$ mn)



Diluted EPS (\$)



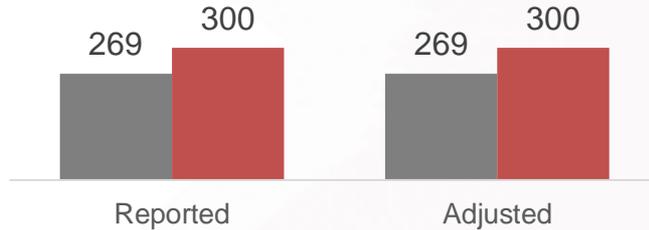
¹Stated in constant currency basis.

Operating Profit Improved Year on Year in Q3

Operating Profit (\$ mn)

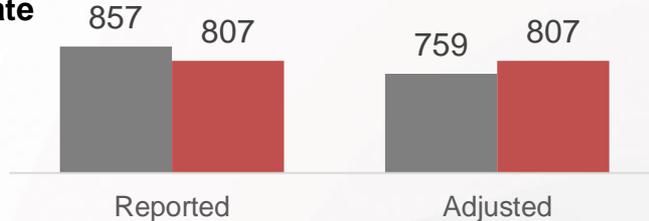
■ 2018 ■ 2019

Q3



YoY	+11%	+11%
YoY ex F/X	+14%	+14%

Year-to-date



YoY	-6%	+6%
YoY ex F/X	-1%	+12%

Key Factors for Q3 Year-Over-Year Movement



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



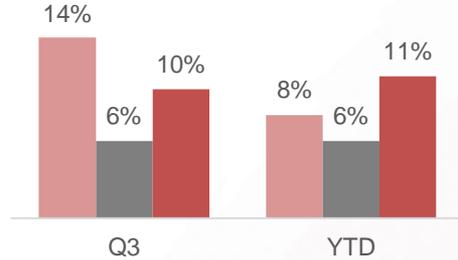
- Wage and commodity inflation
- Promotion costs
- Foreign exchange impact



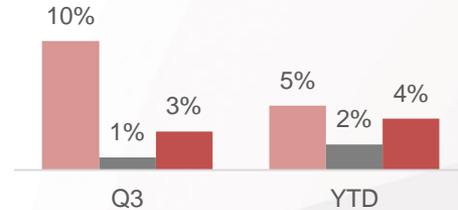
KFC Achieved 3% SSSG and 16% OP Growth

Sales Growth¹ (%)

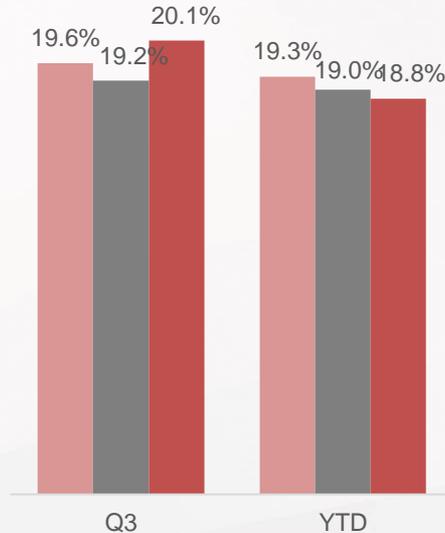
System sales growth



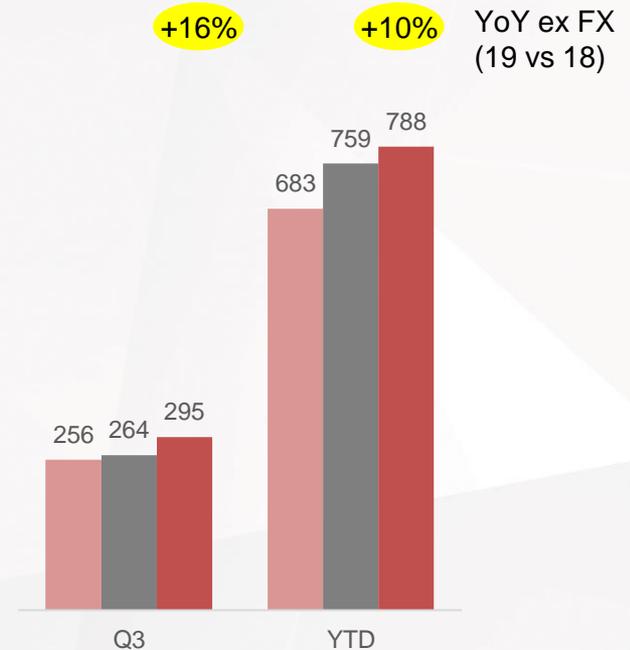
Same-store sales growth



Restaurant Margin (%)



Operating Profit (\$ mn)²



¹ Stated in constant currency basis.

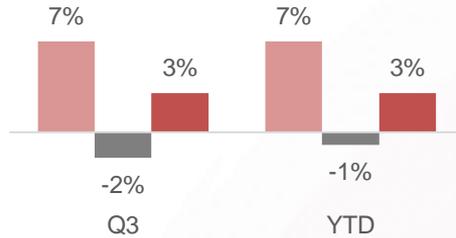
² Segment Operating Profit before unallocated shared service costs.



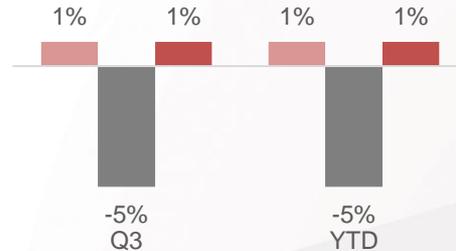
Pizza Hut Continued Positive SSSG

Sales Growth¹ (%)

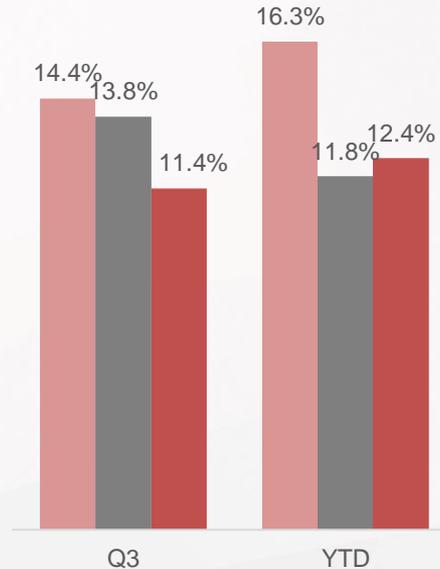
System sales growth



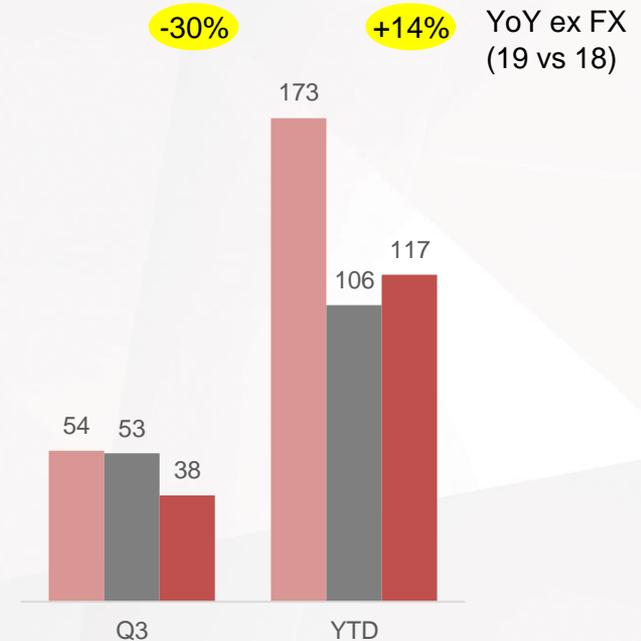
Same-store sales growth



Restaurant Margin (%)



Operating Profit (\$ mn)²



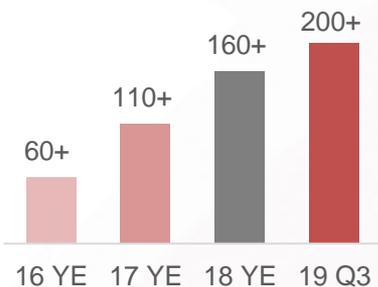
¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

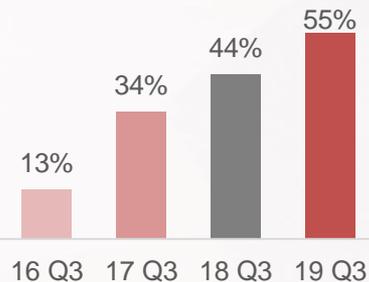
Digital KPIs Continued to Improve



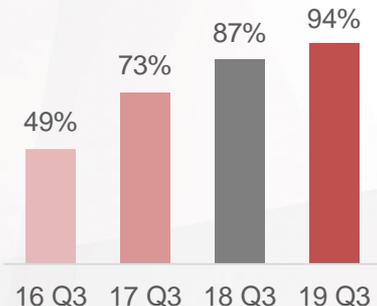
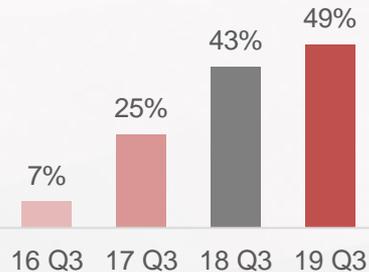
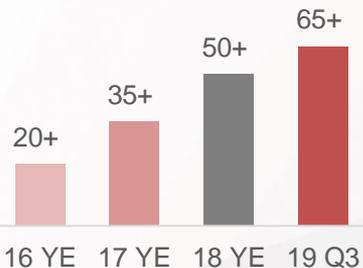
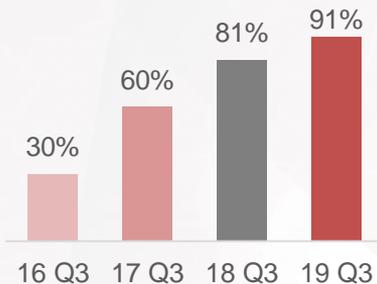
Members (mn)



Member Sales



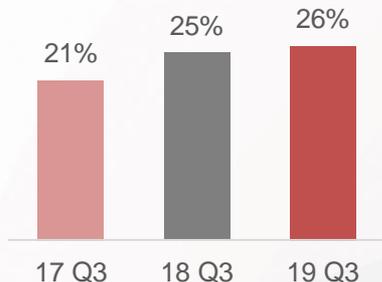
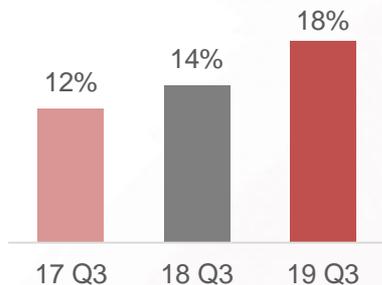
Digital Payment



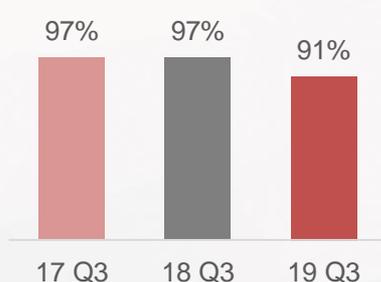
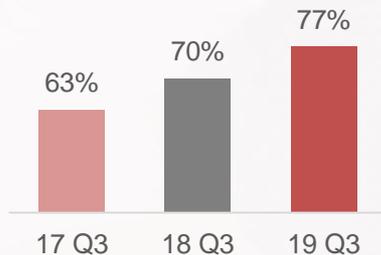
Delivery Capability Continued to Grow



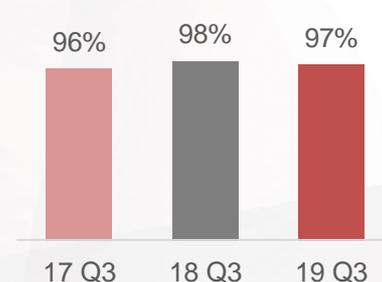
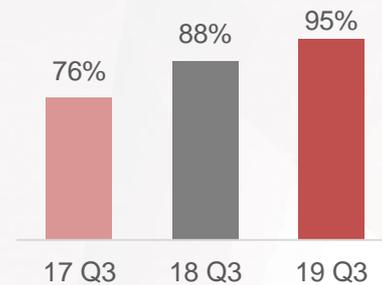
Delivery Sales



Delivery Store Coverage



Delivery City Coverage

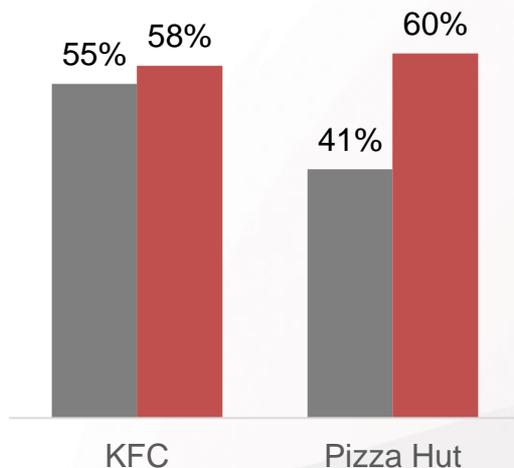


Penetrating into Lower Tiers with Healthy Return

Lower Tier Penetration

Store Mix in Tier 3-6

■ All Stores ■ YTD Gross New Openings

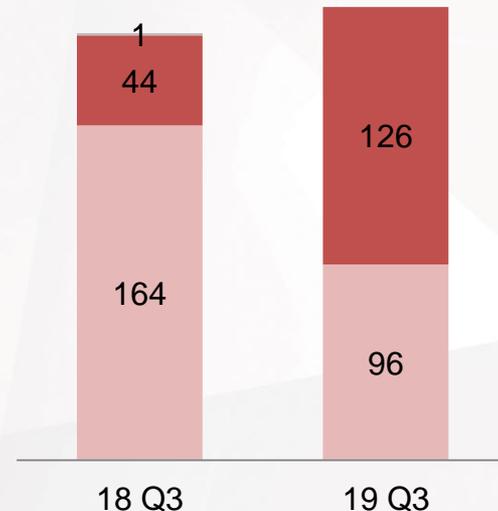


Drive New Unit Return¹

	<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: 209 222



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

Strong Cash Flow Generation Funds Growth and Shareholder Returns



Net cash from
operating
activities **\$1.05 bn**

Jan-Sep 2019



Free cash
flow **\$735 mn**

Jan-Sep 2019



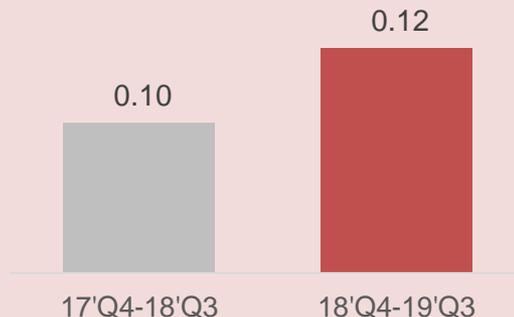
Cash and
short-term
investments **\$1.72 bn**

As of Sep 30 2019

Dividends

19 Q3: \$45 mn
Since spin-off: \$335 mn

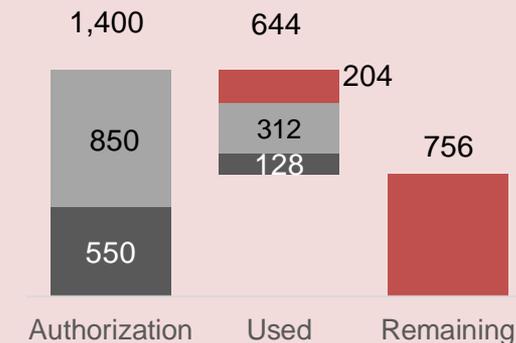
Quarterly Cash Dividend per Share (\$)



Share Repurchases

19 Q3: \$64 mn
Since spin-off: \$644 mn

Total Program (\$ mn)



Outlook and Strategic Priorities

2019 FINANCIAL TARGETS

- 800-850 gross new units
- \$475-525 million Capex
- Expect effective tax rate to be below 28%, excluding any impact from the Company's equity investment in Meituan Dianping

STRATEGIC PRIORITIES

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

Appendix: Reconciliation of Reported Results to Non-GAAP Measures



	Quarter Ended		Year to Date Ended	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
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	388	394	389	398
Special Items, Diluted Earnings Per Common Share	\$ —	\$ —	\$ (0.02)	\$ 0.18
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 300	\$ 269	\$ 807	\$ 857
Special Items, Operating Profit	—	—	—	98
Adjusted Operating Profit	\$ 300	\$ 269	\$ 807	\$ 759

(a) Amounts presented as of and for the quarters and years to date ended September 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.