



YumChina

## First Quarter 2021 Results

April 2021

## 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, dividend and share repurchase plans, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, the expected impact of the COVID-19 outbreak, the anticipated effects of our innovation, digital and delivery capabilities and investments 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 and subsequent Quarterly Reports on Form 10-Q) 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.



## Business Highlights

### Appendix – Financial Results



# Recovery Continued in First Quarter



## Sales and Profit Rebounding

- Total revenue **grew 46%**<sup>1</sup>
- System sales **grew 34%**<sup>2</sup>
- Same-store sales **grew 10%**<sup>2</sup>
- **18.7%** restaurant margin
- **US\$342 mn** Operating Profit, grew 250% year-over-year



## Accelerated Store Growth

- Gross new stores: **315**
- Total stores: **10,725**
- New store cash payback periods<sup>3</sup>:
  - ~2 years 
  - ~3-4 years 



## Digital Driving Engagement

- Q1 Sales were
  - Digital payment: **98%**
  - Digital order: **~84%**
  - Delivery & takeaway: **50%+**
  - From Members: **~61%**
- Members: **315+** mn
  - Privileges sold: **~11 mn** FY

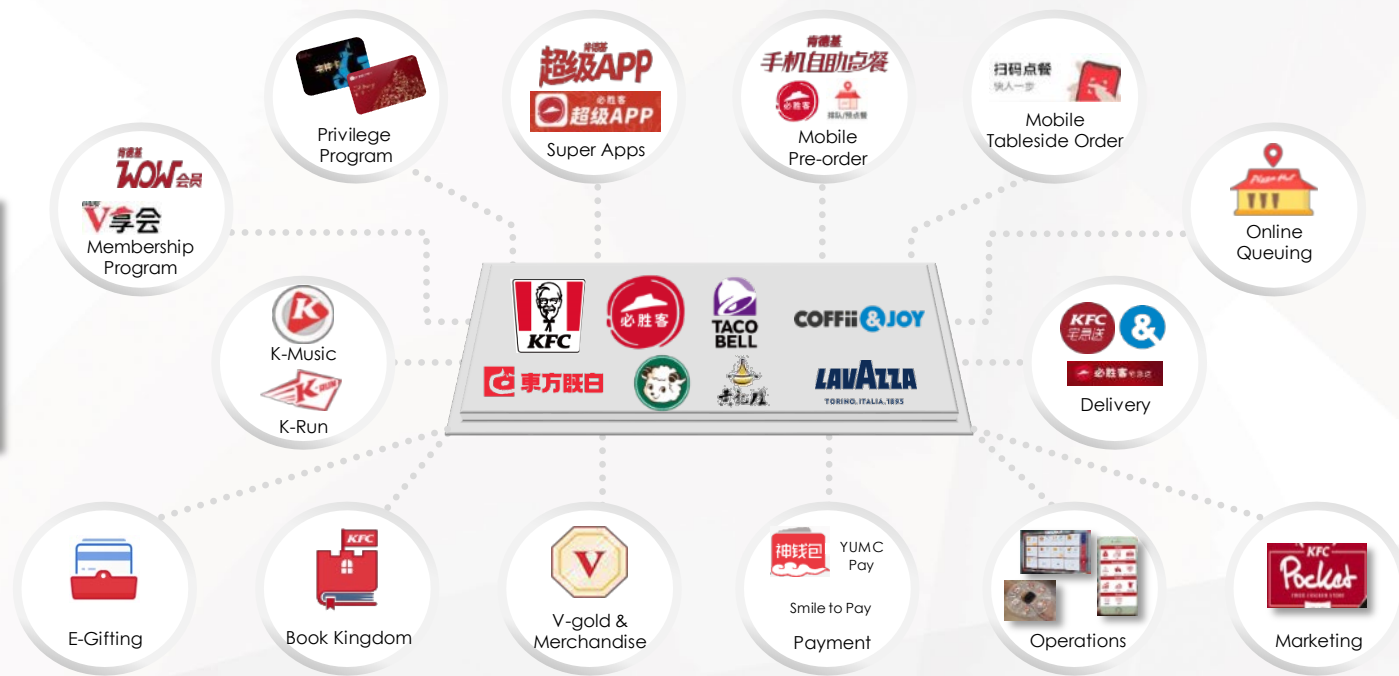
<sup>1</sup> Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.

<sup>2</sup> Both stated on constant currency basis. System sales includes the consolidation of Huang Ji Huang from April 2020.

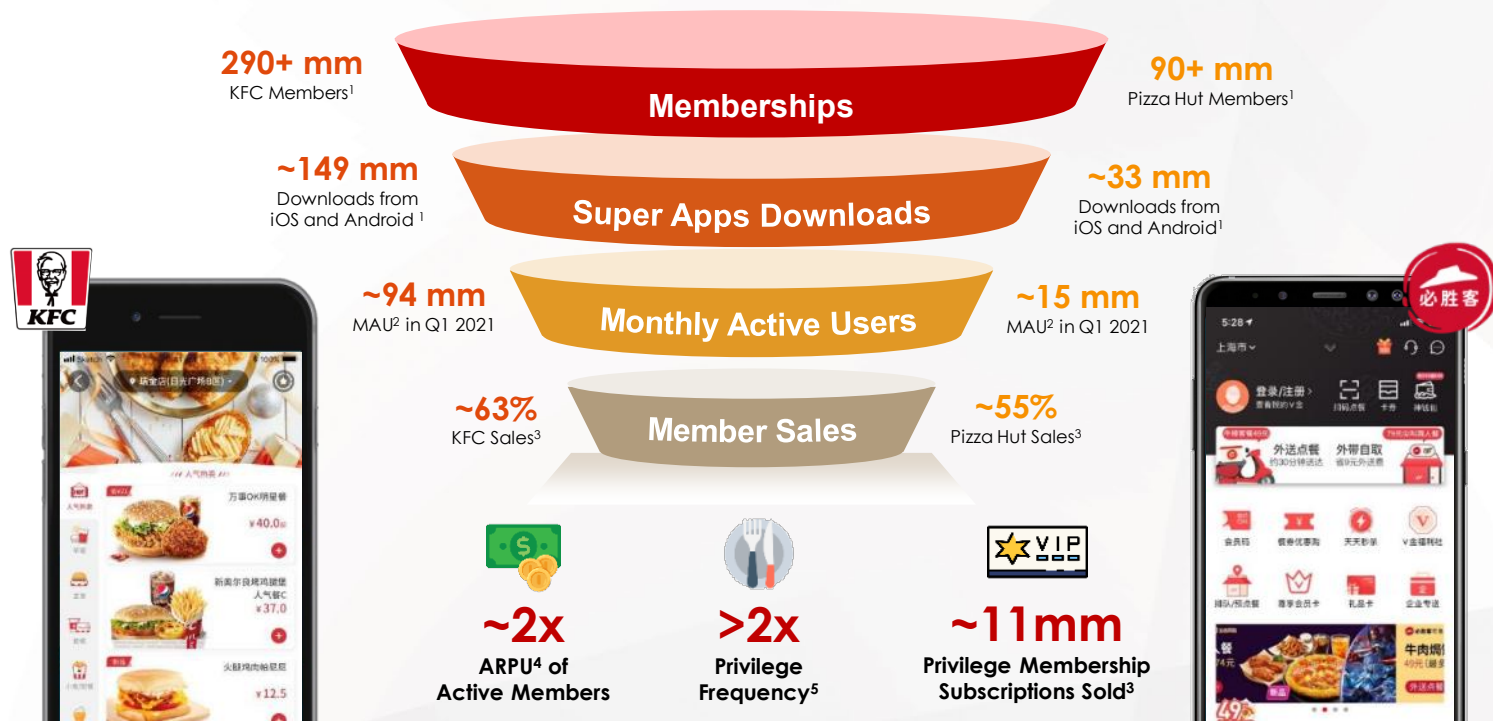
<sup>3</sup> Refers to Average Pre-tax Cash Payback Period; Includes units opened in 2019, after deduction of 3% license fee.

# Powerful Digital Ecosystem

- Improves engagement with customers
- Improves efficiency



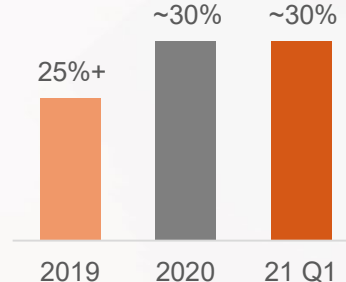
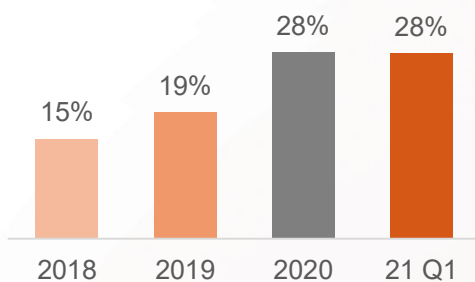
# Membership Programs and Super Apps Drive Frequency and Spend



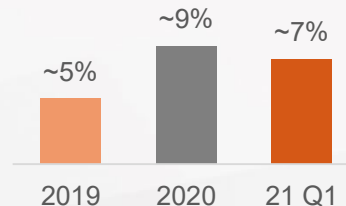
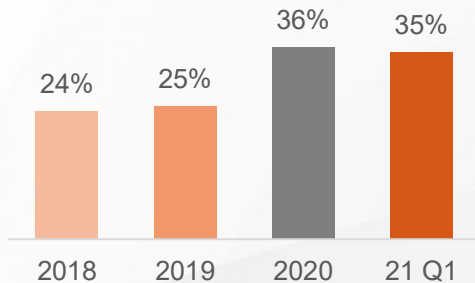
<sup>1</sup> Accumulative up to March 31, 2021. <sup>2</sup> MAU refers to the monthly active users of the KFC Super App, Pizza Hut Super App, as well as the miniprograms embedded in third party applications. <sup>3</sup> Q1 2021.

<sup>4</sup> Compare ARPU (annual spending per active member) in 2020 and 2016. <sup>5</sup> After subscription vs. before subscription for privilege members.

# Delivery and Takeaway Remains Popular

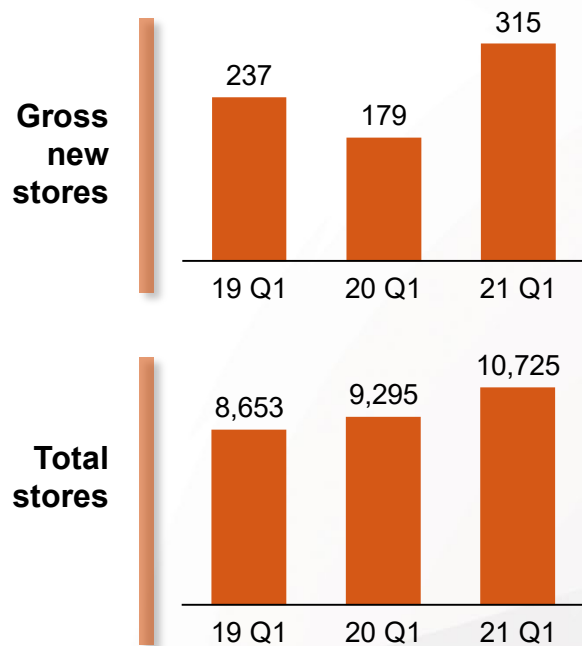


**55%+** in Q1 2021



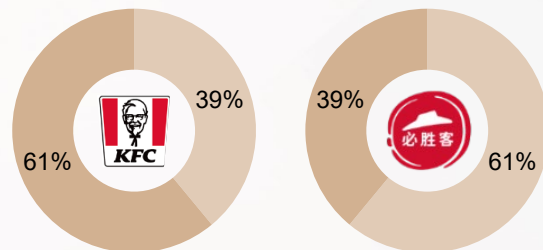
**~41%** in Q1 2021

# New Store Growth with Attractive Paybacks

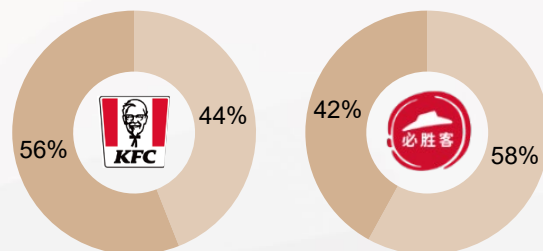


## Lower Tier Penetration

2021 Q1 new stores



Total stores



## New Unit Payback<sup>1</sup>

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

Note: Included Huang Ji Huang stores from April 2020

<sup>1</sup> Refers to Average Pre-tax Cash Payback Period; Includes units opened in 2019, after deduction of 3% license fee.



# Remodels and New Format Keep Our Restaurants Fresh and Relevant





# KFC Remained Resilient

## Q1 2021 Highlights



System sales **+24%**<sup>1</sup>

Same-store sales **+5%**<sup>1</sup>

Or approx. **-6%**<sup>2</sup> vs 19'Q1

↳ Transactions **-13%**<sup>2</sup> vs 19'Q1

↳ Average ticket **+8%**<sup>2</sup> vs 19'Q1



Restaurant margin  
**19.9%**

**+6.3** ppts y/y



**253**  
Gross new stores

**74** remodels



Operating profit of  
**US\$327** million<sup>3</sup>



Holiday and Digital campaigns  
Value promotions  
Menu innovation



**~85%** Digital orders  
**+1ppts** y/y

**~28%** Delivery sales  
**-4ppts** y/y



Members: **290+** million  
Member sales: **~63%**

<sup>1</sup> Stated on a constant currency basis

<sup>2</sup> Pro-forma measures for convenient comparison with 2019

<sup>3</sup> Segment Operating Profit before unallocated shared service costs



# Attractive Campaigns with Abundant Value

## Holiday Celebration



Save up to ¥75: Chinese New Year Golden Bucket with stuffed wings, crispy chicken, etc.

## Signature Value



Twin Buckets: ¥39 for 10-piece chicken wings or 16-piece single-bone chicken

## Co-branded Campaign



Theme stores and combos featuring action role-playing game Genshin

## Privilege Membership



Ox Privilege: ¥9.9 for 14 days; 34% discount for any one item every day



# Product Innovations Across Categories

Chili Pot Burger



Chongqing chili pot flavored chicken burger with luncheon pork

Stuffed Whole Chicken



Whole chicken stuffed with 8 ingredients such as sausages, sticky rice and peanuts

Rice Dumplings



Festive rice dumplings with salted egg or durian cheese

Seasonal Coffee



Sakura latte macchiato



# Remarkable Progress in Pizza Hut

## Q1 2021 Highlights



System sales **+57%**<sup>1</sup>

Same-store sales **+38%**<sup>1</sup>

Or approx. **-5%**<sup>2</sup> vs 19'Q1

↳ Transactions **+2%**<sup>2</sup> vs 19'Q1

↳ Average ticket **-7%**<sup>2</sup> vs 19'Q1

Restaurant margin



**15.3%**

**+15** ppts y/y



**44** Gross new stores

**34** remodels



Operating profit of **US\$60** million<sup>3</sup>



New menu  
Menu innovation  
Great value proposition



**~82%** Digital orders  
**+17** ppts y/y

**~35%** Delivery sales  
**-13** ppts y/y



Members: **90+** million  
Member sales: **~55%**

<sup>1</sup> Stated on a constant currency basis

<sup>2</sup> Pro-forma measures for convenient comparison with 2019

<sup>3</sup> Segment Operating Profit before unallocated shared service costs



# Innovative Products and Great Prices

## Innovative Products for the Festive Seasons

必胜客 PIZZA STATION

### 花轮之心比萨

1.11-2.28限时公测

新 碧玉小牛菲力口味  
独创12颗芝芝苞  
小牛菲力 柔嫩细腻

还有 超级至尊

0元享烤翅\*  
\*仅限注册新会员

Flower-shaped stuffed crust pizza;  
Free wings for new members

必胜客宅急送

## 必胜新年 牛气到家

新春特别款  
必胜发财礼盒(8个装)  
68.8

"Fortune" cake gift set

## Great Value for Every Occasion

必胜客 必胜客首次推出新年宴

## 必胜巨牛宴

即刻扫码预订

家庭欢聚  
好友约饭  
公司尾牙  
...  
精选宴款料理, 款款好彩头

- 花卉富贵北菇
- 牛气冲天牛腩
- 包你发财甜品
- 原盅游龙鲜皮
- 鸡丝馒头小食

Year of the Ox holiday feast sets  
with signature products

套餐价¥29元  
法式吐司套餐  
最高可省54元

蓬松软嫩, 奶香味甜, 一口入心

- 三角法式吐司2片、炒蛋1个
- 培根1片/早餐肠1根/火腿1片(三选一)
- 早餐沙拉1份、早餐饮料1杯(任选一, 可免费续杯)

French toast breakfast combo:  
save up to ¥54

# Refreshed Menu in March



Mango and pineapple juice with yogurt cap



Beef Wellington



Surf and Turf platter with seabass and steak



Seafood Supreme pizza with cod



Mustard grilled filet pizza



Strawberry and dragon fruit juice with yogurt cap



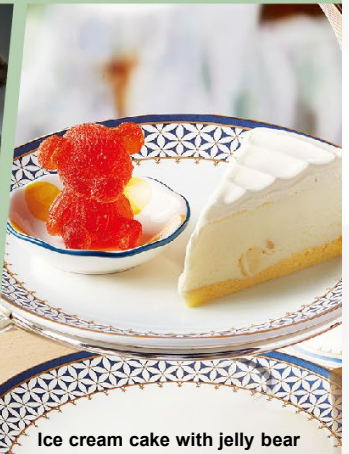
Durian pizza



Roast beef tapas



Roast beef sirloin over rice in iron pan



Ice cream cake with jelly bear

# 2021 Outlook and Strategic Priorities

## 2021 FINANCIAL TARGETS

- ~1,000 gross new stores
- ~\$600 million Capex

## STRATEGIC PRIORITIES

- Top priority is to safeguard the health and safety of our employees and customers
- Drive sales recovery and stay agile
- Grow our store footprint and develop emerging brands
- Step up investment in digitization and infrastructure to support expansion
- Manage cost with vigilance and drive efficiency improvement

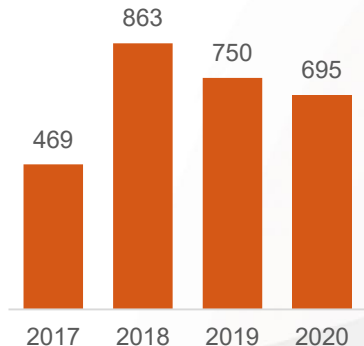


# Capital Allocation Powers Business Growth

## Cash

- **US\$4.1 bn** cash and short term investment
- Strong operating cash flows

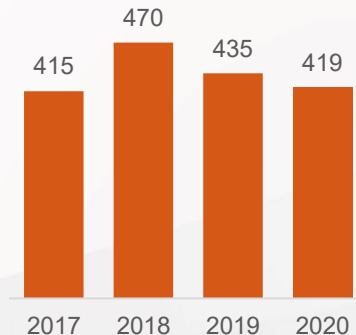
Free cash flow from operations<sup>1</sup> (US\$m)



## Capital Expenditure

- Target to spend **~US\$600 mn** in 2021
- To accelerate store expansion and remodeling
- To develop our emerging brands
- To step up investment in digitalization, automation and logistics infrastructure

Capital expenditures (US\$m)



## Shareholder Returns

- **US\$1.2bn** (since spin-off)
- Resumed cash dividends in 4Q'2020
- Committed to return excess cash to shareholders

Cash dividends distributed and share repurchases (US\$m)



## M&A and Investment

- To remain disciplined and explore opportunities in:
  - Restaurant brands with excellent growth potential synergy
  - Joint ventures
  - Enablers that further enhance our competitiveness

### Past transactions

<b>Restaurant brands</b>	<ul style="list-style-type: none"> <li>• Huang Ji Huang (2020)</li> </ul>
<b>Joint Ventures</b>	<ul style="list-style-type: none"> <li>• Acquired 36% of Wuxi KFC (2018)</li> <li>• Acquired 25% of Suzhou KFC (2020)</li> </ul>
<b>Enablers</b>	<ul style="list-style-type: none"> <li>• Acquired 5% of Fujian Sunner (2021)</li> </ul>

<sup>1</sup> Refers to net cash from operating activities minus capital expenditure.

# Being a Responsible Corporate Citizen

## Recognized Commitment

Member of  
**Dow Jones Sustainability Indices**  
 Powered by the S&P Global CSA

**Industry Leader** for the Restaurant and Leisure Facilities industry of DJSI in 2020



Certified as **Top Employer China** for the third year in 2021



**Bloomberg Gender Equality Index** for the third year in 2021

## Support our Employees



- Launched **Family Care Program** for restaurant management team
- Set up **fund for COVID affected frontline employees and their families**

## Support our Community



- Provided **170,000+ free meals** to hospitals and community health centers during COVID-19 outbreak
- Provided **modern kitchen equipment to 70 schools** in Hubei in 2020
- Set up **“Food bank”** in 30+ restaurants across 11 cities\* to distribute excess food to people in need

## New Plastic Reduction Initiatives



- Target **30% reduction** of non-degradable plastic packaging weight by 2025
- All KFC & Pizza Hut restaurants **stopped using plastic straws**
- **Replaced disposable plastic cutlery and plastic bags** with eco-friendly options in most restaurants



## Business Highlights

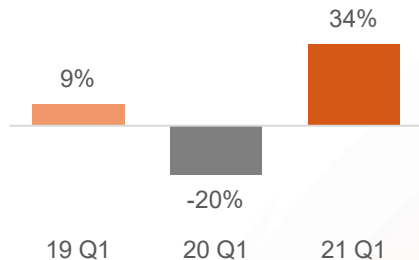
# Appendix – Financial Results



# Q1 Results Improved Year-over-year

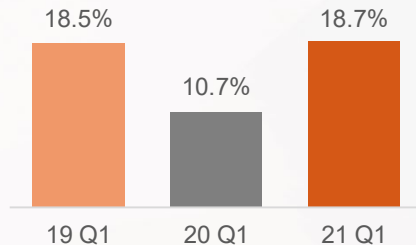
## Sales Growth<sup>1</sup>

System sales growth (%)



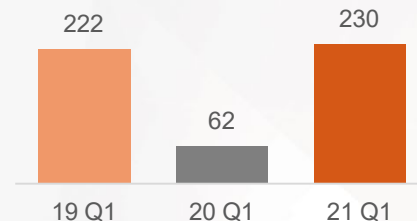
## Profit Margin

Restaurant Margin (%)

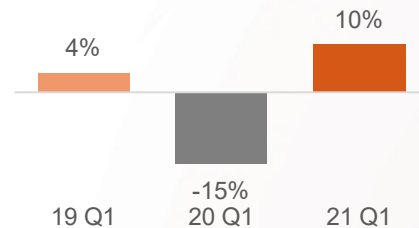


## Net Income & EPS

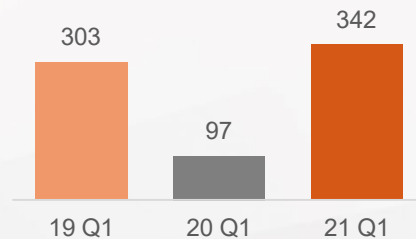
Net Income (NI) (US\$ mn)



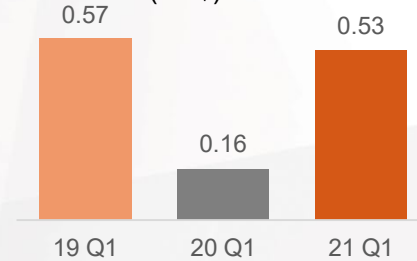
Same-store sales growth (%)



Operating Profit (OP) (US\$ mn)



Diluted EPS (US\$)

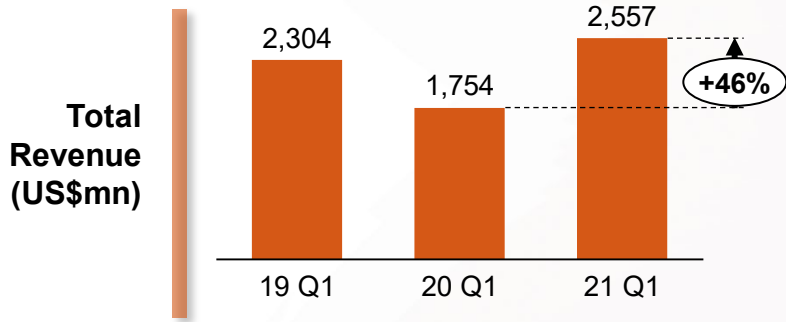


2019 2020 2021

<sup>1</sup> Stated on a constant currency basis.

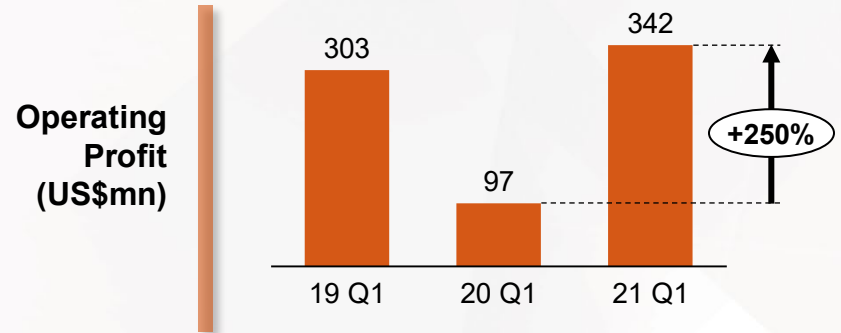
Note: Include the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.

# Solid Sales Growth and Operating Profit



Key factors for year-over-year growth

- + Same store sales growth
- + New unit contribution
- + Less temporary store closures
- + Consolidation of Huang Ji Huang and Suzhou KFC
- + Foreign exchange



Key factors for year-over-year growth

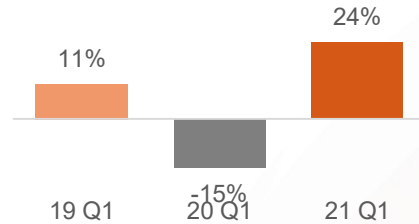
- + Sales leverage and new unit contribution
- + Productivity improvement and other store cost savings
- + Lower commodity prices
- + Foreign exchange
- Higher promotion costs and wage inflation
- Lower temporary relief provided by landlords and government agencies



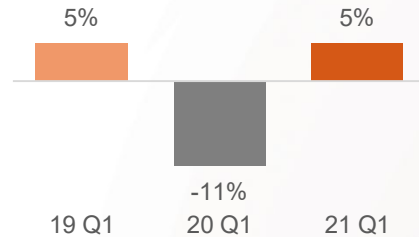
# KFC System Sales Grew Double Digit

## Sales Growth<sup>1</sup> (%)

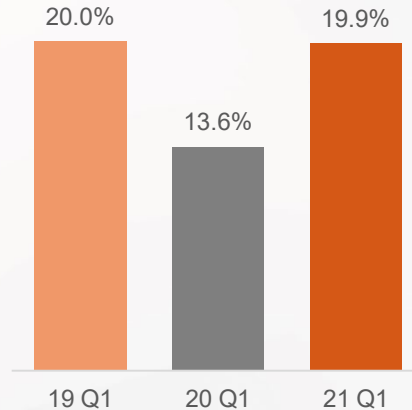
### System sales growth



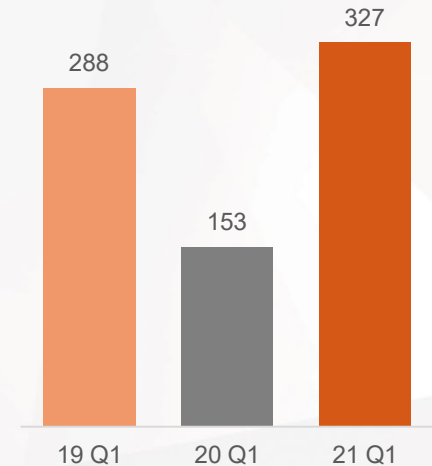
### Same-store sales growth



## Restaurant Margin (%)



## Operating Profit<sup>2</sup> (US\$ mn)



<sup>1</sup> Stated on a constant currency basis.

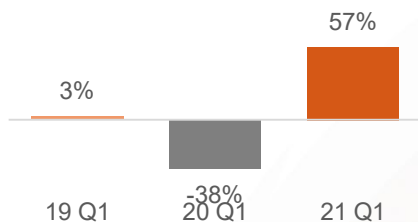
<sup>2</sup> Segment Operating Profit before unallocated shared service costs.

# Pizza Hut Margin and Operating Profit Beat 2019 Q1

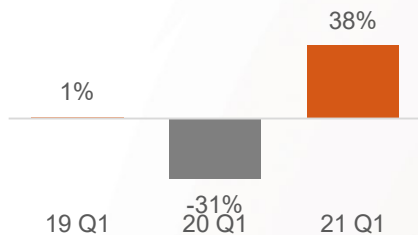


## Sales Growth<sup>1</sup> (%)

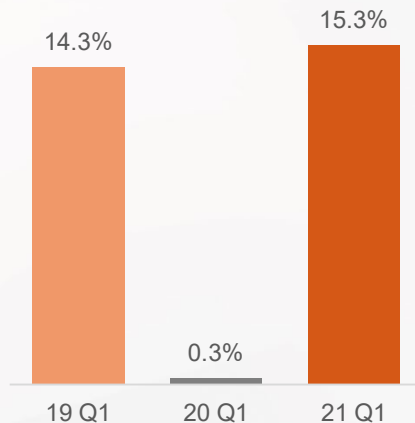
System sales growth



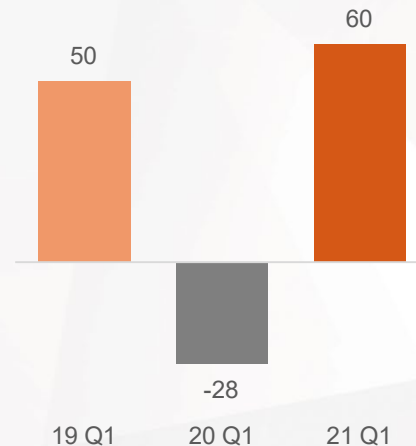
Same-store sales growth



## Restaurant Margin (%)



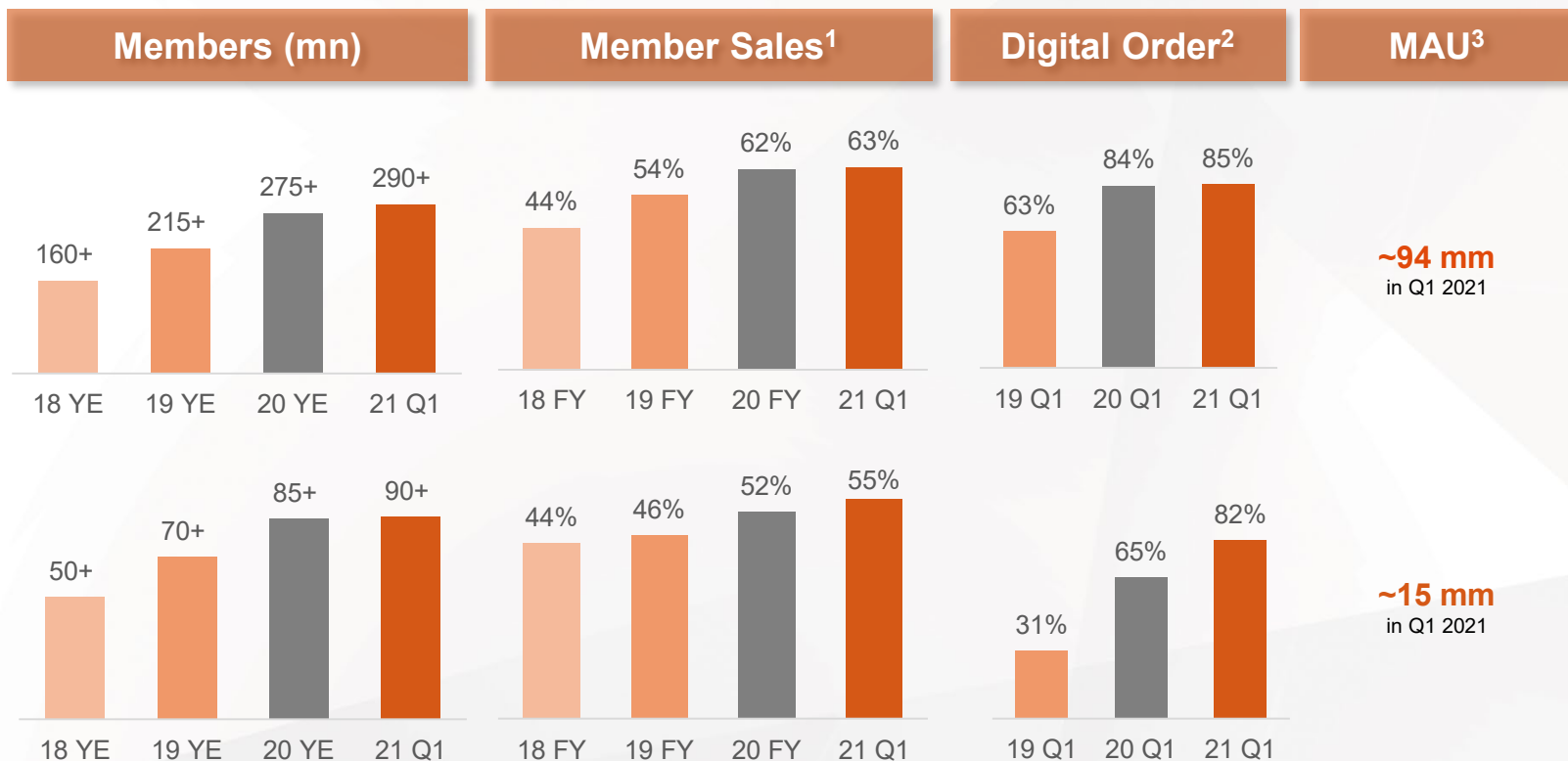
## Operating Profit<sup>2</sup> (US\$ mn)



<sup>1</sup> Stated on a constant currency basis.

<sup>2</sup> Segment Operating Profit before unallocated shared service costs.

# Growing Popularity of Membership and Digital



<sup>1</sup> Member sales as % of system sales

<sup>2</sup> Digital order as % of Company sales

<sup>3</sup> MAU refers to the monthly active users of the KFC Super App, Pizza Hut Super App, as well as the mini programs embedded in third party applications.



# Reconciliation of Reported Results to Non-GAAP Measures



## Non-GAAP Reconciliations

### Reconciliation of Operating Profit to Adjusted Operating Profit

	Quarter Ended	
	3/31/2021	3/31/2020
Operating Profit	\$ 342	\$ 97
Special Items, Operating Profit	(3)	(1)
Adjusted Operating Profit	<u>\$ 345</u>	<u>\$ 98</u>

### Reconciliation of Net Income to Adjusted Net Income

Net Income – Yum China Holdings, Inc.	\$ 230	\$ 62
Special Items, Net Income –Yum China Holdings, Inc.	(3)	(1)
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 233</u>	<u>\$ 63</u>

### Reconciliation of EPS to Adjusted EPS

Basic Earnings Per Common Share	\$ 0.55	\$ 0.16
Special Items, Basic Earnings Per Common Share	—	(0.01)
Adjusted Basic Earnings Per Common Share	<u>\$ 0.55</u>	<u>\$ 0.17</u>
Diluted Earnings Per Common Share	\$ 0.53	\$ 0.16
Special Items, Diluted Earnings Per Common Share	(0.01)	—
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.54</u>	<u>\$ 0.16</u>

### Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate

Effective tax rate	29.6%	32.7%
Impact on effective tax rate as a result of Special Items	0.3%	0.3%
Adjusted effective tax rate	<u>29.3%</u>	<u>32.4%</u>

## Details of Special Items

	Quarter Ended	
	3/31/2021	3/31/2020
Share-based compensation expense for Partner PSU awards <sup>(1)</sup>	(3)	(1)
Special Items, Operating Profit	(3)	(1)
Tax effect on Special Items <sup>(2)</sup>	—	—
Special Items, net income – including noncontrolling interests	(3)	(1)
Special Items, net income – noncontrolling interests	—	—
Special Items, Net Income –Yum China Holdings, Inc.	<u>\$ (3)</u>	<u>\$ (1)</u>
Weighted-average Diluted Shares Outstanding (in millions)	<u>434</u>	<u>386</u>
Special Items, Diluted Earnings Per Common Share	<u>\$ (0.01)</u>	<u>\$ —</u>

1) In February 2020, the Company granted Partner PSU Awards to select employees who were deemed critical to the Company's execution of its strategic operating plan. These PSU awards will only vest if threshold performance goals are achieved over a four-year performance period, with the payout ranging from 0% to 200% of the target number of shares subject to the PSU awards. Partner PSU Awards were granted to address increased competition for executive talent, motivate transformational performance and encourage management retention. Given the unique nature of these grants, the Compensation Committee does not intend to grant similar, special grants to the same employees during the performance period. The impact from these special awards is excluded from metrics that management uses to assess the Company's performance. The Company recognized share-based compensation cost of \$3 million associated with the Partner PSU Awards for the quarter ended March 31, 2021.

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