



YumChina

Second Quarter 2021 Results

July 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, growth, 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 pandemic, 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 pandemic and regional resurgences, 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.

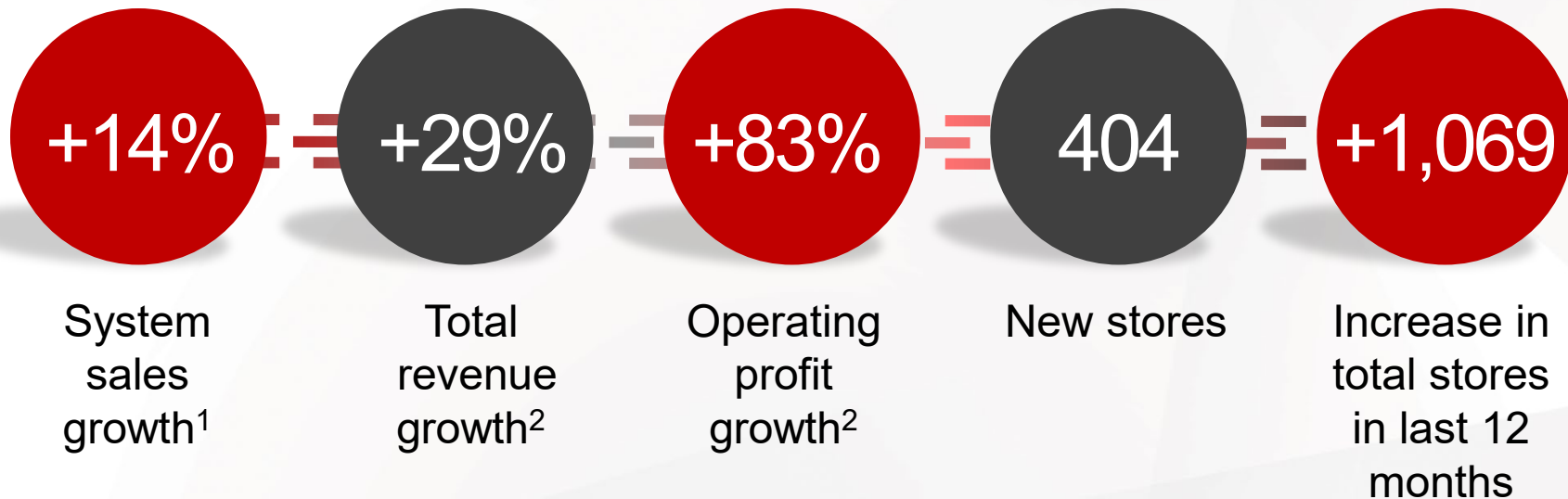


Business Highlights

Appendix – Financial Results



Solid Performance in Second Quarter



¹ Stated on a constant currency basis.

² Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.

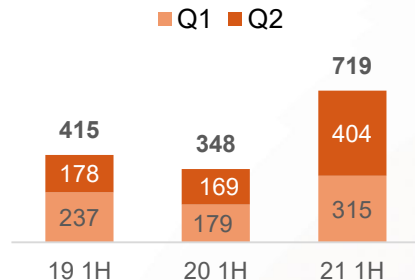
Accelerated New Store Growth with Attractive Paybacks



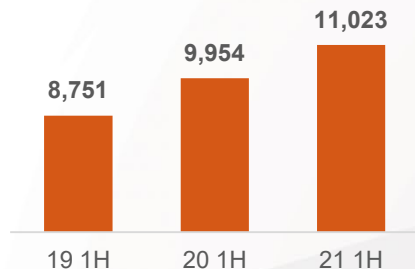
YumChina

Accelerated Store Growth

Gross New Stores

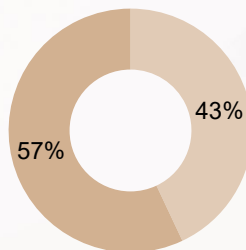


Total Stores

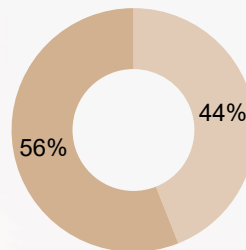


Lower Tier Penetration

2021 1H New Stores



Total Stores



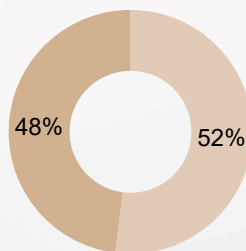
New Unit Payback¹



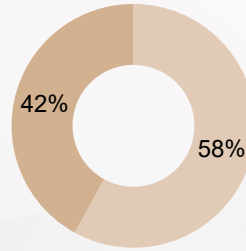
~2 years



Tier 1-2 Tier 3-6



Tier 1-2 Tier 3-6



~3-4 years

Note: Included Huang Ji Huang stores from April 2020

¹ Refers to Average Pre-tax Cash Payback Period; Includes units opened in April 2019 to March 2020, after deduction of 3% license fee.

Membership Programs and Super Apps Driving Engagement and Spending

305+ mn
KFC Members¹



~159 mn
App Downloads
from iOS and
Android¹

~62%

KFC
Member Sales²



~8mn
Privilege
subscriptions sold²

~100 mn
Pizza Hut
Members¹



~34 mn
App Downloads
from iOS and
Android¹

~54%

Pizza Hut
Member Sales²



~1mn
Privilege
subscriptions sold²

¹ Accumulative up to June 30, 2021.

² Q2 2021.

Delivery Sales Grew Rapidly

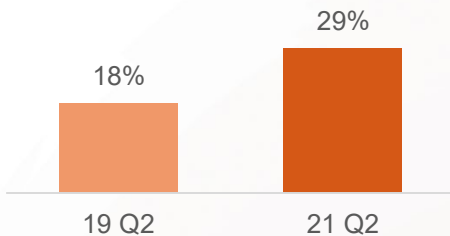
Delivery

Off-premise

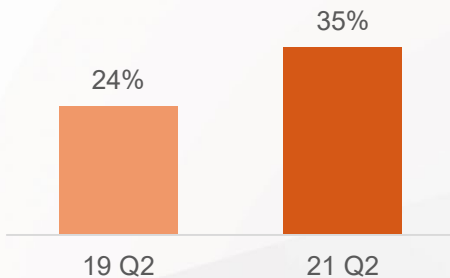
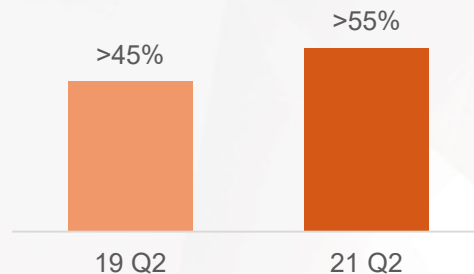
% of Company sales

Delivery sales growth

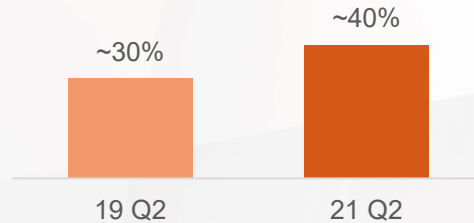
% of Company sales



+74% vs 19¹



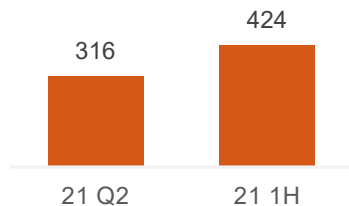
+41% vs 19¹



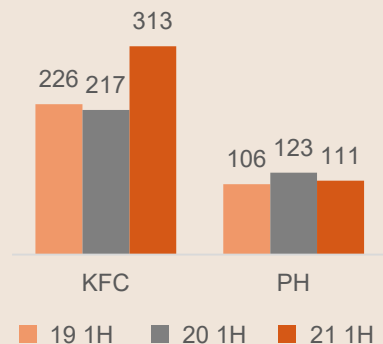
¹ Stated on a constant currency basis. Adjusted KFC Delivery sales 2019 to include Suzhou KFC for like-for-like comparison with 2021
 Note: % of Company sales include Suzhou KFC since August 2020

Store Remodels and New Formats Keep Our Restaurants Fresh and Relevant

Remodeled stores



By Brand



KFC Small Town Model



Pizza Hut Hub & Spoke





KFC: Resilient Business and Solid Growth

Second Quarter 2021 Highlights

System sales **+14%**¹



Same-store sales **+4%**¹

Or approx. **-7%**² vs 19'Q2

- ↳ Transactions **-14%**² vs 19'Q2
- ↳ Average ticket **+8%**² vs 19'Q2



280 Gross new stores

+860 stores y/y



Restaurant margin

16.8%

+2.2 ppts y/y



Operating profit of
US\$240 million³



~86% Digital orders

~29% Delivery sales
+2ppts y/y



Members: **305+** million

Member sales: **~62%**

¹ Stated on a constant currency basis

² Pro-forma measures for convenient comparison with 2019

³ Segment Operating Profit before unallocated shared service costs



Innovative Products for Meat Lovers

Wagyu and Angus Beef Burgers



Double Down with Waffle or Bacon



Crispy Air Chicken



Late Night Snacks





Plenty of Options for Everyone

Regional: Hot-dry Noodles and Steamed Dumplings



Summer: Peach Sorbet and Coconut Drinks



Plant-based Sichuan Spicy Beef Wrap

KFC

0g

胆固醇*

12.8g

优质植物蛋白*

植世代川辣嫩牛五方

植世代牛肉为别样肉客™牛肉风味植物蛋白制品



*指原料植物蛋白制品。产品及包装以实物为准，具体情况以活动详情页为准。

K-Coffee Oat Milk Latte



全新冰燕麦拿铁 有爱上市

一杯有爱 万物可爱

乳糖不耐友好 0反式脂肪 0胆固醇

自由自在好咖啡





Attractive Campaigns and Compelling Value Propositions

Labor Day Holiday

五一快乐畅选桶

¥99 畅选*13件

¥66 畅选*8件

*大桶内产品可选指定: 经典主食3件、美味炸鸡4件、小食甜点3件、冰淇淋/饮料3件

*小食桶内产品可选指定: 美味炸鸡4件、小食甜点2件、冰淇淋/饮料2件

吃让我快乐

KFC

its fine

Mix and match (13 items for ¥99 or 8 items for ¥66)

Dragon Boat Festival

紫禁城戏曲

端午吉祥桶

13件美味满满一桶 犒赏味蕾

劲省 55.5元

端午吉祥

粽飘香

香糯鲜肉粽

Festival bucket with rice dumpling

Member Exclusive

肯德基 WOW 会员

2021 毕业季

49元 成长加油桶

会员凭券专享 2021.6.15-2021.6.20

套餐9件 不止5折

成长加油

+6元更有 成长加油桶(牛堡版)

¥49 bucket for 9 items

Mix and Match Deal

KFC

肯德基拼了!

双拼12元

指定汉堡炸鸡1款 拼 指定饮料甜品1款

Two items for ¥12



Pizza Hut Delivered Stellar Performance

Second Quarter 2021 Highlights

System sales **+16%**¹



Same-store sales **+11%**¹

Or approx. **-3%**² vs 19'Q2

↳ Transactions **+9%**² vs 19'Q2

↳ Average ticket **-11%**² vs 19'Q2



64 Gross new stores

+167 stores y/y



Restaurant margin

13.1%

+1.9 ppts y/y



Operating profit of
US\$39 million³



~84% Digital orders

+23 ppts y/y

~35% Delivery sales
flat y/y



Members: **~100** million

Member sales: **~54%**

¹ Stated on a constant currency basis

² Pro-forma measures for convenient comparison with 2019

³ Segment Operating Profit before unallocated shared service costs



Great Value for All Occasions

Return of Buffet

必胜客
必胜客自助餐
今起限时回归!

畅吃5天!
5月24日-5月28日

会员价
158元位

5 days only – Member price at ¥158

One-Person Meal Set

PIZZAHUT (10:30-22:00)
必胜客工作日
一人食套餐

29元起

经典意式肉酱面套餐
¥29

照烧鸡肉炒饭套餐
¥29

Weekdays only

Delivery Promotion

必胜客宅急送

减单不简单

整单餐品 立减**50**元
会员专享 满110元

A la carte price above ¥110 less ¥50

Cross-brand Privilege

必胜客
必胜客尊享卡年卡
限时**买一得三**

尊享卡

指定主食半价特权

听 喜马拉雅
得 VIP1年
价值**218**元

芒果TV
得 PC移动影视会员1年
价值**198**元

128尊享 **365**特权

Buy 1 Get 3 memberships
¥128 for 1 year

9

New stores in Q2

14

Total stores as of Q2

LAVAZZA

TORINO, ITALIA, 1895

LAVAZZA

Shanghai JinMao Tower

2021 Outlook and Strategic Priorities

2021 FINANCIAL TARGETS

- ~1,300 gross new stores
- ~\$700-\$800 million Capex

STRATEGIC PRIORITIES

- Focus on our core – good food, great value and customer experience
- Attract customers back to stores and capture off-premise demand
- Accelerate store network expansion and develop emerging brands
- Step up investment in digitization and infrastructure to support expansion
- Manage cost with vigilance and drive efficiency improvement

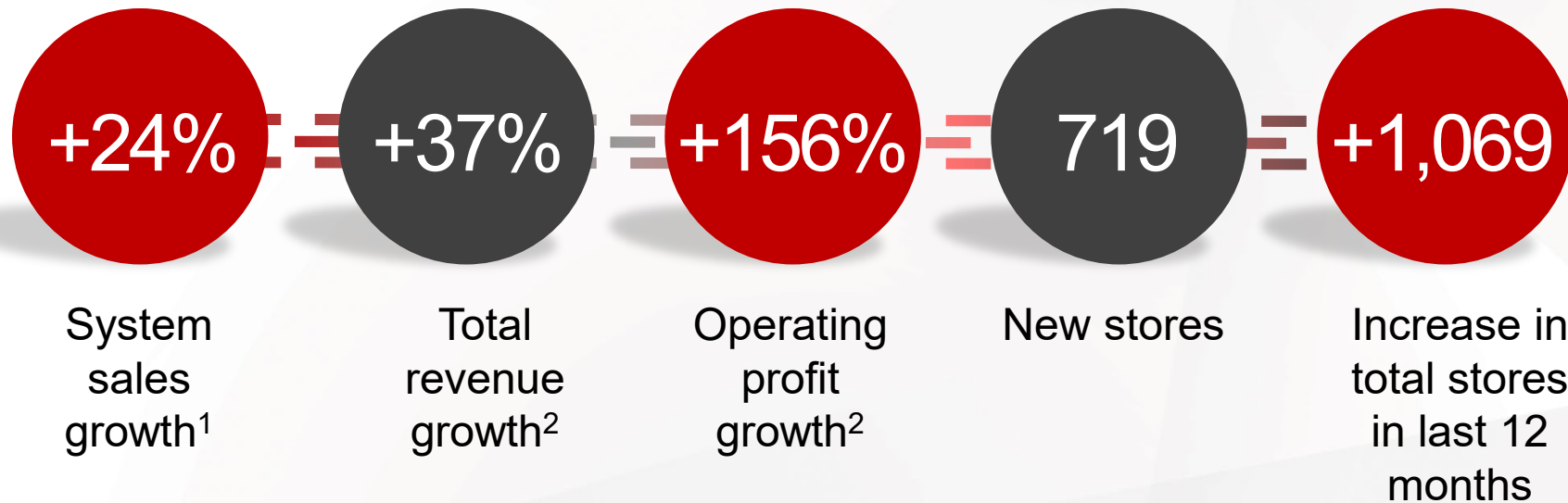


Business Highlights

Appendix – Financial Results



Solid Performance in First Half 2021



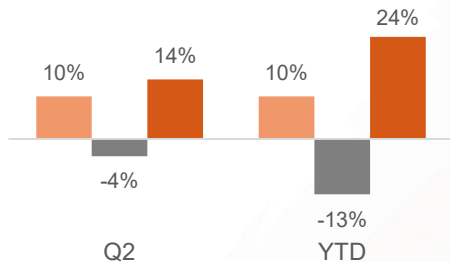
¹ Stated on a constant currency basis.

² Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.

Q2 Results Improved Year-over-year

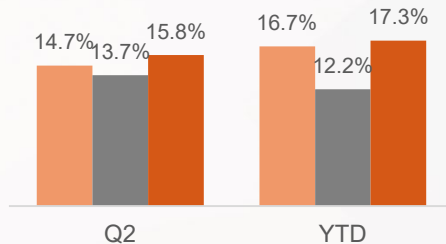
Sales Growth¹

System sales growth (%)



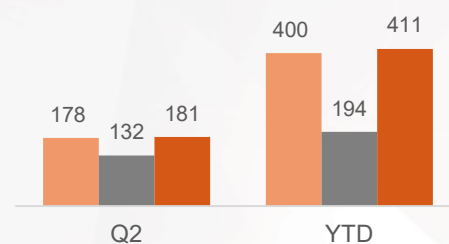
Profit Margin

Restaurant Margin (%)

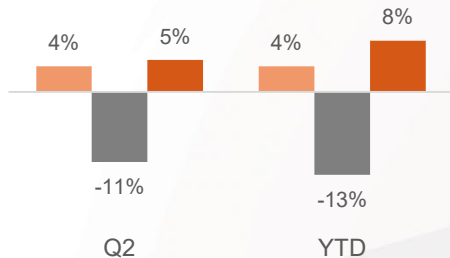


Net Income & EPS

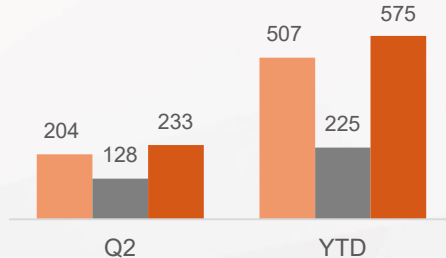
Net Income (NI) (US\$ mn)



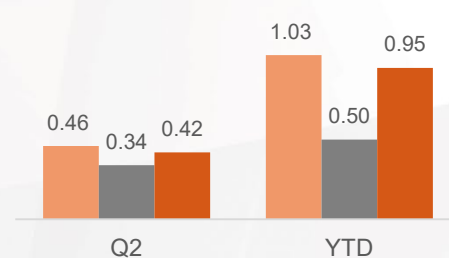
Same-store sales growth (%)



Operating Profit (OP) (US\$ mn)



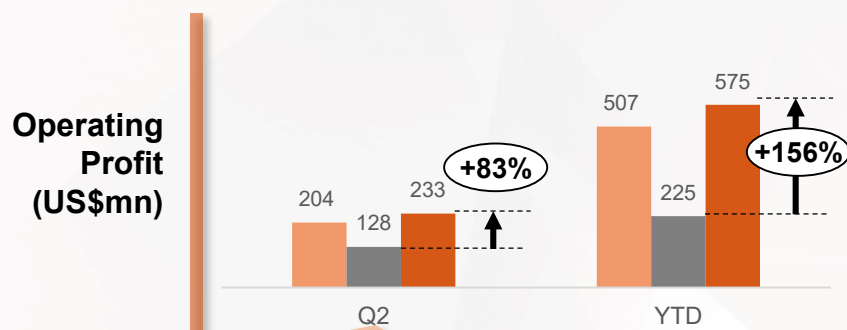
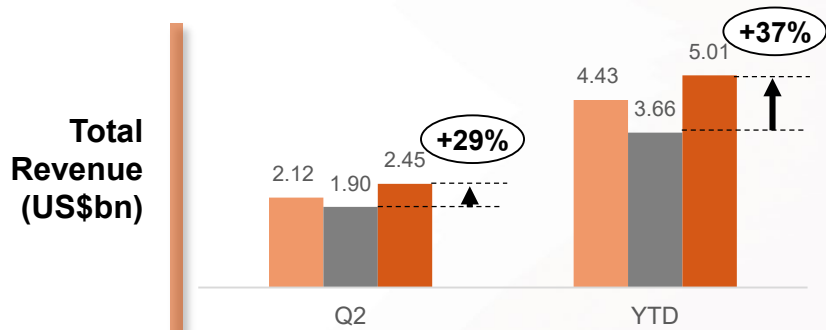
Diluted EPS (US\$)



¹ 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 Q2 year-over-year growth

- + New unit contribution
- + Same store sales growth
- + Consolidation Suzhou KFC
- + Foreign exchange

Key factors for Q2 year-over-year growth

- + New unit contribution and sales leverage
- + Lower commodity prices
- + Productivity improvement and other store cost savings
- + Foreign exchange
- Lower temporary relief provided by landlords and government agencies
- Wage inflation and increased rider cost associated with the rise in delivery volume

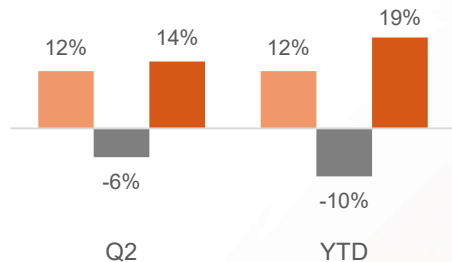
■ 2019 ■ 2020 ■ 2021



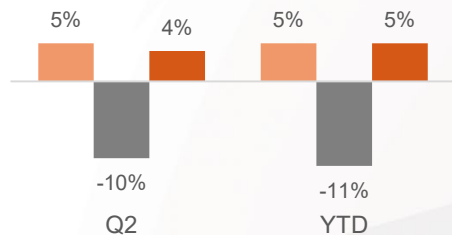
KFC: System Sales Growth and Solid Margin

Sales Growth¹ (%)

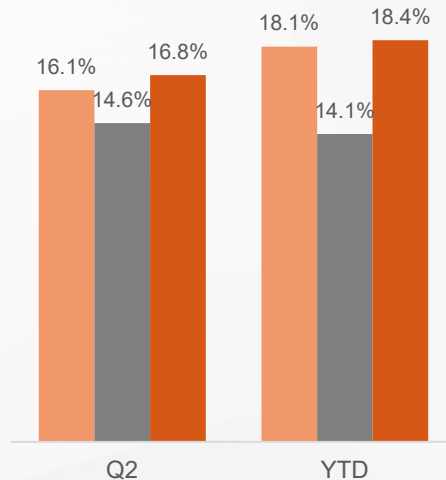
System sales growth



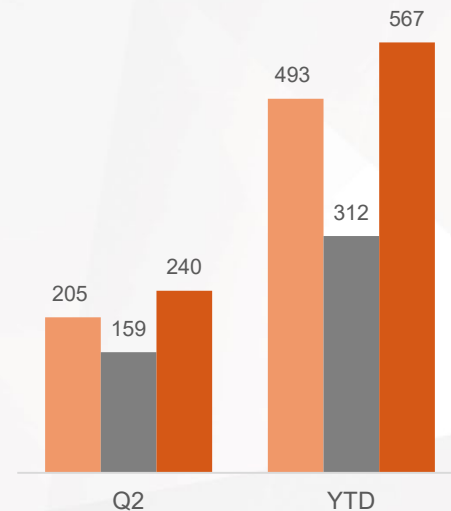
Same-store sales growth



Restaurant Margin (%)



Operating Profit² (US\$ mn)



¹ Stated on a constant currency basis.

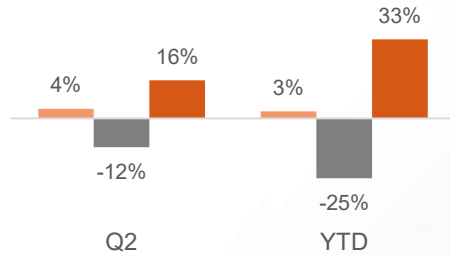
² Segment Operating Profit before unallocated shared service costs.



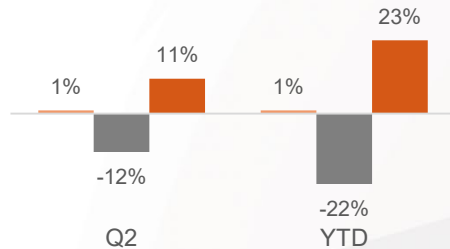
Pizza Hut: Margin and Operating Profit Growth

Sales Growth¹ (%)

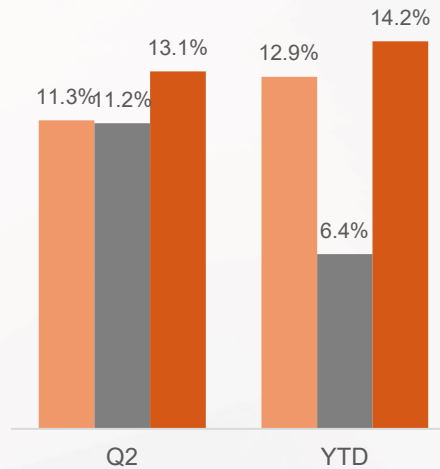
System sales growth



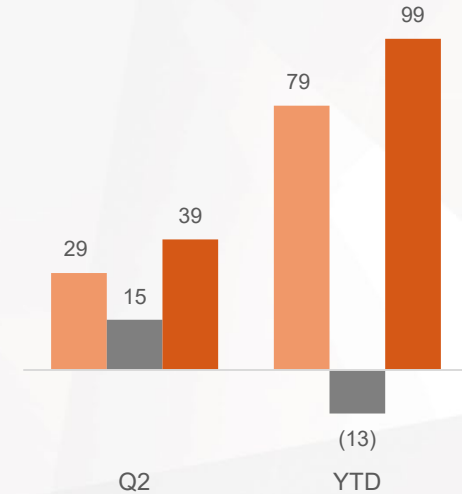
Same-store sales growth



Restaurant Margin (%)



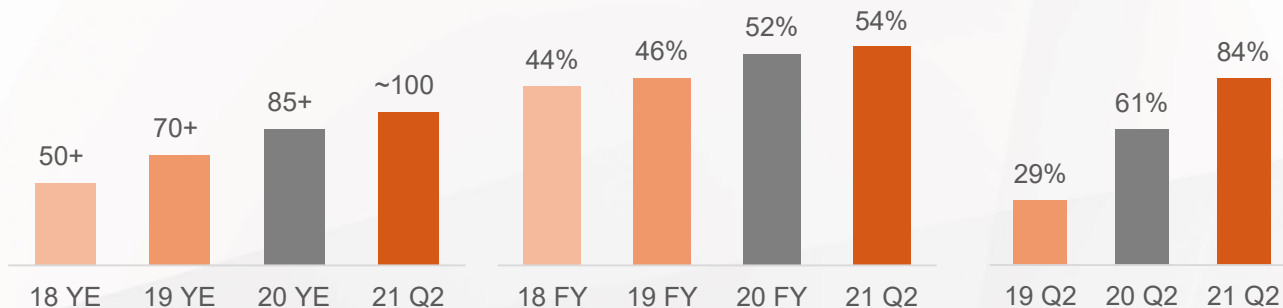
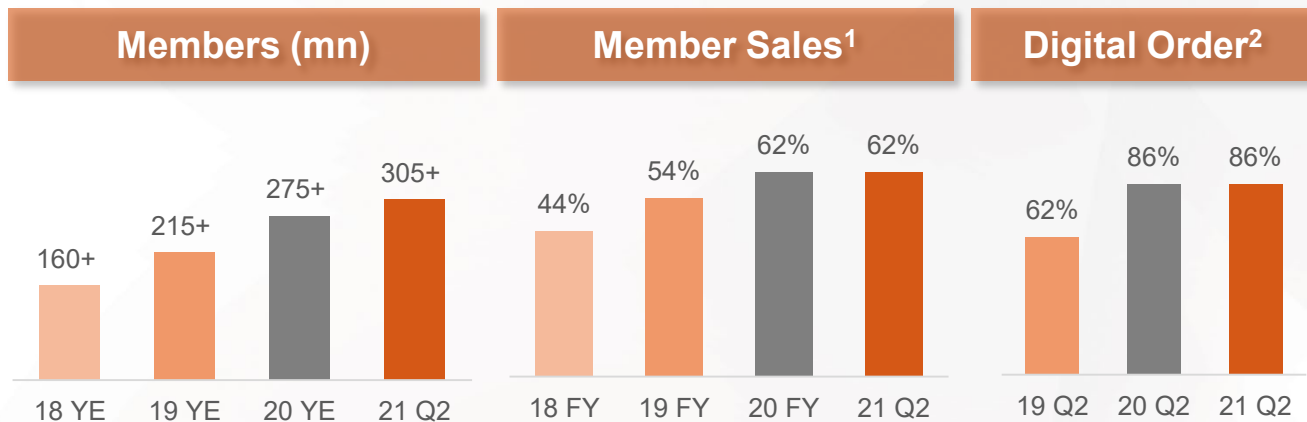
Operating Profit² (US\$ mn)



¹ Stated on a constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Vast Membership Program and Digital Platform



¹ Member sales as % of system sales

² Digital order as % of Company sales

Capital Allocation

Cash

- **US\$4.3 bn** cash and short term investment
- Strong operating cash flows

Capital Expenditure

- To accelerate store expansion and remodeling
- To develop our emerging brands
- To step up investment in digitalization, automation and logistics infrastructure

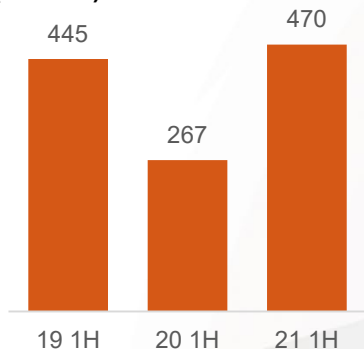
Shareholder Returns

- **US\$1.3bn** (since spin-off)
- Resumed cash dividends in 4Q'2020
- Resumption of share repurchases has been approved

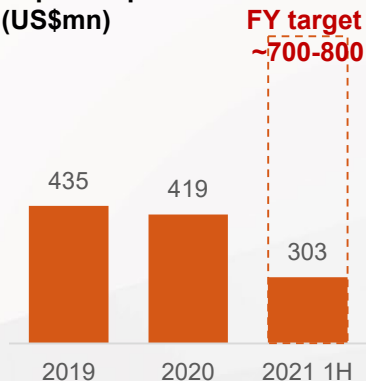
M&A and Investment

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

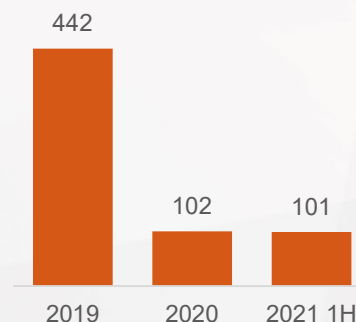
Free cash flow from operations¹ (US\$m)



Capital expenditures (US\$m)



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



Past transactions

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

¹ Refers to net cash from operating activities minus capital expenditure.

Reconciliation of Reported Results to Non-GAAP Measures



	Quarter Ended		Year to Date Ended	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Non-GAAP Reconciliations				
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 233	\$ 128	\$ 575	\$ 225
Special Items, Operating Profit	(4)	(4)	(7)	(5)
Adjusted Operating Profit	<u>\$ 237</u>	<u>\$ 132</u>	<u>\$ 582</u>	<u>\$ 230</u>
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	\$ 181	\$ 132	\$ 411	\$ 194
Special Items, Net Income – Yum China Holdings, Inc.	(4)	(4)	(7)	(5)
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 185</u>	<u>\$ 136</u>	<u>\$ 418</u>	<u>\$ 199</u>
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	\$ 0.43	\$ 0.35	\$ 0.98	\$ 0.51
Special Items, Basic Earnings Per Common Share	(0.01)	(0.01)	(0.01)	(0.02)
Adjusted Basic Earnings Per Common Share	<u>\$ 0.44</u>	<u>\$ 0.36</u>	<u>\$ 0.99</u>	<u>\$ 0.53</u>
Diluted Earnings Per Common Share	\$ 0.42	\$ 0.34	\$ 0.95	\$ 0.50
Special Items, Diluted Earnings Per Common Share	—	(0.01)	(0.01)	(0.01)
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.42</u>	<u>\$ 0.35</u>	<u>\$ 0.96</u>	<u>\$ 0.51</u>
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	24.8%	25.2%	27.6%	27.8%
Impact on effective tax rate as a result of Special Items	0.3%	0.6%	0.4%	0.5%
Adjusted effective tax rate	<u>24.5%</u>	<u>24.6%</u>	<u>27.2%</u>	<u>27.3%</u>

Details of Special Items

	Quarter Ended		Year to Date Ended	
	6/30/2021	6/30/2020	6/30/2021	6/30/2020
Share-based compensation expense for Partner PSU awards ⁽¹⁾	\$ (4)	\$ (1)	\$ (7)	\$ (2)
Derecognition of indemnification assets related to Daojia ⁽²⁾	—	(3)	—	(3)
Special Items, Operating Profit	(4)	(4)	(7)	(5)
Tax effect on Special Items ⁽³⁾	—	—	—	—
Special Items, net income – including noncontrolling interests	(4)	(4)	(7)	(5)
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income – Yum China Holdings, Inc.	<u>\$ (4)</u>	<u>\$ (4)</u>	<u>\$ (7)</u>	<u>\$ (5)</u>
Weighted-average Diluted Shares Outstanding (in millions)	435	388	434	387
Special Items, Diluted Earnings Per Common Share	<u>\$ —</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.01)</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 \$4 million and \$7 million associated with the Partner PSU Awards for the quarter and year to date ended June 30, 2021, respectively, and \$1 million and \$2 million for the quarter and year to date ended June 30, 2020, respectively.

2) In the quarter ended June 30, 2020, the Company derecognized a \$3 million indemnification asset previously recorded for the Daojia acquisition as the indemnification right expired pursuant to the purchase agreement. The amount was included in Other income, net, but was not allocated to any segment for performance reporting purposes.

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