



**YumChina**

# 2018 Investor Conference

November 2018

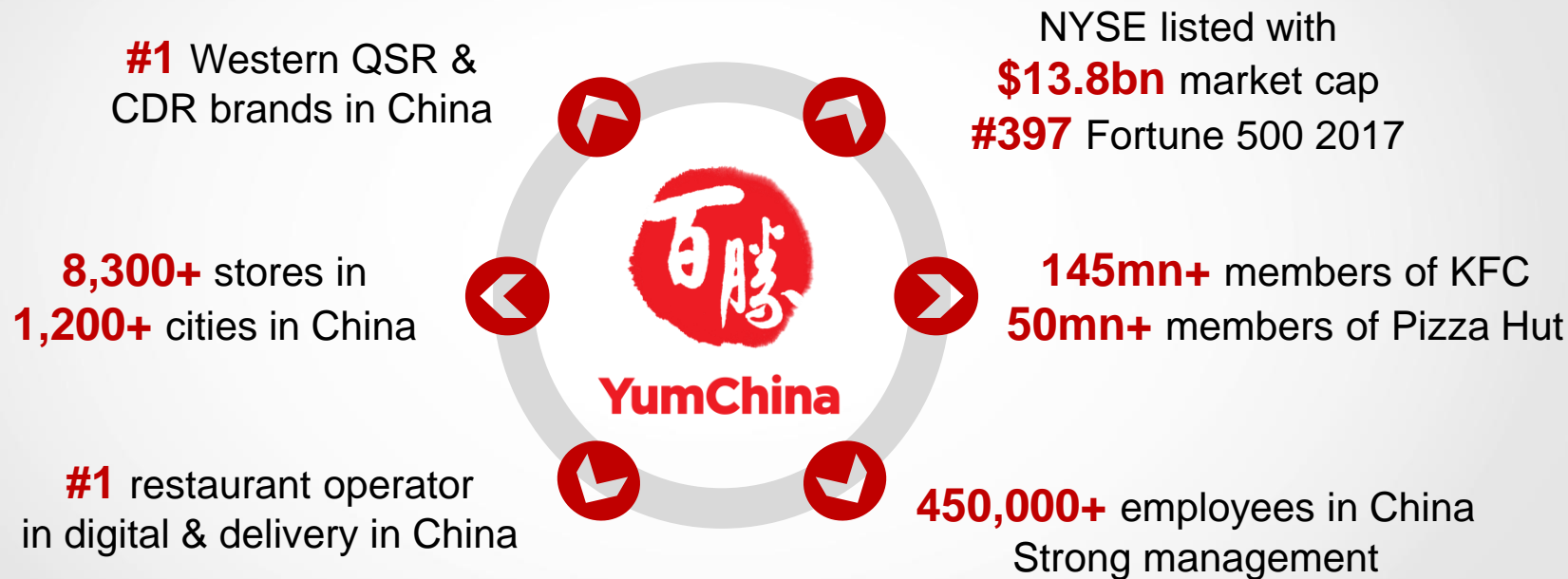


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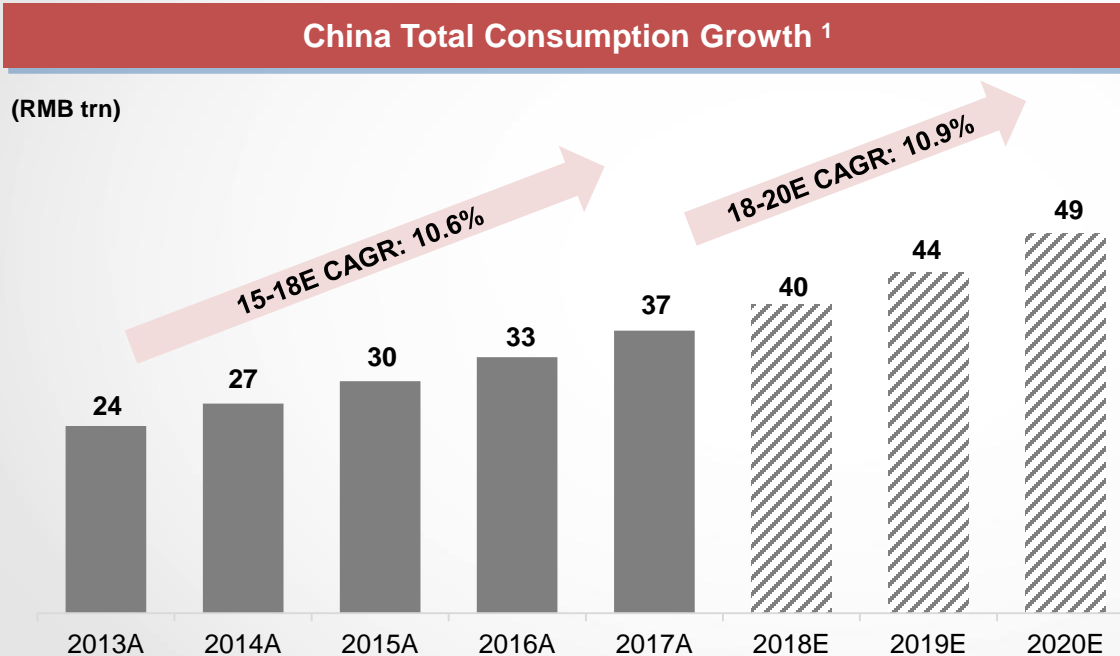
This presentation contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. We intend all forward-looking statements to be covered by the safe harbor provisions of the Private Securities Litigation Reform 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,” “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 and performance of Yum China, statements regarding the revitalization of Pizza Hut, anticipated effects of population and macroeconomic trends, the capital structure 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 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, 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 “Forward-Looking Statements” 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.

# Yum China by the numbers – a powerful business



# Strong Consumer Sector Underpinning China's GDP growth for Next Few Years

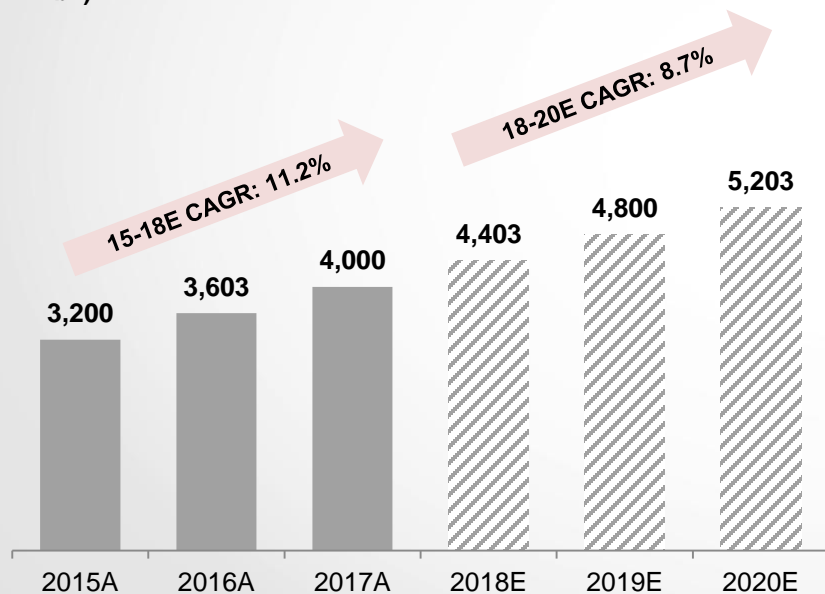


Consumption is expected to grow at ~11% CAGR between 2018 and 2020

# Fast Growing Dining Market Driven by Rapid Shift to Online-based Consumption

## Growing China Dining Market Size

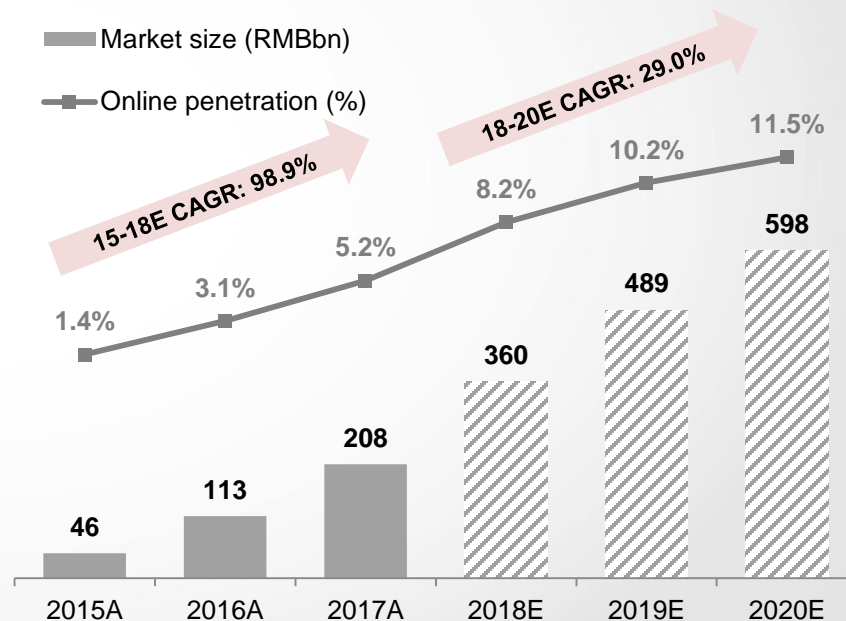
(RMBbn)



## Increasing Penetration of China Online Food Delivery Market

Market size (RMBbn)

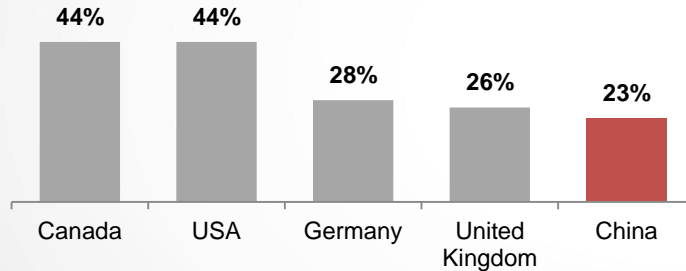
Online penetration (%)



# Huge Market Potential for Continued Expansion

## QSR Penetration – China vs Western Mature Markets

QSR Market as % of Overall Food Service Market <sup>1</sup>

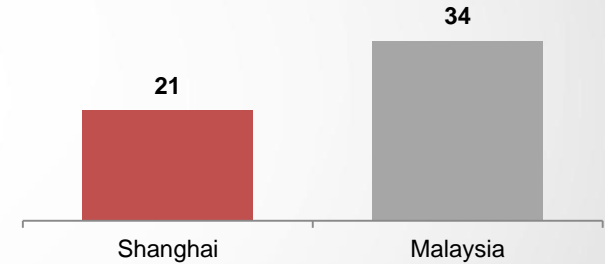


Market Size:

Market Size:	Canada	USA	Germany	United Kingdom	China
Total Food Service (\$bn)	44	524	45	90	728
QSR Market (\$bn)	19	228	13	24	166

## QSR Penetration – Shanghai vs Malaysia <sup>2</sup>

Restaurants per Million Inhabitants



KFC + PH	496 restaurants	1,082 restaurants
Population	24mm	32mm

Source: Euromonitor; Bain analysis.

<sup>1</sup> QSR penetration based on Bain 2016 analysis.

<sup>2</sup> Restaurant numbers and population as of 2017 year-end.

# A Powerful Digital Ecosystem



# A Digital Pioneer in the Restaurant Industry

2018  
Q3

145 million+ KFC members

50 million+ Pizza Hut members

40%+

Digital  
Ordering

(Mobile order + Online delivery)

82%

Digital  
Payment

44%

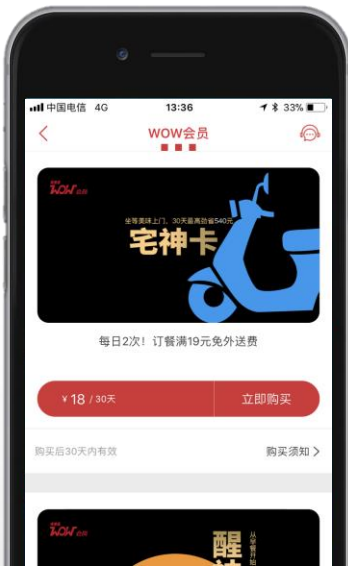
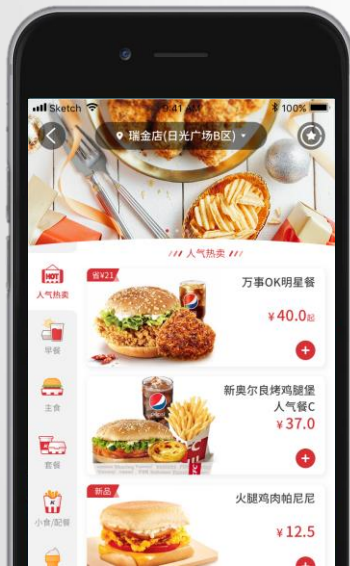
Digital  
Members Sales

~75%

Digital  
GES Coverage  
(Guest Experience Survey)

~60%

Digital  
Media Spend





# Privilege Subscription Program to Build Customer Loyalty and Increase Frequency

## Delivery Privilege



肯德基WOW会员超级月卡。  
每天免2次外送费。  
18元30天。

不买都对不起肯德基。

扫码下载肯德基超级APP  
9月开通超级月卡赠价值18元开卡礼

¥18 for 30 days  
Waived delivery fee  
(max 2 times per day)

## Breakfast Privilege



肯德基WOW会员超级月卡。  
每天1份任一早餐  
单品半价。  
18元30天。

不买都对不起肯德基。

扫码下载肯德基超级APP  
9月开通超级月卡赠价值18元开卡礼

¥18 for 30 days  
Half price on  
selected items

## Coffee Privilege



肯德基WOW会员超级月卡。  
每天1杯任一中杯  
现磨咖啡10元。  
18元30天。

不买都对不起肯德基。

扫码下载肯德基超级APP  
9月开通超级月卡赠价值18元开卡礼

¥18 for 30 days  
Medium size coffee @¥10  
(1 per day)

## Co-branded Privilege



天天免外送 免费看大片  
双月卡仅售38元

暑期卡4大权益

- 爱奇艺VIP/60天
- 早餐半价/8次
- 免外送费/120次
- 咖啡半价/8次

¥38 for 60 days  
Privileges at KFC  
and iQIYI

# Integrating Physical Store and Digital Capabilities to Enhance Customer Experience







# Product Innovation Differentiates KFC from Peers

Couple  
Burger



Chicken  
Taco



Crazy  
Thursday





# Build Dayparts and Product Categories to Drive SSSG

## Breakfast

KFC 早餐

大饼卷万物

8月 2018

帕尼尼 全系列升级 意式恰巴塔面包

芝士鸡肉+现磨咖啡 10

+1 升级 | 冰豆浆

KFC 早餐

6 元 7 元 8 元 9 元

粥 汉堡 豆浆 油条

## Coffee

WOW 会员 开学报到 咖啡气泡

现磨咖啡 买一送一

会员凭券购买 2018年9月7日-9月13日

冰咖啡 西柚气泡

冰咖啡 香柠气泡

COFFEE

扫一扫 打开我的卡包

参与活动产品

- 气泡冰咖啡系列(中)
- 冰美式(中)
- 拿铁(中/热)(中)
- 榛果风味冰拿铁(中)
- 香芋风味冰拿铁(中)

## Dessert

猫山王 榴莲冰淇淋花筒

阿方索芒果 冰淇淋 8

黑糖脏脏茶 16

和风抹茶口味 18

KFC 冰激凌 冰沙





# Expand with Multiple Store Formats and Different Designs







# Refreshed Brand Identity for Pizza Hut



Pizza Hut's New Identity: **ALWAYS SOMETHING NEW**







# Revitalization Program Focused on Four Pillars



**I. FIX  
FUNDAMENTALS**



**II. ENHANCE  
DIGITAL**



**III. OPTIMIZE  
DELIVERY**



**IV. EXPERIMENT  
NEW MODELS**



# Rapid Improvement in Digital and Delivery Capabilities

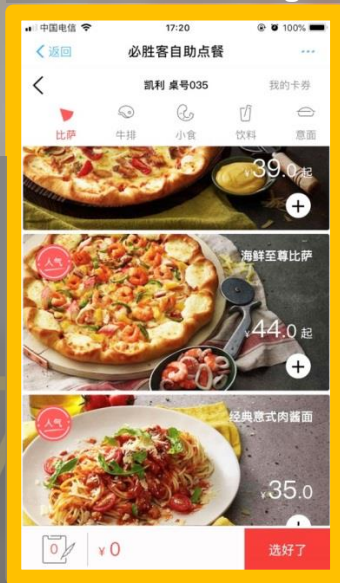
## Digital

**50mn+** members

**43%** members sales

**14mn** brand app downloads

### In-store tableside Mobile ordering



## Delivery

**25%** of Company sales

**97%** store coverage

**498** cities



Note: No. of members, app downloads and cities as of Q3 2018; other results for Q3 2018; All YoY comparison stated in constant currency basis.





# Reinforce Core Competencies and Strengthen Value Perception

## Reinforce the Core



## Innovation on New Flavor



## Improve Value Perception



I. FIX  
FUNDAMENTALS

II. ENHANCE  
DIGITAL

III. OPTIMIZE  
DELIVERY

IV. EXPERIMENT  
NEW MODELS



# Innovative and Craveable Desserts & Drinks



I. FIX  
FUNDAMENTALS

II. ENHANCE  
DIGITAL

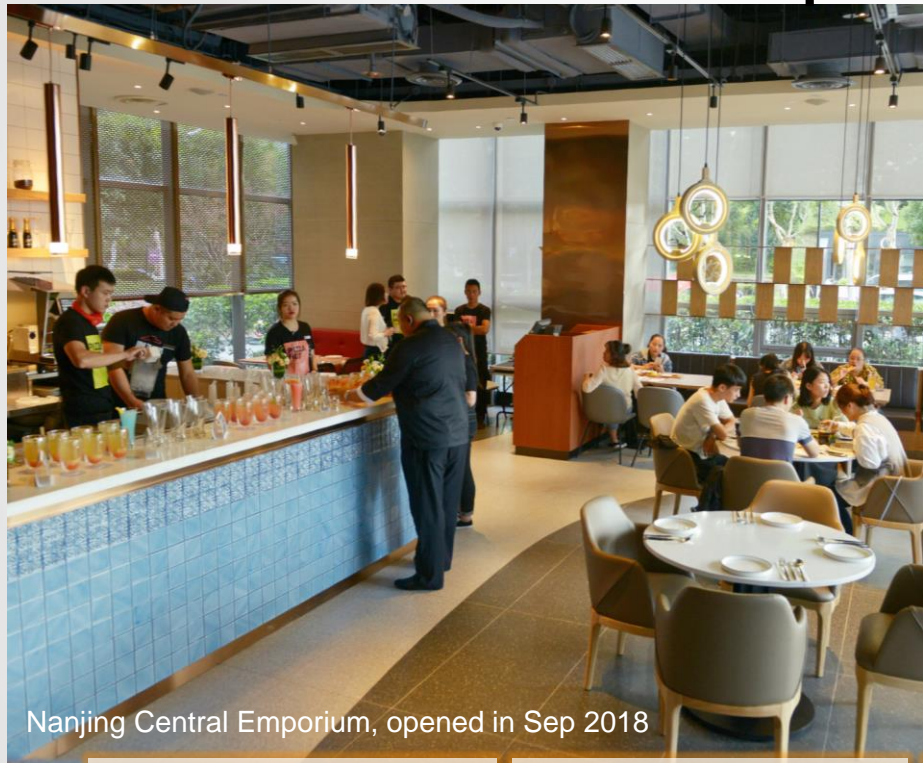
III. OPTIMIZE  
DELIVERY

IV. EXPERIMENT  
NEW MODELS





# Optimizing Portfolio with Remodels and Multiple Store Formats



**I. FIX  
FUNDAMENTALS**

**II. ENHANCE  
DIGITAL**



**III. OPTIMIZE  
DELIVERY**



**IV. EXPERIMENT  
NEW MODELS**





# Exploring New Coffee Concept - COFFii & JOY



Joycity, Hangzhou



IFC, Nanjing

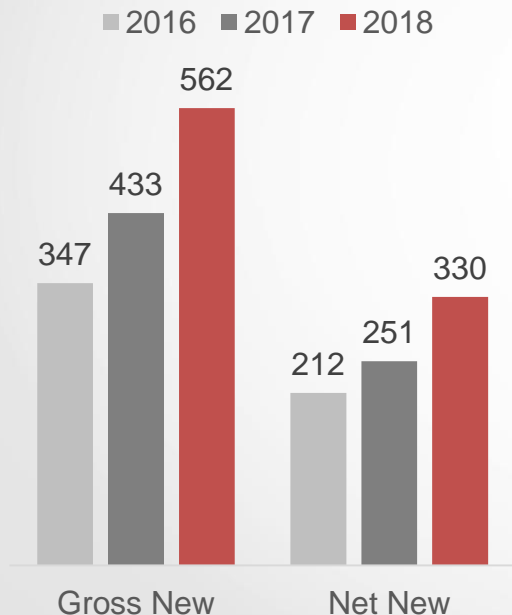


- New concept in 2018
- 6 new stores as of Sep
- Multiple store formats

# Accelerated New Store Openings with Healthy Return

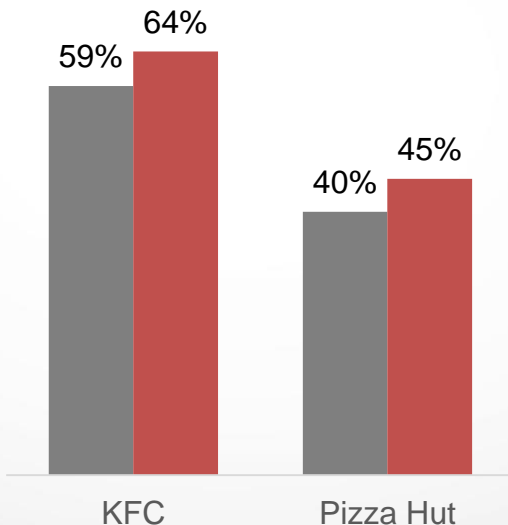


## New Stores YTD<sup>1</sup>



## Store Mix in Tier 3-6

Legend: All Stores (dark gray), New Stores YTD (red)



## New Unit Return<sup>2</sup>

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

<sup>1</sup> January to September

<sup>2</sup> Refers to Average Pre-tax Cash Payback Period; Includes units opened between April 2016 and March 2017, after deduction of 3% license fee.



# Strong Cash Position



**Net cash from  
operating activities**

Jan-Sep 2018

**\$1.17 bn**



**Free cash flow**

Jan-Sep 2018

**\$814 mn**



**Cash and short-  
term investments**

As of Sep 30 2018

**\$1.53 bn**

**Continue to leverage our strong cash flow to support business  
growth and return values to shareholders**

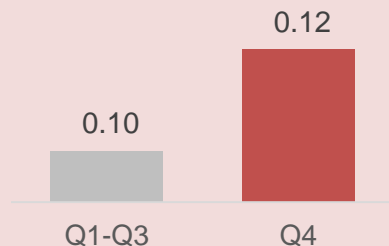
# Higher Cash Dividends and Expansion of Share Repurchase Authorization

## Dividends

**2018 Q3: \$38 mn**  
**2018 Jan-Sep: \$115 mn**

**20%  
increase**  
in cash  
dividends

Quarterly Cash Dividend (\$)

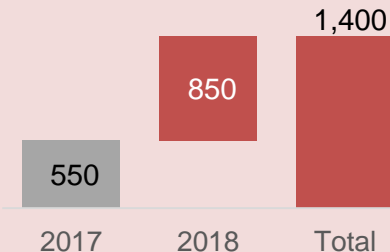


## Share Repurchases

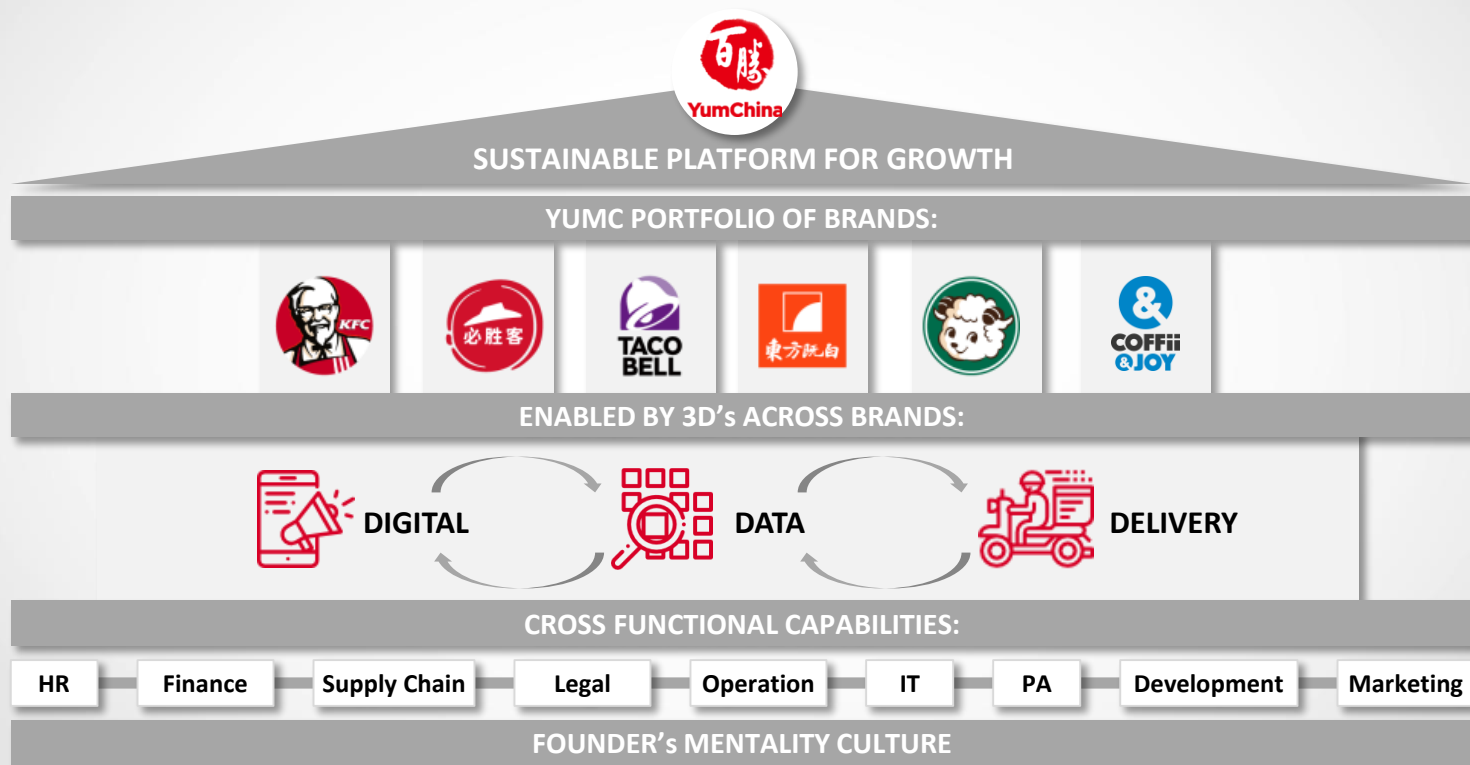
**2018 Q3: \$94 mn**  
**2018 Jan-Sep: \$167 mn**

Increase  
share  
repurchase  
authorization  
to **\$1.4 bn**

Total Authorization (\$ mn)



# Long-term YUMC Strategy: Dynamic Brands Built on a Sustainable Platform for Growth



Potential to grow to 20,000 stores over the long term, 2.5x today's store base