



YumChina

Morgan Stanley's Fourth Annual China Summit

Joey Wat, CEO

May 30, 2018



Joey Wat – CEO

2000-2003	McKinsey & Company
2004-2014	AS Watson of Hutchinson Group
2014-Current	Yum! Restaurants – China Division / Yum China
2014 Sep	President / CEO of KFC China
2017 Feb	President and Chief Operating Office of Yum China
2017 Jul	Member of Yum China Board of Directors
2018 Mar	CEO of Yum China



Yum China by the numbers – a powerful business



#1 Western QSR &
CDR brands in China

\$14Bn market cap**
#399 Fortune 500 2017***

8,112 stores in
1,200+ cities*

120mn+ members of KFC*
40mn+ members of Pizza Hut*

#1 restaurant operator
in digital & delivery in China

450,000+ employees
Strong management



*Store and member counts as of 2018 Q1

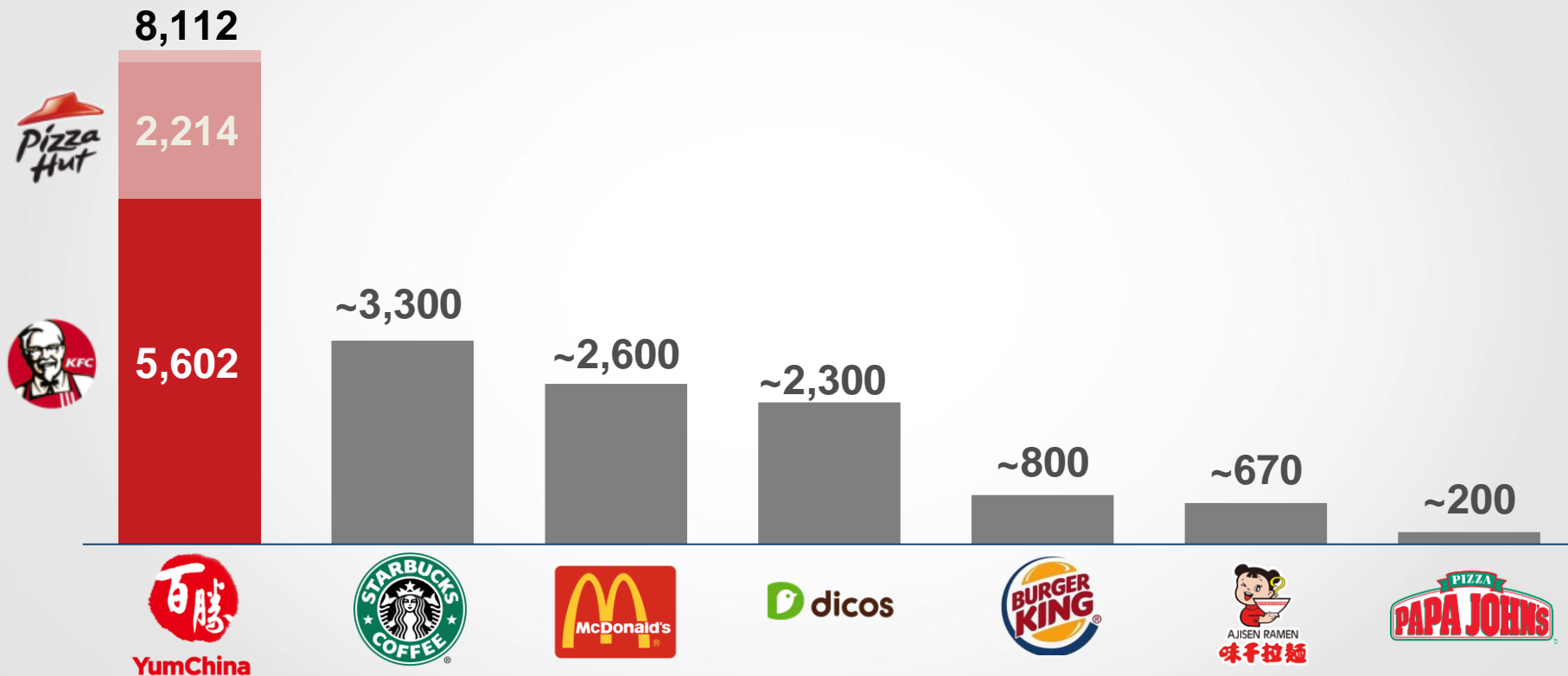
** As of the close of May 15, 2018

*** In terms of sales

World's Top 10 Restaurant Companies

Rank	Company	Market Cap (\$ billion)	Store Count
1	McDonalds	128	37,286
2	Starbucks	78	28,209
3	Yum Brands	27	45,323
4	Restaurant Brands	26	24,559
5	Yum China	14	8,112
6	Chipotle	12	2,441
7	Darden	11	1,733
8	Dominos	10	14,966
9	Dunkin' Donuts	5	20,591
10	Wendy's	4	6,633

The largest restaurant chain in China



How we create value for shareholders

1

**NET NEW UNIT
DEVELOPMENT**

2

**SAME-STORE
SALES GROWTH**

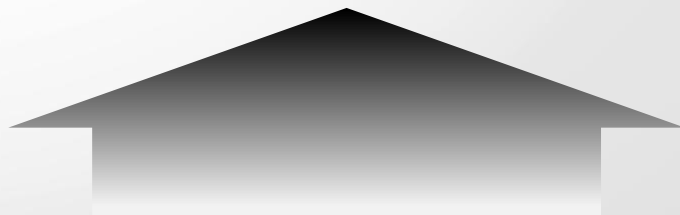
3

**MARGIN
MANAGEMENT**

4

**STRATEGIC
CAPITAL ALLOCATION**

**SHAREHOLDER
RETURNS**



National footprint with deep penetration

5,600+ KFC stores

2,200+ Pizza Hut stores

1,200+ Cities with stores

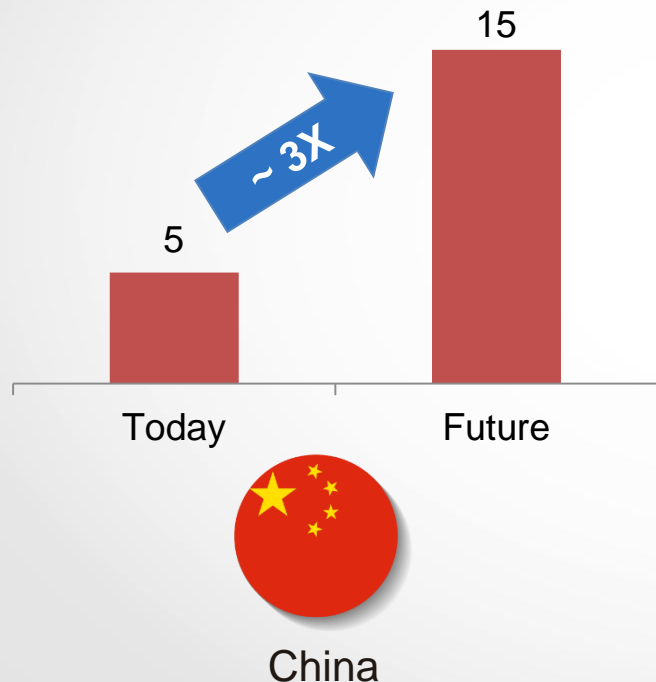
900+ Cities with delivery service

17 Logistic centers



Potential to triple units over long term

Yum China Restaurant Penetration¹
(per million people)



Cross-functional expertise
supporting unit growth

#1 Restaurant developer in China

Deep internal know-how

Disciplined decision making and
execution

¹We define restaurant penetration as number of Yum China restaurants per million people. It is calculated as follow: Yum China's total unit count divided by total China population



KFC Delivered Strong Performance in 2018Q1



Q1 2018 Highlights



SSSG +5% YoY¹, System sales +9% YoY¹



Q1 2018: 144 new stores, 118 remodels
Q1 2017: 85 new stores, 84 remodels



Restaurant Margin at 20.9%, +0.1ppt YoY



Operating Profit +11% YoY¹

¹Stated in constant currency basis.



Premium Innovative Products Delighting Consumers

Jan: Crayfish Burger

KFC 小龙虾
不剥虾壳
吮指十三鲜
小龙虾嫩鸡堡

KFC 餐厅和宅急送均有供应

Feb: CNY Bucket

新
金玉旺财
避风塘热辣脆皮鸡
新
珍宝糯米翅
比餐牌总价 劲省 55元

Mar: Spicy chicken burger

热辣
藤椒嫩笋鸡腿
双层堡/卷
¥19
¥17
藤椒嫩笋
鸡腿卷



Well-rounded Marketing Campaign Drove Chinese New Year Sales



- Well-rounded national campaigns
- Local marketing
- Excellent in-store execution



Digital & Delivery Engines Drove Growth



Digital

120mn+ members
(+50mn YoY)

38% Members sales
(+15ppt YoY)

20% Pre-order
(+18ppt YoY)



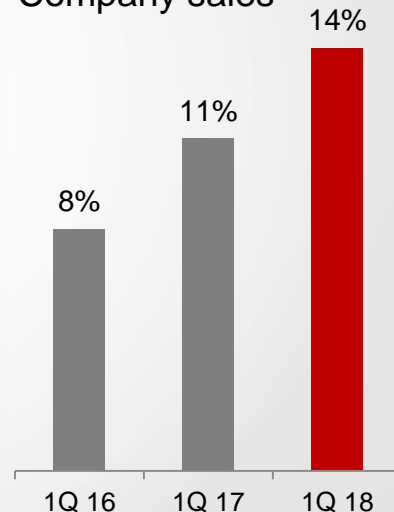
Delivery

+39%
Delivery sales YoY

3,300+ stores
(+600 YoY)

970 cities
(+260 YoY)

Delivery as % of
Company sales





Grow Dayparts and Categories

Breakfast


KFC 早餐 新年礼·满盘新意

新早餐全餐

送开工红包 价值50元 2018.01.29-02.25 限 NOW 会员

西式全餐

- 帕尼尼面包 (2片)
- 图林根风味香肠 (2根)
- 培根炒蛋
- 香脆薯饼
- 美式 (中)



DELUXE BREAKFAST

吮指原味 自在随心

Coffee



COFFEE

诚心橙意风味拿铁咖啡。
诚心橙意恭喜你。

Dessert / Kiosks



抹茶 1500自抹茶颗粒 比利时 巧克力

抹茶巧克力双旋
或 抹茶冰淇淋花筒

¥8

抹茶巧克力双旋圣代 ¥12.5
抹茶圣代

抹茶冰淇淋产品于2018年3月15日起在全国上市。数量有限，售完即止。不同城市餐厅的抹茶冰淇淋产品规格有所差异，具体请以餐厅公示为准。产品包装请以实际为准。



Pizza Hut Continues its Revitalization Journey

Q1 2018 Highlights



SSSG -5% YoY¹, System sales -1% YoY¹



Q1 2018: 41 new stores, 7 remodels
Q1 2017: 41 new stores, 11 remodels



Restaurant Margin at 10.5%, -9.2pt YoY



Operating Profit -61% YoY¹

¹Stated in constant currency basis.



Remain Confident to Revitalize Pizza Hut



- Food taste & value for money
- Labor efficiency

I. Fix Fundamentals



- Digital user base
- Online experience

II. Enhance Digital



- Own channel
- Cost efficiency

III. Optimize Delivery



- Multiple formats
- New store design

IV. Experiment New Models



Digital & Delivery Working in Parallel Driving Growth



Digital

40mn+ members
(+20mn YoY)

46% Members sales
(+41ppt YoY)

9mn+ Brand App
Downloads



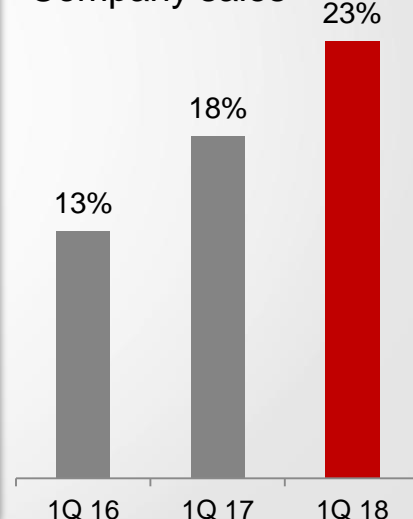
Delivery

+26%
Delivery sales YoY

2,100+ stores
(+200 YoY)

450+ cities
(+90 YoY)

Delivery as % of
Company sales



Strong Cash Position



**Net cash from
operating activities**

Q1 2018

\$551 mn



Free cash flow

Q1 2018

\$440 mn



**Cash and short-
term investments**

As of Mar 2018

\$1.59 bn

1. Cash Dividend of \$0.10 per share declared for 3 quarters
2. \$550mn share repurchase authorized, \$128 mn completed
3. Acquired additional 36% interest in Wuxi KFC

Focus on 4 Key Strategic Priorities

Focus on China

Invest locally for growth

Digital and Delivery

Invest and maintain lead



Strengthen Core Business

Improve stores, innovate menu, improve quality and value

Innovation

Product categories, formats and day parts

Long term financial targets

**High Single
Digit**

System sales growth,
ex FX

~17%

Restaurant margin

**Double
Digit**

Operating profit
growth, ex FX

全球最创新的 餐饮先锋



The World's Most Innovative Pioneer
In Restaurant Industry



传奇百胜



YumChina

