



LAVAZZA
TORINO, ITALIA, 1895

烧范儿



YumChina

NYSE: YUMC and HKEX: 9987

Fourth Quarter and Fiscal Year 2022 Results

8 February 2023



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,” “commit,” “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, liquidity, 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, beliefs regarding the long-term drivers of Yum China’s business and GHG emissions reduction targets. 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 outbreaks caused by existing or new COVID-19 variants, 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.

Exemplary Performance Underpinned by RGM Strategy



Three Years 2020-2022			From 2019 to 2022	
+3,747	~\$1.9bn	\$1bn+	~20% → ~39%	~55% → ~89%
Net New Stores ¹	Free Cash Flow	Share Repurchases & Cash Dividends	Delivery Sales ²	Digital Orders % ³

Resilience

- Remained profitable since the beginning of the pandemic
- Stayed agile and proactively restructured cost base to protect margin

Growth

- Maintained accelerated pace of store openings and healthy store payback
- Pivoted quickly to capture off-premise demand

Moat

- World-class, in-house supply chain to ensure food safety, availability and product innovation
- Digitalization enhanced customer service & operation efficiency

¹ Includes Huang Ji Huang stores acquired in 2020.

² Stated on a constant currency basis. Includes KFC and Pizza Hut. Adjusted KFC delivery sales for 2019 include Hangzhou KFC for a like-for-like comparison with 2022.

³ % of Company sales (includes KFC and Pizza Hut).

Delivered Solid Q4 and FY Profit and Growth Despite Significant Operational Challenges



RMB to USD rate vs prior year • Q4: ~11% depreciation • FY: ~4% depreciation	Q4		Full Year	
	2021	2022	2021	2022
Total stores	11,788	12,947	11,788	12,947
Net new stores	373	538	1,282	1,159
Revenue (\$bn)	2.29	2.09	9.85	9.57
Operating profit ¹ (\$mn)	633	41	1,386	629
Adjusted operating profit (\$mn)	16	40	766	633
Revenue growth ²	1%	(9)%	19%	(3)%
System sales growth ³	(3)%	(4)%	10%	(5)%
Same-store sales growth ³	(11)%	(4)%	(1)%	(7)%
Restaurant margin	7.5%	10.4%	13.7%	14.1%
Members	360 mn+	410 mn+	360 mn+	410 mn+
Off-premise sales ⁴	55%+	70%+	55%+	~65%
Digital orders ⁴	~88%	~90%	~86%	~89%

Fourth Quarter:

- Improved restaurant margin by 290 basis points despite sales deleveraging impact
- Delivered meaningful operating profit and substantial adjusted operating profit growth

Full Year:

- Expanded portfolio by 1,159 stores with healthy new store payback
- Achieved solid operating profits throughout the year despite severe COVID situations and lockdowns

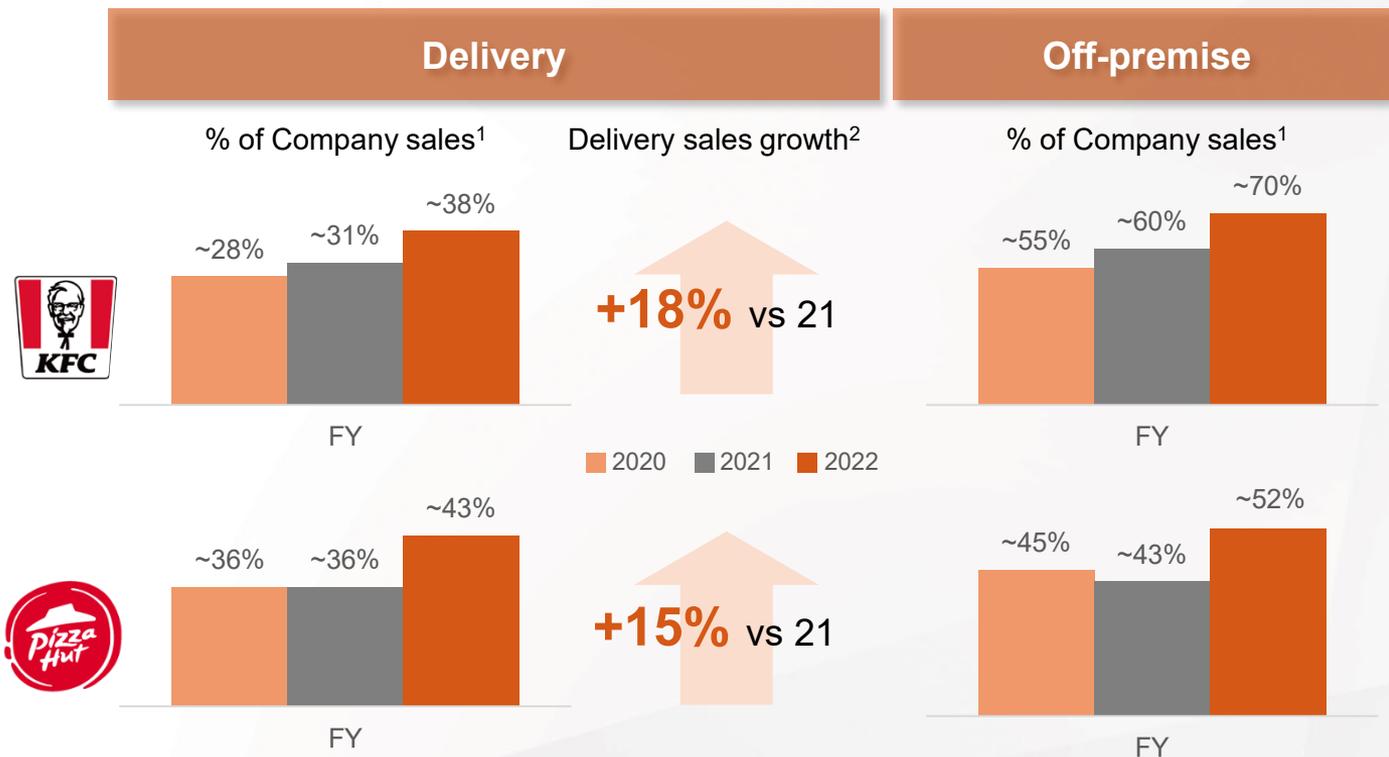
¹ 2021 Q4 Operating profit includes a one-time re-measurement gain of \$618mn in connection with the consolidation of Hangzhou KFC.

² Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020, Suzhou KFC from August 2020 and Hangzhou KFC from December 2021.

³ Stated on a constant currency basis

⁴ % of Company sales (includes KFC and Pizza Hut)

Off-premise Demand Surged in 2022



KFC Takeaway

肯德基安心取
肯用心 多安心

**欢迎您使用
外带自取方式下单**



推荐使用手机点餐
少接触,更安心



Recommending customers to order takeaway

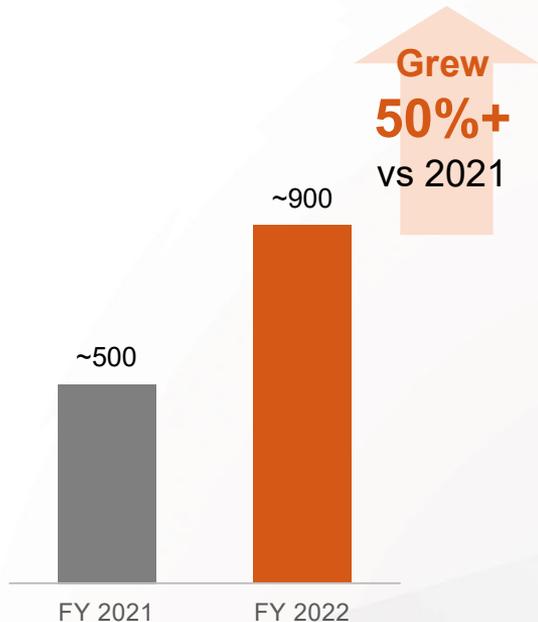
¹ Includes KFC (Suzhou KFC included since August 2020 and Hangzhou KFC since December 2021) and Pizza Hut.

² Stated on a constant currency basis. Adjusted KFC delivery sales for 2021 include Hangzhou KFC for a like-for-like comparison with 2022.

Capturing At-Home Demand with New Retail Offerings

Packaged Food Sales

¥ mn



KFC



Single bone chicken, popcorn chicken, chicken breast, egg tart, fried rice

Pizza Hut

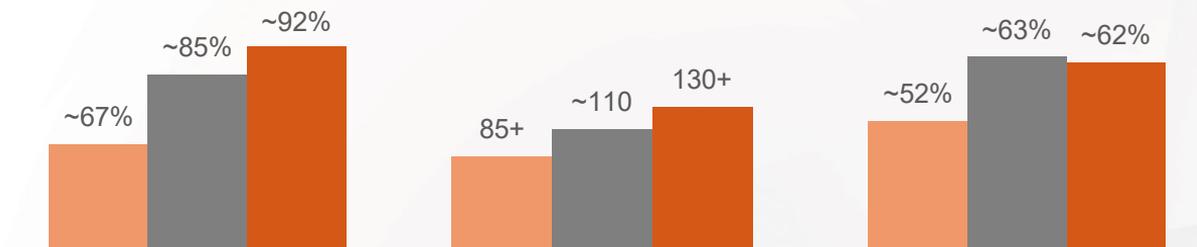


Sirloin steak, beef patty, baked rice with cheese, tomato & beef

~\$8 billion Digital Sales in 2022



FY 2020 FY 2021 FY 2022



Power of Membership Programs

Drive member frequency, spending and strengthen their loyalty

Understand customer preferences and engage members via online channels

Improve customer convenience and restaurant efficiency

¹ Includes KFC (Suzhou KFC included since August 2020 and Hangzhou KFC since December 2021) and Pizza Hut.

² Cumulative as of period-end

³ Includes KFC and Pizza Hut. From 2022, in addition to transactions in which members self-identified as members (i.e., through member QR code, using member coupons/vouchers, ordering via Super-Apps or other own channels), member sales also include 1) transactions in which members order using our coupons/vouchers through third party e-commerce platforms, 2) Pizza Hut tableside orders paid through POS terminals, provided members could otherwise be identified as members. 2021 data restated to reflect this change. Before restatement KFC was 62% and PH was 56% in 2021.

Record Number of New Stores in Q4 2022

Opening Profitable New Stores for Long-Term Growth

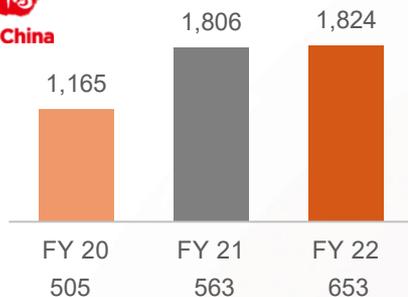
Expanding Store Portfolio

Penetrating into Lower-tier Cities

Maintained New Unit Payback¹



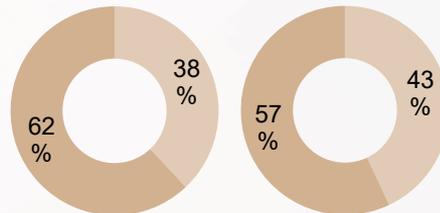
Gross New Stores



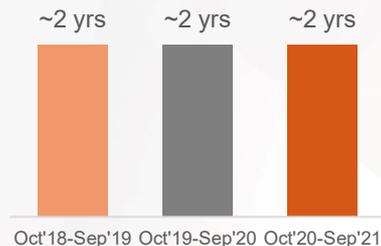
FY22

Net New Stores

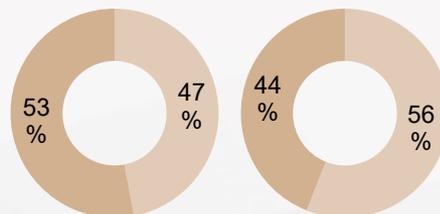
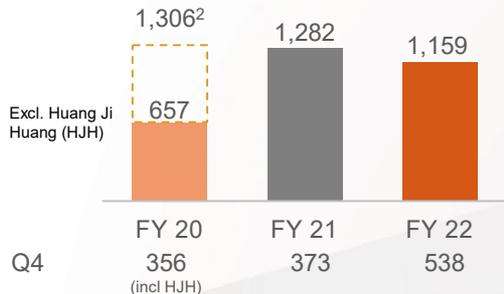
Total Stores



By Year of Opening



Net New Stores



¹ Refers to Average Pre-tax Cash Payback Period assuming yearly cashflow is same as year 1, after deduction of 3% license fee and before G&A expenses and income tax; Years refer to store opening period.

² Includes 649 Huang Ji Huang stores

KFC: Maintaining Solid Profits and Market Leadership



	2022	
	Q4	Full Year
Total stores	9,094	
Net new stores	419	926
System sales growth ¹	(1)%	(4)%
Same-store sales growth ¹	(3)%	(7)%
Restaurant margin	12.7%	15.7%
Operating profit (\$ mn) ²	117	787
Delivery sales ³	~44%	~38%
Off-premise sales ³	70%+	~70%
Digital order ³	~89%	~89%

¹ Stated on a constant currency basis

² Segment operating profit before unallocated costs in reported currency

³ % of Company sales

Photo: KFC store in Shanghai Metro City



Driving Traffic with Strong Value Propositions

Crazy Thursday

KFC 疯狂星期四
九块九块九 15日 22日 29日

橘柚柚爆有果汁茶
2杯19块9
¥19.9/2杯

肯德基爱心鸡块5块
+ 爆汁柠桔茶1杯
¥9.9/1份

肯德基爱心鸡块
9块9块9
¥9.9/9块

盐酥鸡
4份19块9
¥19.9/4份

老北京鸡肉卷
3个29块9
¥29.9/3个

Selected items at ¥9.9/19.9/29.9

Buy More Save More
on Sunday

KFC 周日疯狂拼

4拼 6拼 8拼
66折 55折 5折

**圣诞节要开心
宠爱自己来4拼!**

扫码点餐

34%-50% off (4-8 items)

Wing Bucket

**爷爷的翅桶
限时回归** 10/8-10/30

39.9元
十翅一桶

到店 外送同享

42元
肯德基摇摇桶5件套

+1元摇起来啦!

购买39.9元十翅一桶
+1元可升级全新辣条风味翅桶

Bucket with 10 wings at ¥39.9.
Available for dine-in and delivery

Christmas Buckets

KFC 宅急送 惊喜圣诞月

**圣诞惊喜桶系列
桶桶¥39.9**

39.9 圣诞限定炸鸡桶

39.9 全鸡双人桶

39.9 圣诞限定炸鸡桶

外送到家
快来享用圣诞惊喜美味吧!

即日起至12月1日
惊喜桶系列任购2套
加送香辣鸡腿堡1个, 还有限量扑克牌等你来得

立即下单

Fried chicken / Whole chicken /
Beef burger buckets at ¥39.9

Delighting Customers with Good Fun and Tasty Variety



Chicken & Duck
Burger and Roll



Chicken & duck burger/roll at ¥21/19

Crispy Chicken with
Mini Cheese Fondue



Combo with fondue pot from ¥85.9

Bouncy Chicken



Cat's toy, comes with the ¥86 two-person set

Fluffy Chicken Popcorn



New retail combo at ¥33.9 Shanghai only

Pizza Hut: Growing Off-Premise Sales and Accelerating Store Openings



	2022	
	Q4	Full Year
Total stores	2,903	
Net new stores	97	313
System sales growth ¹	(6)%	(3)%
Same-store sales growth ¹	(8)%	(6)%
Restaurant margin	1.9%	9.2%
Operating profit (\$ mn) ²	(20)	70
Delivery sales ³	~52%	~43%
Off-premise sales ³	~62%	~52%
Digital orders ³	~93%	~92%

¹ Stated on a constant currency basis

² Segment operating profit before unallocated costs in reported currency

³ % of Company sales

Photo: Pizza Hut store in Shanghai Metro City



Great Variety in All Categories

Steak



Sizzling grilled steak at ¥59

100 Million+ Pizzas Sold in 2022



Stuffed crust pizza



Peking duck / Cumin lamb / Spicy & hot supreme

Crispy Chicken



Chicken breasts with traditional Chinese seasonings



Bountiful Choices Across Price Ranges

¥29.9 Scream Wednesday

¥69 Steak & Pizza Combo

¥99 Steak & Pizza Combo

Buy More Save More Combo

必胜客 | 尖叫星期三

周三又双又 on call 24 小时?
吃个比萨 状态回满

尊享时间: 限11.9.11.16.11.30 周三

29.9元

薯角培根比萨/意式肉酱比萨
(普装手拍/铁盘)

更多尖叫价详见菜单

Potato wedges & bacon / Bolognese pizza at ¥29.9

必胜客

预售开启

69元2件

全渠道限量83万份

会员团购

抢先国券享美味

使用时间: 12月8日-12月18日

Limited offer, 7 days only: 2 pizzas or pieces of steak at ¥69

必胜客

爆款牛排比萨

99元2件

任选

牛排比萨 10款比萨 5天狂欢
互选|复选 4种饼底 11.21-25

5 days only: 2 pieces of steak or pizza at ¥99

必胜客

必胜聚划算套餐

多件多折!

活动时间: 2022年9月17日-11月6日 | 手机扫码/外带自取专享

9件7折 7件7折 6件8折

点得多省得多
约40种美味 任意选

20-30% discount (6-9 items), ~40 choices

Lavazza: Making Progress Along its Four-Pillar Strategy

Authentic Italian Experience



Cube Cornetto

Coffee Expertise



Orange buffalo milk latte /
Double choco mocha

Digital & Delivery Capabilities



Welcome gift worth ¥50 for new members

Optimize Store Models



Expanded to 85 stores in 11 cities
Photos: Lavazza store in Nanjing Golden Elephant City

Taco Bell: Localizing Menu and Innovating Store Models

Crispy Wonton Taco	Chicken Taco	Quesadilla	91 Stores in 12 Cities

Crispy taco made with wonton wrapper/
Soft taco with duck at ¥13.9

Chicken taco with green papaya
combo at ¥39.9

Quesadilla with chicken / beef /
Sultan durian and cheese from ¥32

Taco Bell store in
Guangzhou Tee Mall

Huang Ji Huang and Little Sheep: Refining Business Models and Strengthening Fundamentals

Huang Ji Huang



591 stores



Little Sheep



183 stores



Capital Allocation Balances Operations Needs, Long-term Growth and Return to Shareholders



\$ million	Full Year		
	2020	2021	2022
Cash and short-term investment	4,263	3,996	3,152 ²
Cash flow from operating activities	1,114	1,131	1,413
Capital expenditure	419	689	679
Free cash flow ¹	695	442	734
Cash dividends distributed	95	203	202
Share repurchases	7	75	466

Disciplined Capital Allocation

- Maintain sufficient cash for operations and contingencies
- Make significant capex investment in store network expansion, supply chain infrastructure and digital
- Committed to returning excess cash to shareholders:
 - ✓ \$1bn+ in 2020-2022
 - ✓ ~\$1.2bn share repurchases authorization remained available as of December 31, 2022
 - ✓ Increasing cash dividend payments from \$0.12 to \$0.13 per share from Q1 2023
- Remain disciplined in M&A

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

² Around \$600mn was reclassified from short-term investment to long-term time deposits in Q4 2022.

2023: Continue to Invest for Growth



- Expects to open approximately 1,100 to 1,300 net new stores
- Continue with disciplined approach in opening high-quality new stores



- Expects capital expenditure in the range of \$700mn to \$900mn
- Make significant capex investments in store network expansion, supply chain infrastructure and digital

Appendix

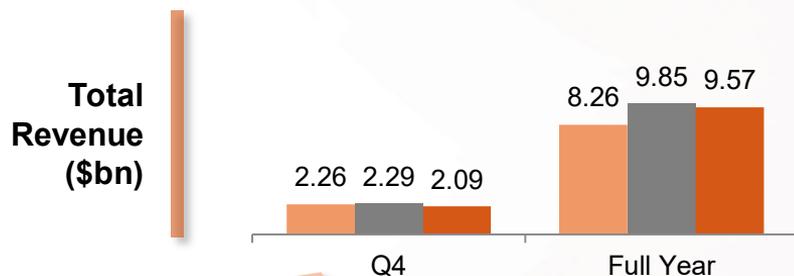
Yum China Key Financials

	Q4'20	Q4'21	Q4'22	Q4 YoY	FY'20	FY'21	FY'22	FY YoY
Same-store sales growth ¹	(4)%	(11)%	(4)%	/	(9)%	(1)%	(7)%	/
System sales growth ¹	+5%	(3)%	(4)%	/	(5)%	+10%	(5)%	/
Total revenue (\$bn)	2.26	2.29	2.09	(9)%	8.26	9.85	9.57	(3)%
Restaurant margin	15.1%	7.5%	10.4%	+2.9ppts	14.9%	13.7%	14.1%	+0.4ppt
Operating profit (OP) (\$mn)	180	633	41	(94)%	961	1,386	629	(55)%
Adjusted OP (\$mn)	182	16	40	+152%	732	766	633	(17)%
Net income (NI) (\$mn)	151	475	53	(89)%	784	990	442	(55)%
Adjusted NI (\$mn)	153	11	52	+376%	615	525	446	(15)%
Diluted EPS (\$)	0.35	1.10	0.13	(88)%	1.95	2.28	1.04	(54)%
Adjusted Diluted EPS (\$)	0.35	0.03	0.13	+333%	1.53	1.21	1.05	(13)%

¹ Stated on a constant currency basis.

Note: Includes the consolidation of Huang Ji Huang from April 2020, Suzhou KFC from August 2020 and Hangzhou KFC from Dec 2021; Percentages may not recompute due to rounding

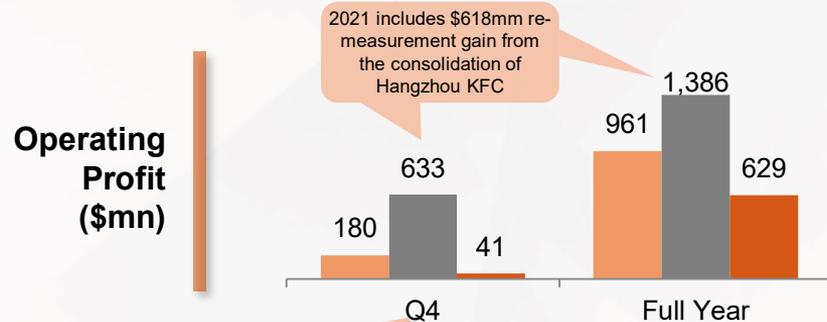
Key Factors of Year-over-year Change



Key factors for Q4 year-over-year decline

- Same-store sales decline
- Temporary store closures
- Foreign exchange
- + New unit contribution
- + Consolidation of Hangzhou KFC

■ 2020 ■ 2021 ■ 2022



Key factors for Q4 year-over-year decline

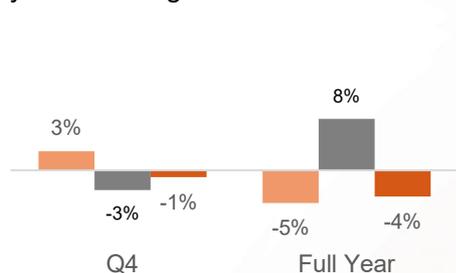
- Lapping of \$618mm re-measurement gain from the consolidation of Hangzhou KFC in 2021 Q4
- Sales deleverage
- Increased rider cost associated with the rise in delivery volume
- Commodity and wage inflation
- Foreign exchange
- + New unit contribution
- + Cost savings and productivity gains
- + Temporary relief
- + Consolidation of Hangzhou KFC



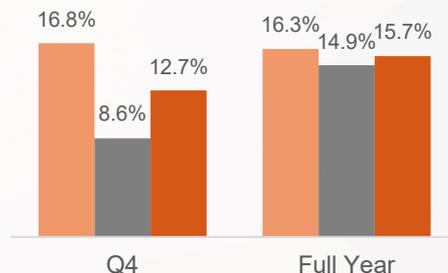
KFC Key Financials

Sales Growth (%)

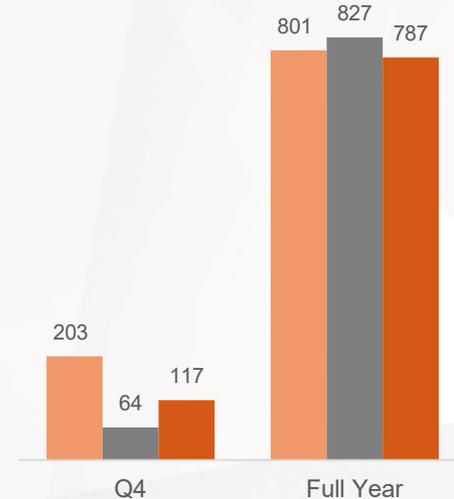
System sales growth ¹



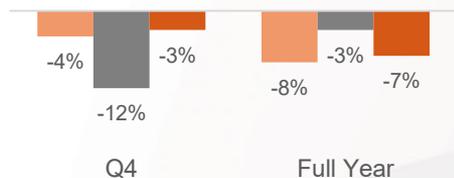
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2022 vs 2021	Q4
Same-store sales	(3)%
- Transactions	(16)%
- Average ticket	+16%

¹ Stated on a constant currency basis.

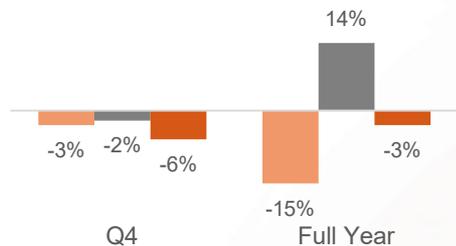
² Segment Operating Profit before unallocated shared service costs.



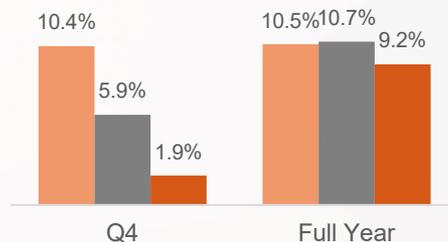
Pizza Hut Key Financials

Sales Growth (%)

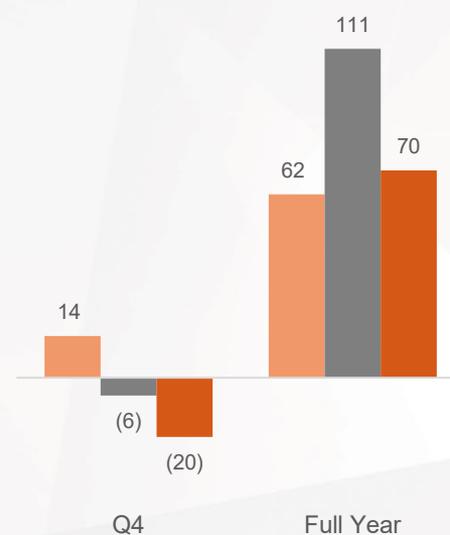
System sales growth ¹



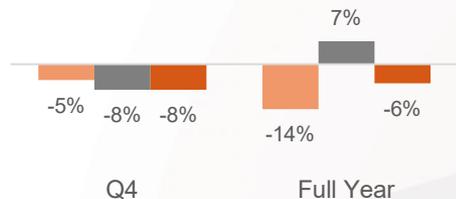
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2022 vs 2021	Q4
Same-store sales	(8)%
- Transactions	(2)%
- Average ticket	(5)%

¹ Stated on a constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Reconciliation of Reported Results to Non-GAAP Adjusted Measures



	Quarter Ended		Year Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Non-GAAP Reconciliations				
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 41	\$ 633	\$ 629	\$ 1,386
Special Items, Operating Profit	1	617	(4)	620
Adjusted Operating Profit	<u>\$ 40</u>	<u>\$ 16</u>	<u>\$ 633</u>	<u>\$ 766</u>
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	\$ 53	\$ 475	\$ 442	\$ 990
Special Items, Net Income –Yum China Holdings, Inc.	1	464	(4)	465
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 52</u>	<u>\$ 11</u>	<u>\$ 446</u>	<u>\$ 525</u>
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	\$ 0.13	\$ 1.11	\$ 1.05	\$ 2.34
Special Items, Basic Earnings Per Common Share	—	1.08	(0.01)	1.10
Adjusted Basic Earnings Per Common Share	<u>\$ 0.13</u>	<u>\$ 0.03</u>	<u>\$ 1.06</u>	<u>\$ 1.24</u>
Diluted Earnings Per Common Share	\$ 0.13	\$ 1.10	\$ 1.04	\$ 2.28
Special Items, Diluted Earnings Per Common Share	—	1.07	(0.01)	1.07
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.13</u>	<u>\$ 0.03</u>	<u>\$ 1.05</u>	<u>\$ 1.21</u>
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	29.9%	25.1%	30.1%	26.5%
Impact on effective tax rate as a result of Special Items	(0.4)%	(13.0)%	0.2%	(1.3)%
Adjusted effective tax rate	<u>30.3%</u>	<u>38.1%</u>	<u>29.9%</u>	<u>27.8%</u>

Details of Special Items

	Quarter Ended		Year Ended	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Gain from re-measurement of equity interest upon acquisition ⁽¹⁾	\$ —	\$ 618	\$ —	\$ 628
Share-based compensation expense for Partner PSU awards ⁽²⁾	1	(1)	(4)	(8)
Special Items, Operating Profit	1	617	(4)	620
Tax effect on Special Items ⁽³⁾	—	(153)	—	(155)
Special Items, net income – including noncontrolling interests	1	464	(4)	465
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income –Yum China Holdings, Inc.	<u>\$ 1</u>	<u>\$ 464</u>	<u>\$ (4)</u>	<u>\$ 465</u>
Weighted-average Diluted Shares Outstanding (in millions)	423	433	425	434
Special Items, Diluted Earnings Per Common Share	<u>\$ —</u>	<u>\$ 1.07</u>	<u>\$ (0.01)</u>	<u>\$ 1.07</u>

(1) In the quarters ended December 31 and September 30, 2021, as a result of the consolidation of Hangzhou KFC and the Lavazza joint venture, the Company recognized a gain of \$618 million and \$10 million, respectively, from the re-measurement of our previously held equity interest at fair value.

(2) 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.

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

2022 ESG Key Initiatives

Climate Action

SBTi approved near-term greenhouse gas (GHG) reduction targets*

Published first TCFD report

Circular Economy

Phasing out plastic packaging

100% FSC paper napkin**

Expanded food bank program

Nutrition & Food Safety

Pizza Hut launched energy bowl (with low GI certification)

Rolled out more plant-based milk products

People

Protecting jobs of our employees

Provided food to communities and frontline workers during COVID outbreaks and lockdowns

Recognition



Industry highest score for the 3rd year



The only restaurant company with AA rating



5th consecutive year



5th consecutive year

* 2035 reduction targets (from 2020 base year): 63% for Scope 1 and 2 GHG emissions; 66.3% for Scope 3 GHG emissions per ton of goods purchased

** Includes KFC, Pizza Hut, Taco Bell, Lavazza and Little Sheep restaurants

Serving Meals to our Customers and Communities



2023 Chinese New Year Campaigns



YumChina



About Yum China

Yum China is the largest restaurant company in China with a mission to make every life taste beautiful. The Company has over 400,000 employees and operates nearly 13,000 restaurants under six brands across 1,800 cities in China. KFC and Pizza Hut are the leading brands in the quick-service and casual dining restaurant spaces in China, respectively. Taco Bell offers innovative Mexican-inspired food. Yum China has also partnered with Lavazza to develop the Lavazza coffee shop concept in China. Little Sheep and Huang Ji Huang specialize in Chinese cuisine. Yum China has a world-class, digitalized supply chain which includes an extensive network of logistics centers nationwide and an in-house supply chain management system. Its strong digital capabilities and loyalty program enable the Company to reach customers faster and serve them better. Yum China is a Fortune 500 company with the vision to be the world's most innovative pioneer in the restaurant industry. For more information, please visit <http://ir.yumchina.com>.

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