



YumChina

NYSE: YUMC and HKEX: 9987

Third Quarter 2022 Results

2 November 2022

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 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 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.

Delivered Sales and Profit Growth in Q3 Through Strong Execution

Focus on

Resilience
Growth
Moat

Strategic Framework

	Q3		
	2020	2021	2022
Total stores	10,150	11,415	12,409
Gross new stores	312	524	403
Net new stores	196	392	239
Revenue	\$2.35bn	\$2.55bn	\$2.68bn
Operating profit ¹	\$556mn	\$178mn	\$316mn
Adjusted operating profit	\$320mn	\$168mn	\$318mn
Revenue growth ²	+1%	+9%	+5%
System sales growth ³	+1%	+1%	+5%
Same-store sales growth ³	(6)%	(7)%	Flat
Restaurant margin	18.6%	12.2%	18.8%
Members	285 mn+	350 mn+	400 mn+
Off-premise sales ⁴	50%+	55%+	60%+
Digital order ⁴	~78%	~87%	~91%

¹ 2020 Q3 Operating profit includes a one-time re-measurement gain of \$239mn in connection with the consolidation of Suzhou 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

Capturing Significant Off-premise Demand

Delivery

Off-premise

Pizza Hut Delivery Offer Buy 2 pizzas for ¥99



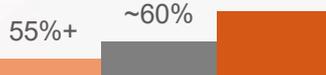
% of Company sales¹

Delivery sales growth²

% of Company sales¹



+19% vs Q3'21



Q3

2020 2021 2022

Q3



+15% vs Q3'21



Q3

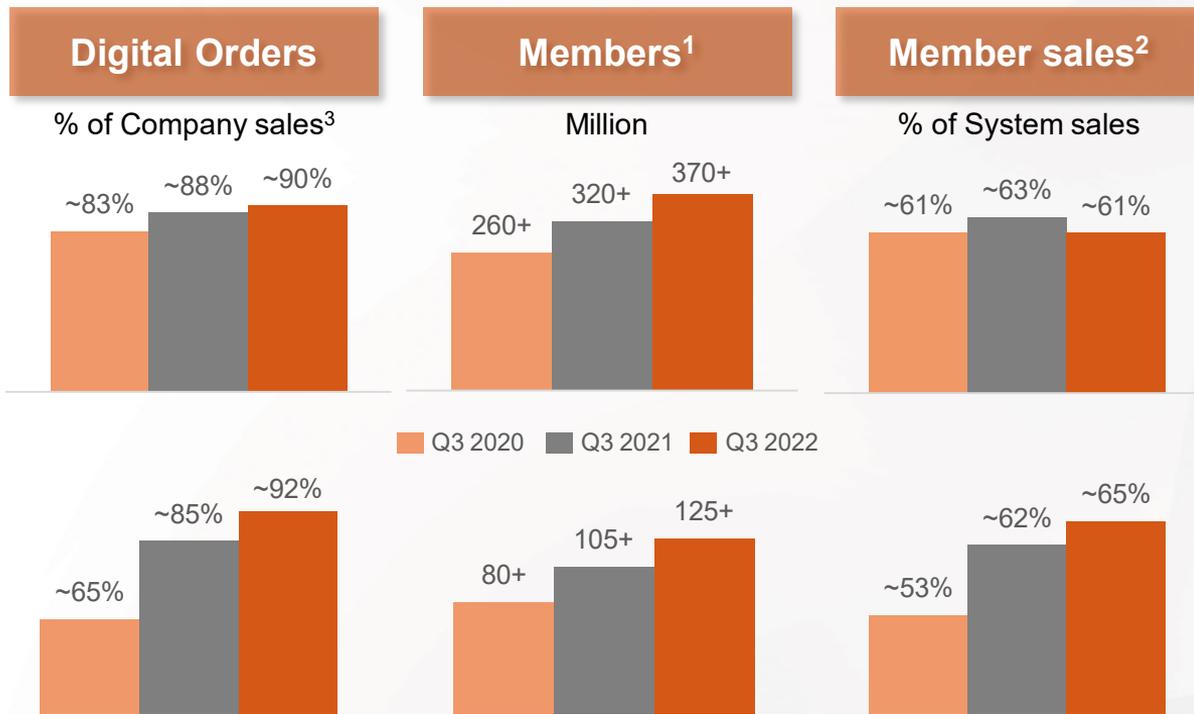
Q3



¹ % of Company sales include Suzhou KFC since August 2020 and Hangzhou KFC since December 2021

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

Driving Digital Ordering and Member Sales



KFC Sold 100mn+ Privilege Subscriptions Since 2018



¹ Cumulative as of period-end

² 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 that 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 Q3.

³ % of Company sales include Suzhou KFC since August 2020 and Hangzhou KFC since December 2021

Opening Profitable New Stores for Long-Term Growth

Accelerating Store Growth

Penetrating into Lower-tier Cities

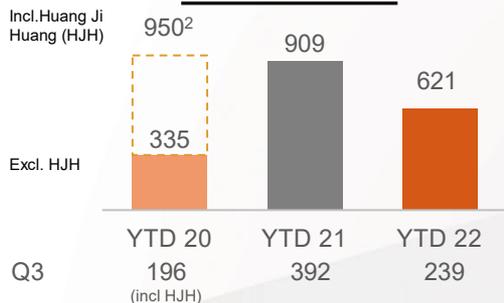
Maintained New Unit Payback¹



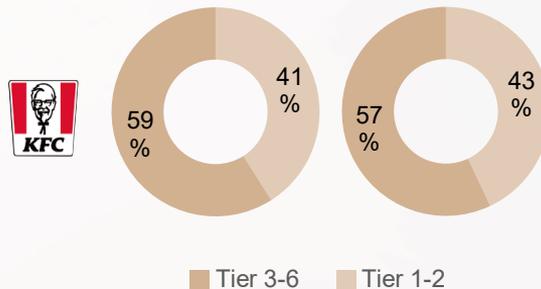
Gross New Stores



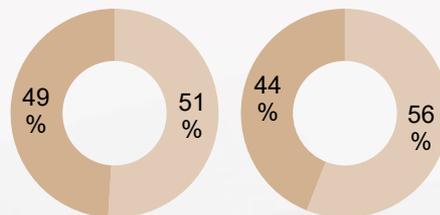
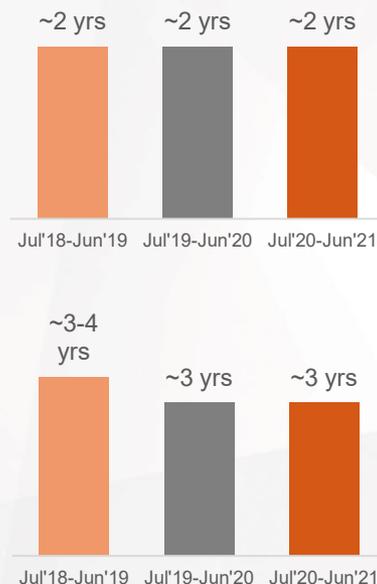
Net New Stores



Q1-3 22 New Stores Total Stores



By Year of Opening



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 615 Huang Ji Huang stores



KFC: Highest Q3 Restaurant Margin Since Spin-Off



	Q3		
	2020	2021	2022
Total stores	6,925	7,908	8,675
Net new stores	176	299	165
System sales growth ¹	(1)%	+1%	+5%
Same-store sales growth ¹	(6)%	(8)%	Flat
Restaurant margin	19.4%	13.6%	20.6%
Operating profit (\$ mn) ²	286	196	328
Delivery sales ³	~27%	~32%	~37%
Off-premise sales ³	~57%	~60%	~65%
Digital order ³	~83%	~88%	~90%

¹ Stated on a constant currency basis

² Segment operating profit before unallocated costs in reported currency

³ % of Company sales

Photo: KFC Drive-through store in Hangzhou Gaojiao Road - a Green Pioneer store



Innovative Products at Attractive Prices

CP (Couple) Burgers



Cumin Beef & Chicken Burger
Pickle & Pork Belly & Chicken Burger

Chicken Breast Burgers



Original price ¥17.5
Discounted price ¥9.9

Super Abundant Bucket with Chicken Feet



19 pieces for ¥29.9; from 5pm
Includes chicken feet, wing tips & necks

Extra Juicy Beef Burgers 100mn+ Sold since May 2021



Juicy Beef Burger at ¥13.9
Wagyu/Angus Beef Burger at ¥19.9



Driving Traffic with Abundant Value

Family Bucket

KFC 肯德基中国 周年·谢谢你的陪伴

超值全家桶 再回59元

最后三天 8月22日-8月24日

超值全家桶 13件经典美味

WOW会员凭券专享

59元

超值全家桶汉堡版 13件经典美味

WOW会员凭券专享

69元

3 days only – Family bucket @ ¥59 and ¥69 (with burgers)

Crazy Thursday

KFC

疯狂星期四

疯四至 肆意吃 秋分赏味正当时!

吮指原味鸡 4块29.9元 (29.9/4块)

爆汁柠桔茶 2杯19.9元 (19.9/2杯)

黄金鸡块 9块9.9元 (9.9/9块)

热辣香骨鸡 15块19.9元 (19.9/15块)

Original recipe chicken, chicken nuggets, single bone chicken, lemon & calamansi tea

Buy More Save More on Sunday

KFC

周日疯狂拼

4拼66折

6拼55折

8拼5折

15款产品 任意拼

扫一扫即点餐

34%-50% off (4-8 items) Pick from 15 items

Lunch Combo

KFC

OK 三件套

工作日正常时段 19元起

午餐APP专享价更OK。

NEW 芝士 19元 (节省12元)

芝芝脆脆风味热辣脆皮鸡 / 吮指原味鸡 三件套

NEW 32元 (节省10元)

脆脆五花肉鸡腿双层堡 三件套

NEW 34元 (节省10元)

孜然牛肉鸡腿双层堡 三件套

NEW 孜然 2022

NEW 孜然 2022

老北京鸡肉卷 三件套 29元 (节省10元)

新奥尔良鸡肉腿堡 三件套 32元 (节省3元)

NEW 孜然 2022 28元 (节省3.5元)

劲脆/香辣鸡腿堡 三件套 30元 (节省3.5元)

3-item lunch combos from ¥19

Pizza Hut's Transformation Reflected in Broad-based Improvement



	Q3		
	2020	2021	2022
Total stores	2,277	2,503	2,806
Net new stores	19	78	95
System sales growth ¹	(6)%	+1%	+7%
Same-store sales growth ¹	(7)%	(5)%	+2%
Restaurant margin	16.7%	8.2%	13.4%
Operating profit (\$ mn) ²	61	18	49
Delivery sales ³	~32%	~38%	~41%
Off-premise sales ³	~40%	~45%	~49%
Digital order ³	~65%	~85%	~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 Wuhan Han Street



Reinforcing Pizza Expertise and Connecting with Young Customers

Durian Trio Pizza

必胜客 | 比萨专家 现点现做

快乐榴莲季

三种榴莲 7.25-9.11 限时尝鲜 一口满足

榴莲三精灵 薄脆比萨

D159 金枕榴莲

D197 猫山王榴莲

D24 苏丹王榴莲

Using three types of durian

Three New Pizzas

必胜客

比萨「上新」季 入口超有料

甄选好料 现点现做

- 细嫩鸭腿肉 老北京风味烤鸭比萨
- 大块羊肉 孜香草原羊肉比萨
- 五荤六素 麻辣超级至尊比萨

Peking Duck / Cumin Lamb / Spicy & Hot Supreme

Genshin Impact Campaign

必胜客 × 原神

必胜邀约 风起之旅

联动套餐内容说明

Campaign includes themed stores, combos, souvenirs and packaging

Lavazza is Making Solid Progress Along its Four-Pillar Strategy

Authentic Italian Experience



Tigelle, Italian flatbread with egg or beef

Coffee Expertise



Buffalo milk osmanthus latte

Digital & Delivery Capabilities



New design, improved user interface and functionality

Optimize Store Models



For better customer experience and store economics

78 Stores in 11 Cities





Dual-Primary-Listed on NYSE & HKEX

- Effective October 24, 2022
- Inclusion in both Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs on the same day
- Expected to provide additional access to investors, broaden shareholder base and increase liquidity
- Company shares listed on the HKEX remain fully fungible with the shares listed on the NYSE

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



\$ million	Q3 Year-to-date		
	2020	2021	2022
Cash and short-term investment	4,206	4,377	4,037
Cash flow from operating activities	899	1,074	1,329
Capital expenditure	284	482	509
Free cash flow ¹	615	592	820
Cash dividends distributed	45	152	152
Share repurchases	7	34	413

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:
 - ✓ Resumed cash dividends in Q4 2020
 - ✓ Resumed share repurchases in Q3 2021
 - ✓ Board expanded share repurchases authorization to \$2.4bn in March 2022. ~\$1.2bn remained available as of September 30, 2022.
- Remain disciplined in M&A

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

Maintaining Net New Unit and Capex Targets for 2022



- Approximately 1,000 to 1,200 net new stores
- Continue with disciplined approach in opening high-quality new stores



- Capital expenditure in the range of \$800mn to \$1bn
- Make significant capex investments in store network expansion, supply chain infrastructure and digital

Together We Stand



- Provided hot food to impacted areas such as the Henan flooding (2021) and Sichuan earthquake (2022)
- Delivered essential food packages to frontline workers and volunteers during regional COVID outbreaks

Appendix

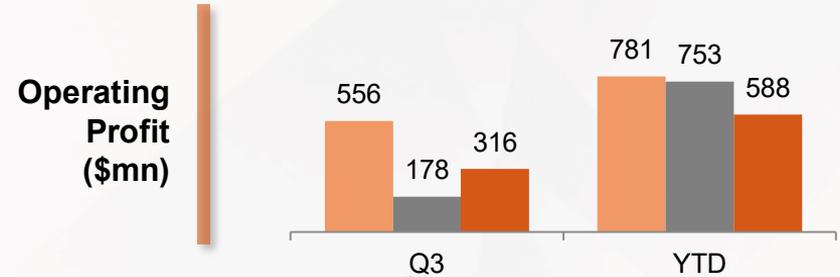
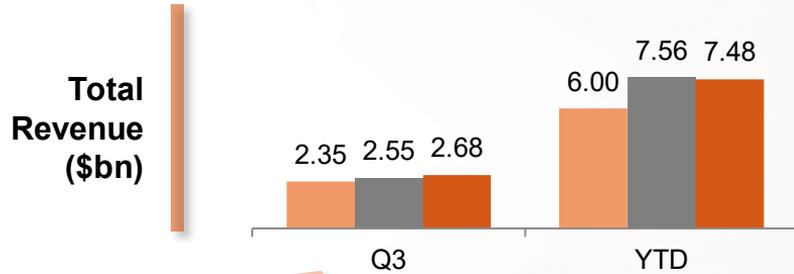
Yum China Key Financials

	Q3'20	Q3'21	Q3'22	Q3 YoY	YTD'20	YTD'21	YTD'22	YTD YoY
Same-store sales growth ¹	(6)%	(7)%	Flat	/	(11)%	+2%	(8)%	/
System sales growth ¹	+1%	+1%	+5%	/	(8)%	+15%	(5)%	/
Total revenue (\$bn)	2.35	2.55	2.68	+5%	6.00	7.56	7.48	(1)%
Restaurant margin	18.6%	12.2%	18.8%	+6.6ppts	14.7%	15.6%	15.1%	(0.5)ppts
Operating profit (OP) (\$mn)	556	178	316	+77%	781	753	588	(22)%
Adjusted OP (\$mn)	320	168	318	+89%	550	750	593	(21)%
Net income (NI) (\$mn)	439	104	206	+98%	633	515	389	(25)%
Adjusted NI (\$mn)	263	96	208	+117%	462	514	394	(23)%
Diluted EPS (\$)	1.10	0.24	0.49	+104%	1.62	1.19	0.92	(23)%
Adjusted Diluted EPS (\$)	0.66	0.22	0.49	+123%	1.18	1.18	0.93	(21)%

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 Q3 year-over-year growth

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

Key factors for Q3 year-over-year growth

- + New unit contribution
- + Cost savings and productivity gains
- + Temporary relief
- + Consolidation of Hangzhou KFC
- + Sales leverage
- Cost inflation in commodities, wages and utilities
- Increased rider cost associated with the rise in delivery volume
- Foreign exchange

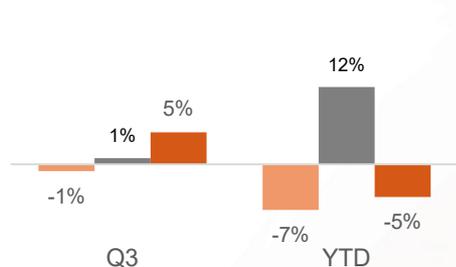
■ 2020 ■ 2021 ■ 2022



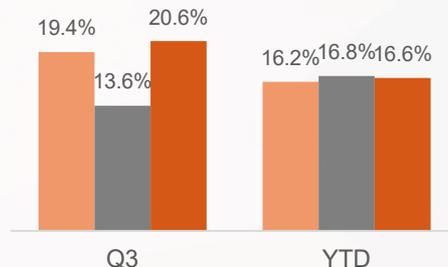
KFC Key Financials

Sales Growth (%)

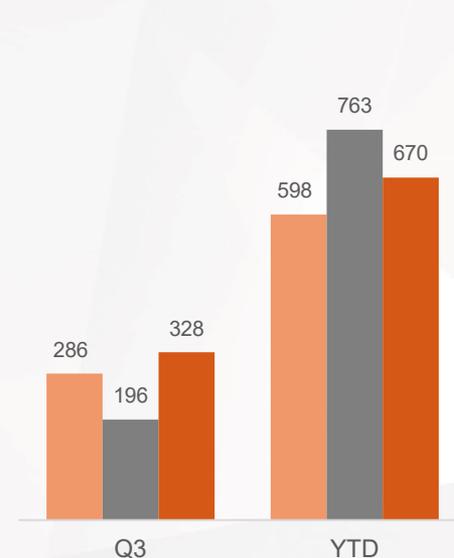
System sales growth ¹



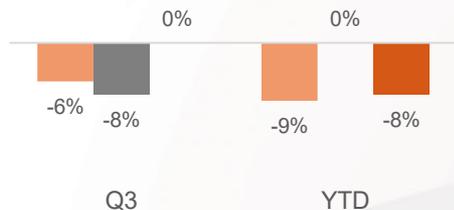
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2022 vs 2021	Q3
Same-store sales	Flat
- Transactions	(7)%
- Average ticket	+8%

¹ Stated on a constant currency basis.

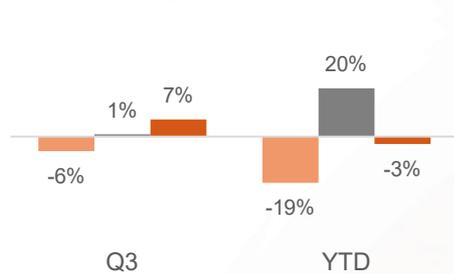
² Segment Operating Profit before unallocated shared service costs.



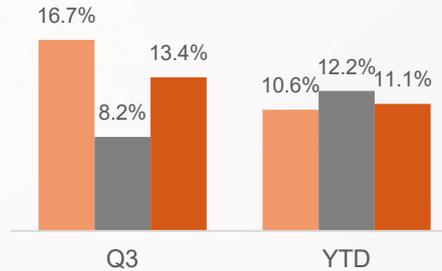
Pizza Hut Key Financials

Sales Growth (%)

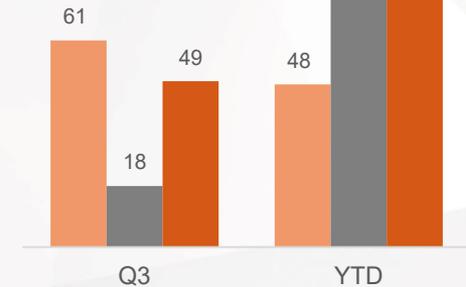
System sales growth ¹



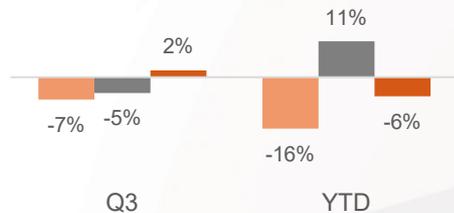
Restaurant Margin (%)



Operating Profit ² (\$ mn)



Same-store sales growth ¹



2022 vs 2021		Q3
Same-store sales		+2%
- Transactions		+2%
- Average ticket		Flat

¹ Stated on a constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Reconciliation of Reported Results to Non-GAAP Measures



	Quarter Ended		Year to Date Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
Non-GAAP Reconciliations				
Reconciliation of Operating Profit to Adjusted Operating Profit				
Operating Profit	\$ 316	\$ 178	\$ 588	\$ 753
Special Items, Operating Profit	(2)	10	(5)	3
Adjusted Operating Profit	<u>\$ 318</u>	<u>\$ 168</u>	<u>\$ 593</u>	<u>\$ 750</u>
Reconciliation of Net Income to Adjusted Net Income				
Net Income – Yum China Holdings, Inc.	\$ 206	\$ 104	\$ 389	\$ 515
Special Items, Net Income – Yum China Holdings, Inc.	(2)	8	(5)	1
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 208</u>	<u>\$ 96</u>	<u>\$ 394</u>	<u>\$ 514</u>
Reconciliation of EPS to Adjusted EPS				
Basic Earnings Per Common Share	\$ 0.49	\$ 0.25	\$ 0.92	\$ 1.23
Special Items, Basic Earnings Per Common Share	—	0.02	(0.01)	0.01
Adjusted Basic Earnings Per Common Share	<u>\$ 0.49</u>	<u>\$ 0.23</u>	<u>\$ 0.93</u>	<u>\$ 1.22</u>
Diluted Earnings Per Common Share	\$ 0.49	\$ 0.24	\$ 0.92	\$ 1.19
Special Items, Diluted Earnings Per Common Share	—	0.02	(0.01)	0.01
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.49</u>	<u>\$ 0.22</u>	<u>\$ 0.93</u>	<u>\$ 1.18</u>
Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate				
Effective tax rate	29.9%	28.3%	30.1%	27.7%
Impact on effective tax rate as a result of Special Items	0.2%	(0.5)%	0.2%	0.1%
Adjusted effective tax rate	<u>29.7%</u>	<u>28.8%</u>	<u>29.9%</u>	<u>27.6%</u>

Details of Special Items

	Quarter Ended		Year to Date Ended	
	9/30/2022	9/30/2021	9/30/2022	9/30/2021
Gain from re-measurement of equity interest upon acquisition ⁽¹⁾	\$ —	\$ 10	\$ —	\$ 10
Share-based compensation expense for Partner PSU awards ⁽²⁾	(2)	—	(5)	(7)
Special Items, Operating Profit	(2)	10	(5)	3
Tax effect on Special Items ⁽³⁾	—	(2)	—	(2)
Special Items, net income – including noncontrolling interests	(2)	8	(5)	1
Special Items, net income – noncontrolling interests	—	—	—	—
Special Items, Net Income – Yum China Holdings, Inc.	<u>\$ (2)</u>	<u>\$ 8</u>	<u>\$ (5)</u>	<u>\$ 1</u>
Weighted-average Diluted Shares Outstanding (in millions)	424	435	426	435
Special Items, Diluted Earnings Per Common Share	<u>\$ —</u>	<u>\$ 0.02</u>	<u>\$ (0.01)</u>	<u>\$ 0.01</u>

1) In the quarters ended September 30, 2021, as a result of the consolidation of the Lavazza joint venture, the Company recognized a gain of \$10 million from the re-measurement of our previously held equity interest at fair value, which was not allocated to any segment for performance reporting purposes.

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. The Company recognized share-based compensation expense of \$2 million and \$5 million associated with the Partner PSU Awards for the quarter and year to date ended September 30, 2022, respectively, and nil and \$7 million for the quarter and year to date ended September 30, 2021.

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

About Yum China

Yum China Holdings, Inc. is a licensee of Yum! Brands in mainland China. It has exclusive rights in mainland China to KFC, China's leading quick-service restaurant brand, Pizza Hut, the leading casual dining restaurant brand in China, and Taco Bell, a California-based restaurant chain serving innovative Mexican-inspired food. Yum China also owns the Little Sheep, Huang Ji Huang and COFFii & JOY concepts outright. In addition, Yum China has partnered with Lavazza to explore and develop the Lavazza coffee shop concept in China. The Company had 12,409 restaurants in over 1,700 cities at the end of September 2022.

In 2021, Yum China was selected as a member of both Dow Jones Sustainability Indices (DJSI): World Index and Emerging Market Index. In 2022, Yum China ranked # 359 on the Fortune 500 list. The Company was also named to the Bloomberg Gender-Equality Index and was certified as a Top Employer 2022 in China by the Top Employers Institute, both for the fourth consecutive year. For more information, please visit <http://ir.yumchina.com>.

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Well Recognized Sustainability Efforts

1



Member of DJSI:
World Index and
Emerging Market Index

2020 and 2021

2



**MSCI Environmental,
Social and Governance
(ESG) Ratings:**

“AA” rating in 2022

3



Top Employer in China
by
Top Employers Institute

2019-2022

4



**Bloomberg
Gender-Equality Index**

2019-2022