



Yum China Business Update

3/23/2020

SHANGHAI, March 23, 2020 /PRNewswire/ -- Yum China Holdings, Inc. (the "Company" or "Yum China") (NYSE:YUMC) today updated stakeholders on the impact of the coronavirus (COVID-19) situation.

The current COVID-19 situation is one of unprecedented scale and impact, and first and foremost we want to give thanks and appreciation to all the medical personnel, government workers, volunteers and other frontline workers who have put public health and safety above their own in fighting this global pandemic. At Yum China, our commitment has been to safety above all else -- safety for our employees, as they operate in this difficult environment; and safety for our customers, as they place their trust in our products and services.

We are seeing early signs of recovery, as business gradually resumed and people returned to work in China. However, restaurant traffic is still heavily impacted as people continue to implement social distancing measures.

Stores Gradually Re-opening

Yum China is gradually re-opening stores across China when possible and appropriate to do so, on a partial or fully operational basis. Store closures peaked in February with approximately 35% of restaurants closed. For the restaurants that have remained open, some stores provide only delivery and takeaway services and/or have shortened operating hours. Almost all stores that remained open experienced significant declines in traffic. As previously disclosed, same-store sales declined 40% to 50% during the Chinese New Year holiday period, compared to the comparable period in 2019.

In recent days, approximately 95% of our stores in China are either partially or fully open. Approximately 10% to 20% of open stores provide only delivery and takeaway services, and some stores continue to have shortened operating hours. Traffic at open stores is recovering slowly and remains well below pre-outbreak levels. The pace of recovery varies by region and is slower during weekends as people avoid going out. In recent days, same-store sales were down approximately 20%. Sales performance fluctuates as the recovery is uneven, and the situation continues to evolve.

Delivery Gaining Traction

During the outbreak, food delivery became an even more popular option, and consumers are often turning to established restaurant brands with the highest food safety standards. Yum China pioneered contactless delivery in late January to enhance preventative health measures. That service proved popular with customers and has supported the delivery business during this period of reduced dine-in traffic. Delivery sales grew year over year, and its mix as a percentage of Company sales approximately doubled during this period. The Company subsequently launched contactless pick-up and corporate catering services as highly sanitary options for consumers and corporate customers. The Company also launched a community delivery service for quarantined communities, especially in heavily affected areas.

Support for Employees and the Community

We make sure our employees, customers, shareholders and communities are well taken care of. Our employees are the backbone of our business, and the Company continued to provide much needed support to them during this difficult period, including virus outbreak safety training and provisions of masks. We honored commitments for scheduled hours even as stores were closed, as well as overtime and holiday pay. We encouraged our employees to look after each other, especially the frontline staff. For example, the Company matched donations from office employees to support frontline staff and their families affected by COVID-19.

The Company strengthened medical insurance coverage for staff and their families in the case of infection or suspected infection. In addition to the family care program for restaurant general managers and their family members in place since 2018, the Company is extending family care coverage to restaurant management team members and their family members in 2020. We are going above and beyond others in the market by increasing the age cap to 75 for employees' parents and 22 for their children.

In addition, Yum China is providing support to medical workers on the frontlines of combatting the outbreak. The Company donated RMB 3 million to support hospital workers in Wuhan. Since January 27, KFC and Pizza Hut have provided over 145,000 free meals to over 1,350 hospitals and community health centers in more than 28 provinces across mainland China. Little Sheep donated 20,000 instant hot-pots to organizations actively involved in efforts to fight the outbreak.

Committed to Long-Term Growth in China

New store openings are paused due to outbreak-related traffic restrictions and reduced availability of construction workers. The Company will continue to monitor the situation and work with local authorities, resuming new store openings when conditions allow.

In response to sharply reduced sales, the Company quickly implemented measures to control costs, including managing inventory down in order to reduce write-offs, and dynamically scheduling employees to reflect reduced volumes and increased safety protocols.

As we navigate this difficult and evolving situation, Yum China will maintain an open and transparent dialogue with our stakeholders. Core to our principles is a focus on our employees and customers, and their well-being will be of utmost priority. The Company is resilient, and while setting the right expectations for near-term results, we will reinforce and build on our strengths of execution and innovation.

Despite a challenging start to the year, Yum China is here for the long run, and will ensure that it remains well-positioned for the long-term growth opportunities in China.

Forward-Looking Statements

This press release 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, including under "Committed to Long-Term Growth in China." 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 future strategies and business plans, statements regarding the expected impact of the COVID-19 outbreak and effects of the measures taken by the Company in response to the evolving situation, 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 press release are only made as of the date of this press release, 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, regulatory and public health conditions in China, including the COVID-19 outbreak. 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) for additional detail about factors that could affect our financial and other results.

About Yum China Holdings, Inc.

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, COFFi & JOY and East Dawning concepts outright. The Company had 9,200 restaurants in over 1,300 cities at the end of December 2019. Yum China ranked # 362 on the Fortune 500 list for 2019. In 2020, Yum China was named to the Bloomberg Gender-Equality Index and was certified as a Top Employer 2020 in China by the Top Employers Institute, both for the second consecutive year. For more information, please visit <http://ir.yumchina.com>.

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