FINANCE UPDATE
GROWTH WITH DISCIPLINE
Jacky Lo, CFO
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Significant Progress Since Spin-Off

1. Net new stores added \(\approx 1,000\)
2. System sales growth 13%
3. Operating profit growth 48%
4. Shareholder returns $640mn
5. Increase in share price 59%

- Net new stores added: \(\approx 1,000\)
- System sales growth: 13%
- Operating profit growth: 48%
- Shareholder returns: $640mn
- Increase in share price: 59%

1. Spin-off to YE18
2. Constant currency, 2018 vs. 2016
4. Dividends and Share Repurchases since spin-off
5. November 1, 2016 to February 28, 2019

CAGR: Compound Annual Growth Rate
Financial Position Continues to Strengthen

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash and short-term investments ($ mn)</th>
<th>Free cash flow (^1) ($ mn)</th>
<th>Dividends &amp; Share Repurchases ($ mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>964</td>
<td>863</td>
<td>473</td>
</tr>
<tr>
<td>2017</td>
<td>1,264</td>
<td>469</td>
<td>166</td>
</tr>
<tr>
<td>2018</td>
<td>1,388</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Free Cash Flow is net operating cash flow less capital spending

- Repurchased shares since Q2 2017, with $960 million authorization remaining unused
- Initiated quarterly cash dividends in Q4 2017, 1 year after spin-off
Sales Growth and Diligent Cost Control to Drive Long-Term Target of Double Digit OP Growth (ex FX)

**Discipline to Drive Profit Growth**

- Increasing Sales
- +
- Restaurant Margin Management
- +
- G&A Growth < Revenue Growth
- =
- Operating Profit Growth
Opening ~2 stores per day

Supported by Unrivalled Platform

- >1,000 development professionals
- Local knowledge
- Supply chain, especially in remote areas
- Brand recognition and positioning
- Balanced across city tiers

Reaching 10,000 stores by 2021

YUMC store count

- Spin-off: ~7,400
- 2018 YE: ~8,500
- 2021: 10,000
# Optimizing New Store Format Drives Healthy Payback

<table>
<thead>
<tr>
<th>Average Pre-tax Cash Payback Period*</th>
<th>Cash Investment</th>
<th>Average Unit Volume</th>
<th>Cash Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>~2 years</td>
<td>~RMB 2.5 mm</td>
<td>~RMB 6.0 mm</td>
<td>~23%</td>
</tr>
<tr>
<td>&lt;4 years</td>
<td>~RMB 2.6 mm</td>
<td>~RMB 5.3 mm</td>
<td>~15%</td>
</tr>
</tbody>
</table>

*Includes all units opened from Oct 2016 to Sep 2017, after deduction of 3% license fee.
Driving Same Store Sales Growth

1. Strengthen core products
   - Grow underpenetrated dayparts and categories

2. Menu Innovation
   - Smart Value
   - Members privilege

3. Leverage digital media, CRM and SuperApp
   - Develop digital ecosystem

4. Great Value
   - Grow own channels and aggregators
   - Improve delivery speed and service quality

Digital Delivery

- Members privilege
- Improve delivery speed and service quality
Improving Restaurant Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Long-Term Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>15.7% ~17% blended restaurant margin</td>
</tr>
<tr>
<td></td>
<td>17.9% Maintain with upside reinvested to drive growth</td>
</tr>
<tr>
<td></td>
<td>10.3% Return to pre-revitalization levels</td>
</tr>
</tbody>
</table>

Key Drivers

- Digital and delivery initiatives to improve productivity and efficiency
- Growing economies of scale
- Proactive cost optimization and control to mitigate inflation impact
Effective G&A Management

G&A expenses year-over-year change

- 2016: 14%
- 2017: 17%
- 2018: -9%

% of Total Revenue

Note: G&A year-over-year change based on constant currency; 2016 & 2017 data based on April 2018 recast financials; 2015 data based on previous filing

Maintaining G&A Growth < Revenue Growth by:

- Simplifying Organization Structure
- Optimizing Procurement
- Tightening Expense Policies

→ Reinvest part of savings to drive long term growth
**Strong Cash Flow Funds Investment, Shareholder Returns**

**Investing to Win**
- New stores
- Remodels
- Technology

$\sim$500 mn/year

**Shareholder Returns**
- Cash Dividends
- Share Repurchases

$1.5\text{ bn over next 3 years*}$

**Strategic Options**
- Joint Ventures
- Strategic Investments

* Based on current dividend level and share repurchase authorization
Powerful Long-Term Financial Targets

Sales Growth
High Single Digit Systems Sales*

Restaurant Margin
17%

Profit Growth
Double Digit Operating Profit Growth*

Increasing Shareholder Returns
$1.5 billion over next 3 years^*

* In constant currency
^ Based on current dividend and share repurchase authorization
2019 Outlook

- 600-650 new stores
- $450-500 million capex
- Effective Tax Rate <28%

+ Growing store count
  - Strong delivery growth
  - Efficiency gains
  - Digital marketing initiatives
  - Lower tax leakage

- Wage & commodity inflation
  - Ongoing Pizza Hut revitalization
  - Value campaigns
  - Maturing higher than average 2018 new builds
  - New lease accounting standard
Takeaways

~2 new stores a day to reach 10,000 stores by 2021

Robust plan to drive revenue, profit growth

Existing capacity to return $1.5 billion to shareholders over next 3 years
Innovation
Powering
Growth