



Fourth Quarter and Fiscal Year 2020 Results

February 2021

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,” “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, business plans, investment, dividend and share repurchase plans, earnings, performance and returns of Yum China, anticipated effects of population and macroeconomic trends, the expected impact of the COVID-19 outbreak, the anticipated effects of our innovation, digital and delivery capabilities 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 outbreak, 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.



Business Highlights

Appendix – Financial Results



Proven Resilience and Strong Execution in 2020

Safety

Ensured safety of our employees and customers

Agility

300mn+ Members
80% Digital Order
50%+ Off-premise sales

Profitability

\$961 mn
Operating Profit
\$732 mn
Adjusted OP¹

Innovation

~500
New or upgraded products

Store Growth

1,165 New stores
10,506 Total stores

Portfolio Growth



¹ See the appendix for a reconciliation to the non-GAAP adjusted measures

Corporate Responsibility: Going the Extra Mile

Recognized Commitment

Member of
Dow Jones Sustainability Indices
 Powered by the S&P Global CSA

Industry Leader for the Restaurant and Leisure Facilities industry of DJSI in 2020



Certified as **Top Employer China** for the third year in 2021



Bloomberg Gender Equality Index for the third year in 2021

Support our Employees



- Launched **Family Care Program** for restaurant management team
- Set up **fund for COVID affected frontline employees and their families**

Support our Community



- Provided **170,000+ free meals** to 1,450+ hospitals and community health centers during COVID-19 outbreak
- Provided **modern kitchen equipment to 70 schools** in Hubei in 2020. 1,200 schools and ~400,000 students benefitted since 2008

New Plastic Reduction Initiatives



- Target **30% reduction** of non-degradable plastic packaging weight by 2025
- All KFC & Pizza Hut restaurants **stopped using plastic straws**
- **Replaced disposable plastic cutlery and plastic bags** with eco-friendly options in most restaurants

Resilience During Challenging Times



Resilient Performance in Q4

- Total revenue **grew 11%**¹
- System sales **grew 5%**²
- Same-store sales: **96%** of prior year²
- **15.1%** restaurant margin
- **US\$180 mn** Operating Profit
(**US\$961 mn** FY)



Profitable Growth

- Gross new stores: **1,165** FY
- Total stores: **10,506**
- New store cash payback periods³:
 - ~2 years 
 - ~3-4 years 



Leading Digital Capabilities

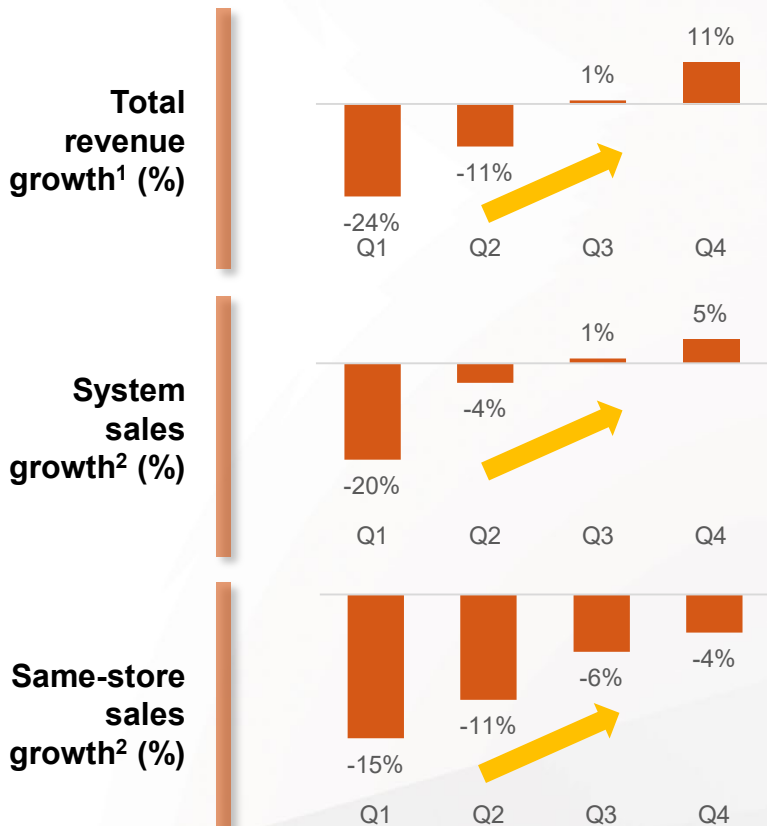
- Q4 Sales were
 - Digital payment: **97%**
 - Digital order: **~83%**
 - Delivery & takeaway: **50%+**
 - From Members: **~59%**
- Members: **300+** mn
 - Privileges sold: **~38** mn FY

¹ Stated in reported currency, includes the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.

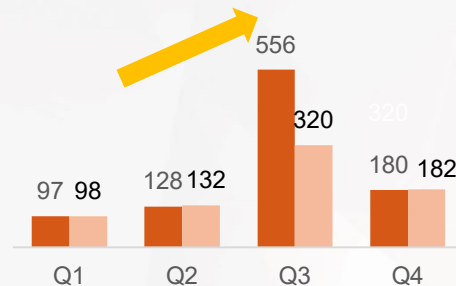
² Both stated in constant currency basis. System sales includes the consolidation of Huang Ji Huang from April 2020.

³ Refers to Average Pre-tax Cash Payback Period; Includes units opened from October 2018 to September 2019, after deduction of 3% license fee.

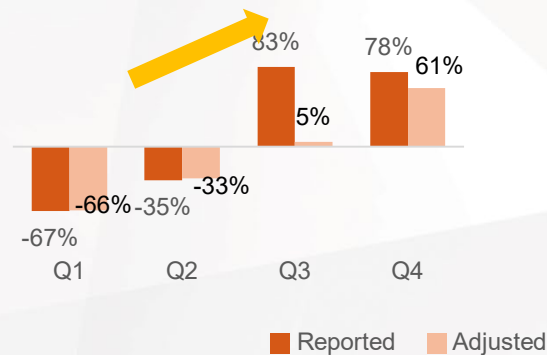
Re-establishing Momentum



Operating Profit (US\$mn)



Operating Profit growth (%)



■ Reported ■ Adjusted

¹ Stated in reported currency, ² Stated in constant currency basis.

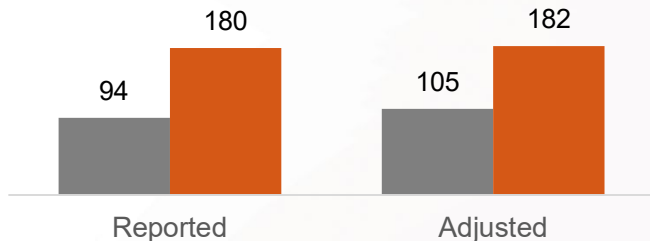
Note: Include the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020. Operating Profit included special item impact of -\$1mn, -\$4mn, \$236mn and -\$2mn in Q1 to Q4 respectively.

Q4 Operating Profit Increased 90% YoY (78% ex FX)

Operating Profit (US\$ mn)

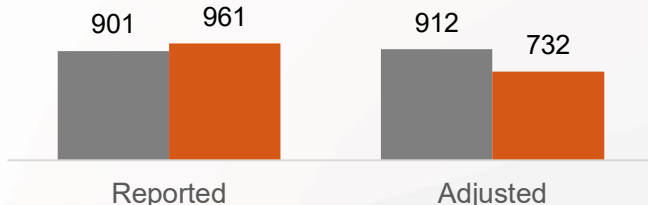
■ 2019 ■ 2020

Q4



YoY	+90%	+72%
YoY ex F/X	+78%	+61%

Full Year



YoY	+7%	-20%
YoY ex F/X	+7%	-20%

Key Factors for Q4 Year-Over-Year Growth



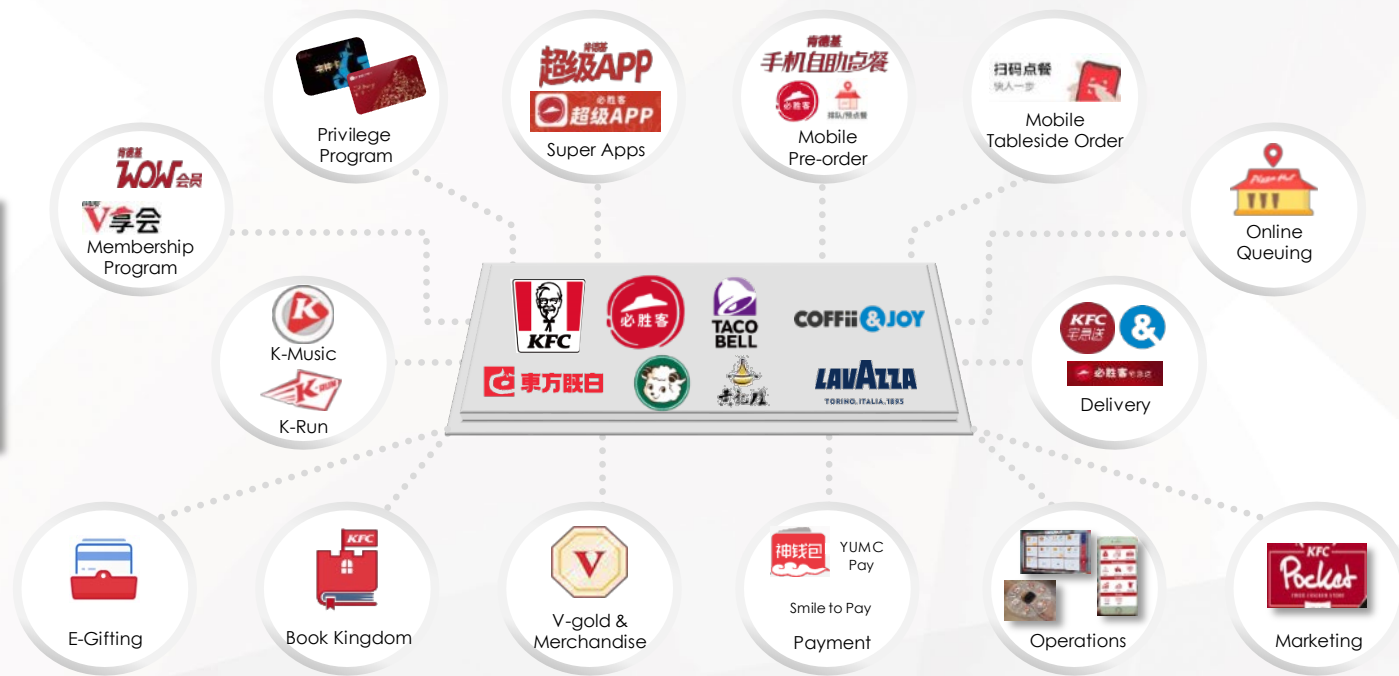
- Productivity improvement and other store cost savings
- Lower commodity prices
- New unit contribution
- Relief provided by landlords and government agencies
- Foreign exchange



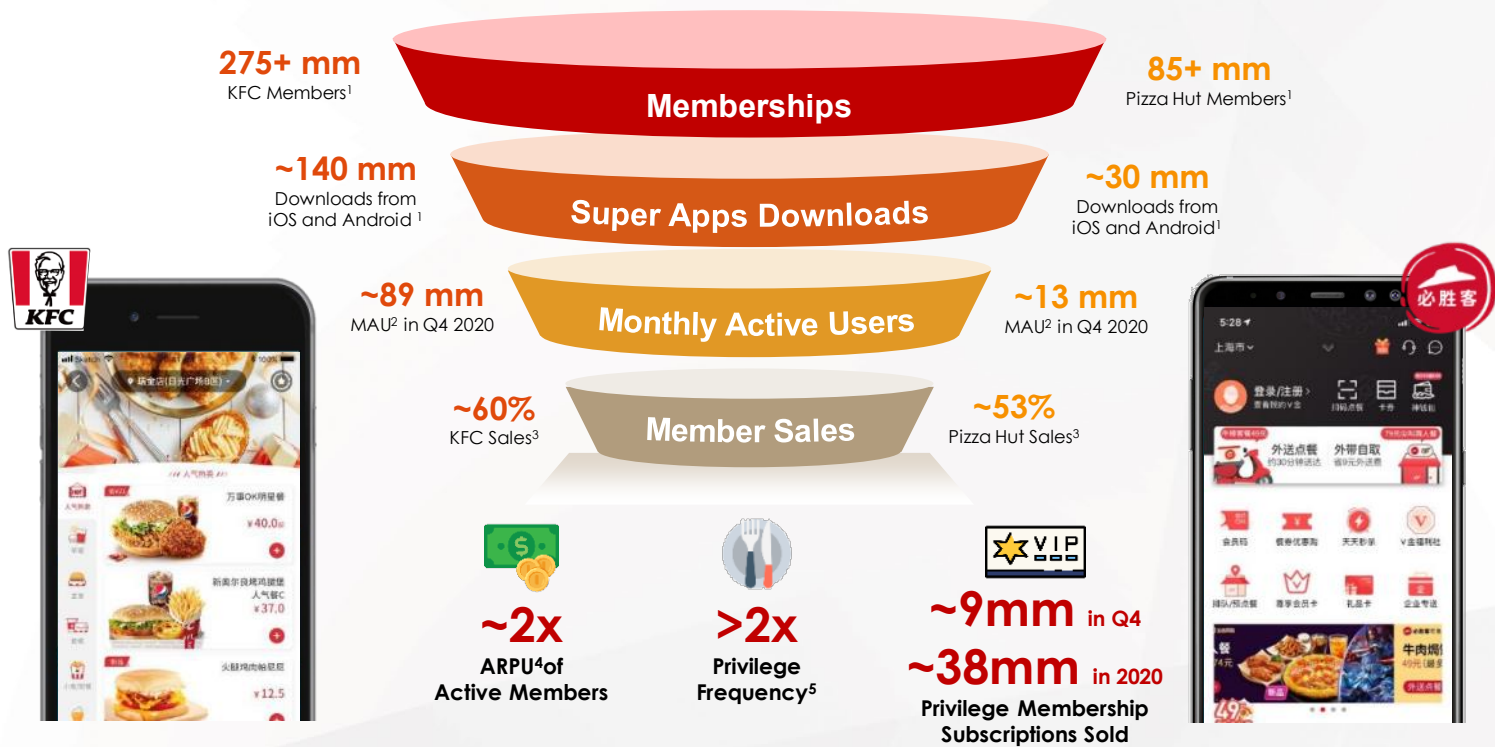
- Operational deleverage from the same-store sales decline
- Wage inflation and increased rider cost associated with the rise in delivery volume
- Higher promotion costs

Powerful Digital Ecosystem

- Improves engagement with customers
- Improves efficiency

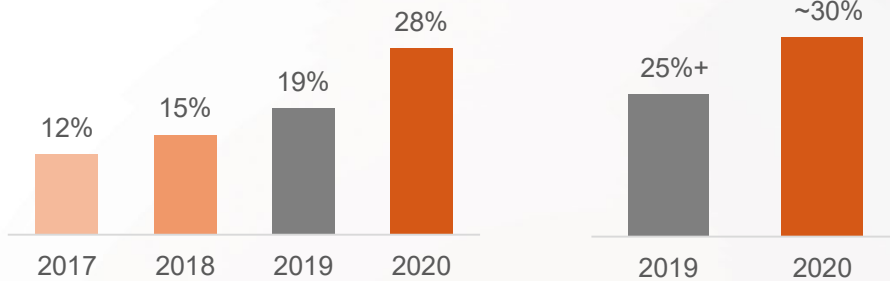
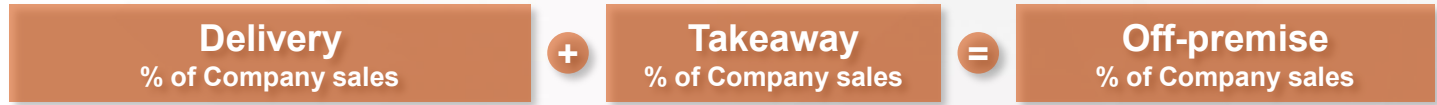


Membership Programs and Super Apps Drive Frequency and Spend

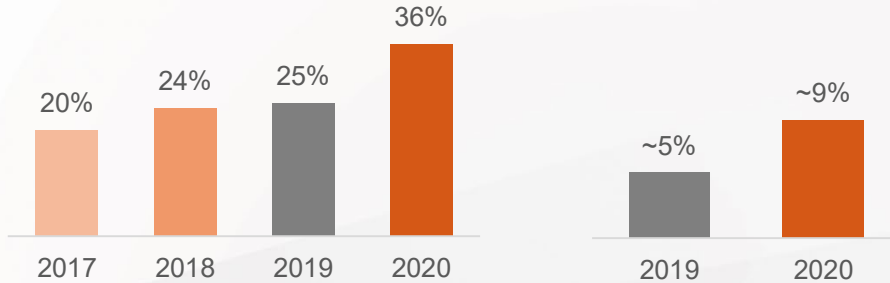


¹ Accumulative up to December 31, 2020. ² MAU refers to the monthly active users of the KFC Super App, Pizza Hut Super App, as well as the miniprograms embedded in third party applications. ³ Q4 2020. ⁴ Compare ARPU (annual spending per active member) in 2020 and 2016. ⁵ After subscription vs. before subscription for privilege members.

Delivery and Takeaway are Key Growth Drivers

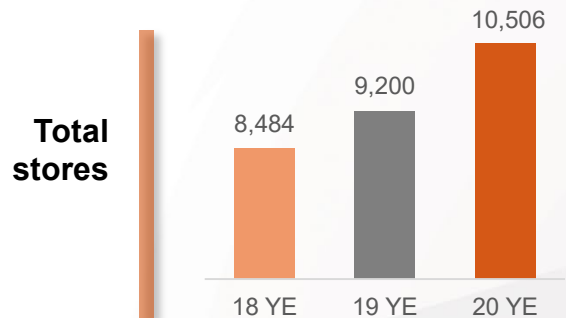
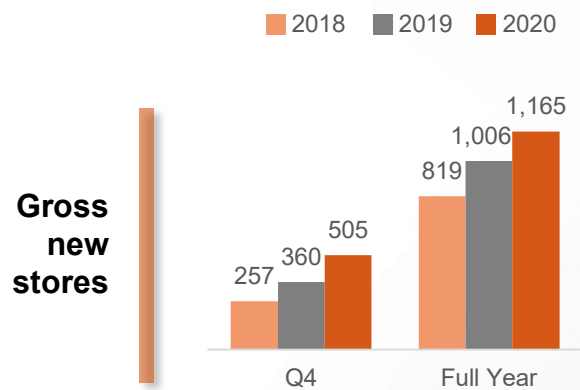


55%+ in Q4 2020



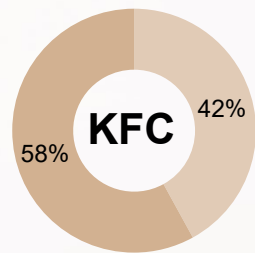
~40% in Q4 2020

New Store Growth with Attractive Paybacks

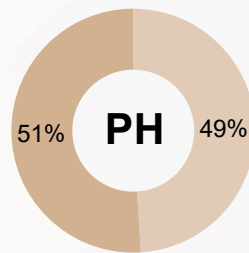


Lower Tier Penetration

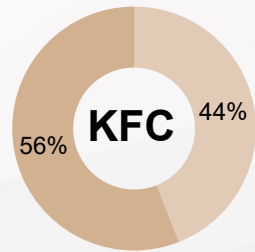
2020 new stores



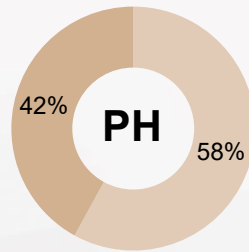
Tier 1-2 Tier 3-6



Total stores



Tier 1-2 Tier 3-6



New Unit Payback¹

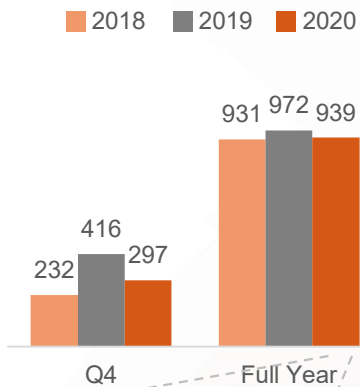
	<u>Tier 1-2</u>	<u>Tier 3-6</u>
KFC	~2-3 yrs	~2 yrs
Pizza Hut	~4-5 yrs	~3-4 yrs

Note: Included Huang Ji Huang stores from April 2020

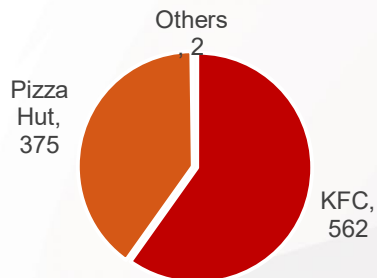
¹ Refers to Average Pre-tax Cash Payback Period; Includes units opened from October 2018 to September 2019, after deduction of 3% license fee.

Remodels Keep Our Brands Fresh

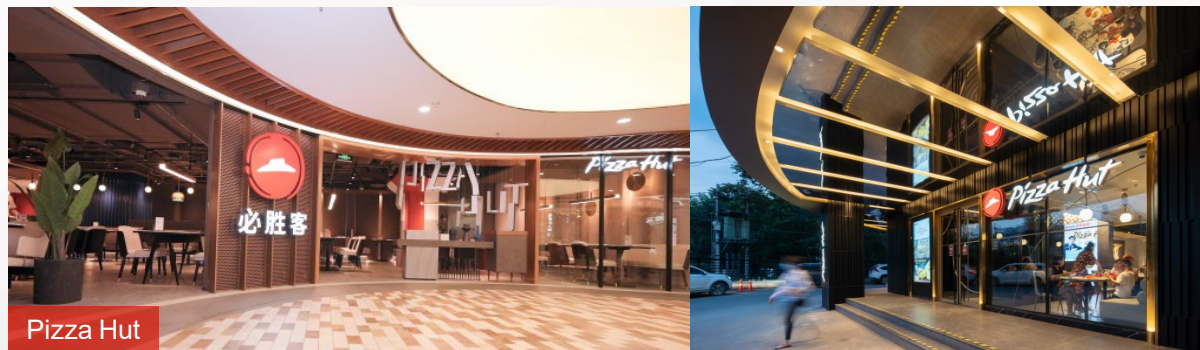
Remodeled stores



2020 YTD remodel



Always Something New





KFC Remained Resilient

Q4 2020 Highlights



System sales **+3%**¹
 Same-store sales **-4%**¹
 ↳ Transactions **-9%**
 ↳ Average ticket **+5%**



Restaurant
 margin
16.8%
+2.3 ppts y/y



306
 Gross new
 stores

166 remodels



Operating profit of
US\$203 million²



Holiday campaigns
 Value promotions
 Menu innovation



~85% Digital orders
+15ppts y/y

~27% Delivery sales
+7ppts y/y



Members: **275+** million
 Member sales: **~60%**

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs and re-measurement gain from Suzhou KFC acquisition



Attractive Campaigns and Abundant Value

National Day Celebration



Bucket with 17 items:
¥65 savings

Christmas / New Year



Christmas Giant Bucket at ¥129

Member Campaign



Members Only: Buy one get one free

Crazy Thursday



Extended Crazy Thursday
to Wednesday and Friday



Product Innovations Across Categories

Premium Burger



Wagyu Beef Burger

Breakfast



Sweet pumpkin congee with longan, lotus seeds and more

Drinks



New Soymlk Tea

Dessert



Hokkaido Caramel Cremia
KFC dessert kiosks only



Remarkable Progress in Pizza Hut

Q4 2020 Highlights



System sales **-3%**¹

Same-store sales **-5%**¹

- ↳ Transactions **-2%**
- ↳ Average ticket **-3%**

Restaurant margin
10.4%
+3.7 ppts y/y



96 Gross new stores

130 remodels



Operating profit of **US\$14** million²



Menu innovation
Great value proposition
Enhanced privilege programs



~75% Digital orders
+40 ppts y/y

~33% Delivery sales
+6 ppts y/y



Members: **85+** million
Member sales: **~53%**

¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.



Innovative Products for Dine-In and Off-Premise

Dine-In Campaigns



Thick-cut fillet pizza



4-person combo, save up to ¥300

Delivery Campaigns



Crayfish with mozzarella cheese



Portuguese chicken curry



Strong Digital and Membership Programs

Scream Wednesday



Extended Scream Wednesday to Monday and Tuesday

Delivery Member Acquisition



Delivery new members only: ¥9.9 pizza

Super Privilege Plus



@¥158, members enjoy discounts and free delivery at Pizza Hut for 1 year, and subscriptions on other platforms

Online Campaign



Double 12: Buy one get one free

Driving Synergies between Huang Ji Huang and Little Sheep



Huang Ji Huang



Little Sheep



East Dawning



649 stores



270 stores



8 stores



Self-heating instant hot pot



Hot pot soup base



Salty duck



Steamed bun + Soy milk

Three Distinct Coffee Brands



Simply a good cup of coffee and great price



KFC stores



Specialty coffee at affordable price



42 stores



Premium coffee & indulgent atmosphere



4 stores



Osmanthus coffee



Coffee capsules



Winter hot drinks



Pasta lunch set



Christmas dessert



Christmas drinks

Taco Bell Expanded to 12 Stores

Expanded to 4 new cities in 2020



Beijing



Ningbo



Chengdu



Shenzhen

Localized Products at Great Value



Mexican style spicy chicken rice bowl and wrap



Christmas/New Year combo for 2 person at 99 yuan

Launched Ready Meals

KAIFENGCAI

Pizza Hut



Cheese stuffed chicken breast /
Low fat chicken breast



“LuoSiFen” – Spicy noodle soup – a popular dish famous for its smell
Chicken soup
Fried rice in 3 different style



Ready-to-cook steak and pasta

2021 Outlook and Strategic Priorities

2021 FINANCIAL TARGETS

- ~1,000 gross new stores
- ~\$600 million Capex

STRATEGIC PRIORITIES

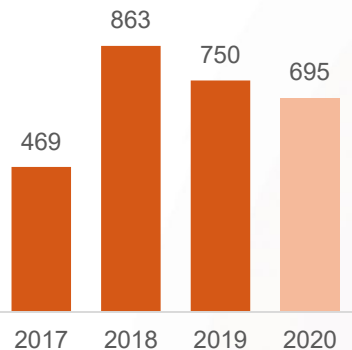
- Top priority is to safeguard the health and safety of our employees and customers
- Stay agile and adapt to the fluid situations
- Grow our store footprint and develop emerging brands
- Step up investment in digitization and infrastructure to support expansion
- Manage cost with vigilance and drive efficiency improvement

Capital Allocation Powers Business Growth

Cash

- **US\$4.3 bn** cash and short term investment
- Strong operating cash flows

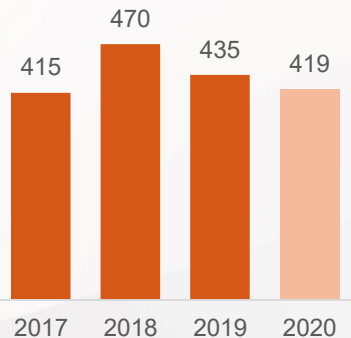
Free cash flow from operations¹ (US\$m)



Capital Expenditure

- To accelerate store expansion and remodeling
- To develop our emerging brands
- To step up investment in digitalization, automation and logistics infrastructure

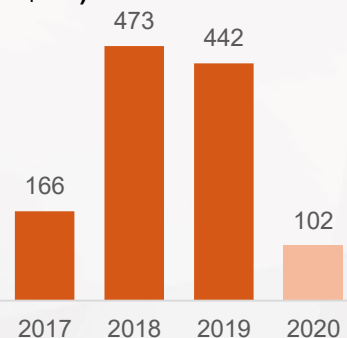
Capital expenditures (US\$m)



Shareholder Returns

- **US\$1.2bn** (since spin-off)
- Resumed cash dividends in 4Q'2020
- Expect steady returns to shareholders, in line with our profit growth

Cash dividends distributed and share repurchases (US\$m)



M&A and Investment

- To remain disciplined
- To explore opportunities:
 - Brands with excellent growth potential synergy
 - New capabilities and technologies
 - Build and support our ecosystem

Past transactions

Restaurant brands	<ul style="list-style-type: none"> • Huang Ji Huang (2020)
Joint Ventures	<ul style="list-style-type: none"> • Acquired 36% of Wuxi KFC (2018) • Acquired 25% of Suzhou KFC (2020)

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



Business Highlights

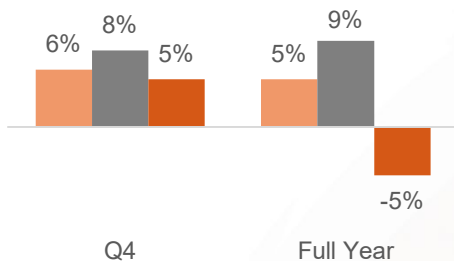
Appendix – Financial Results



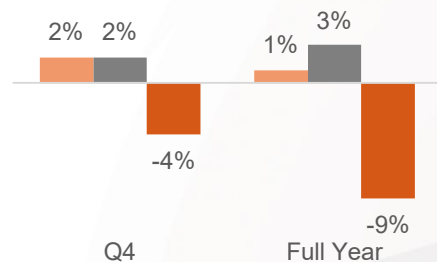
Q4 Results Improved Sequentially

Sales Growth¹

System sales growth (%)



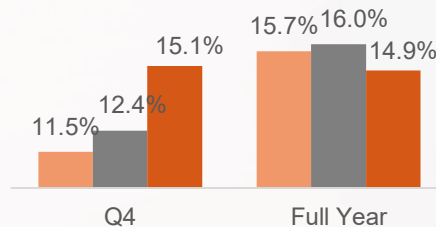
Same-store sales growth (%)



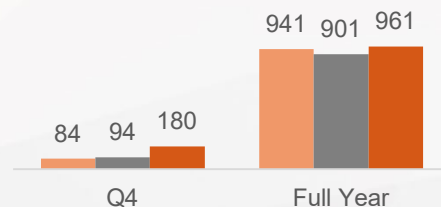
2018 2019 2020

Profit Margin

Restaurant Margin (%)

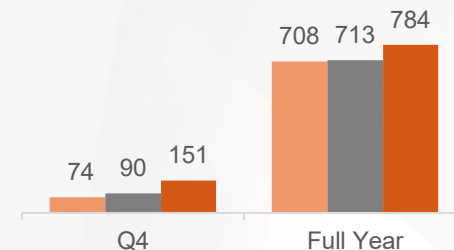


Operating Profit (OP) (US\$ mn)

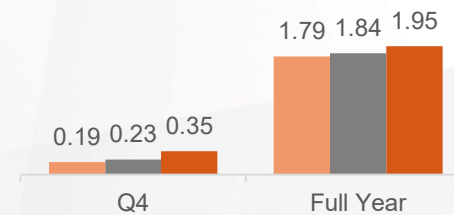


Net Income & EPS

Net Income (NI) (US\$ mn)



Diluted EPS (US\$)



Note: 2018 & 2020 OP, NI and EPS included gain from re-measurement of equity interest upon Wuxi KFC and Suzhou KFC acquisition respectively

¹ Stated in constant currency basis.

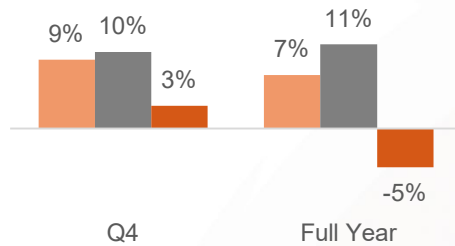
Note: Include the consolidation of Huang Ji Huang from April 2020 and Suzhou KFC from August 2020.



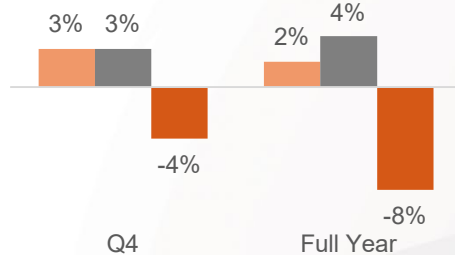
KFC Reported \$801 million Operating Profit¹ in 2020

Sales Growth² (%)

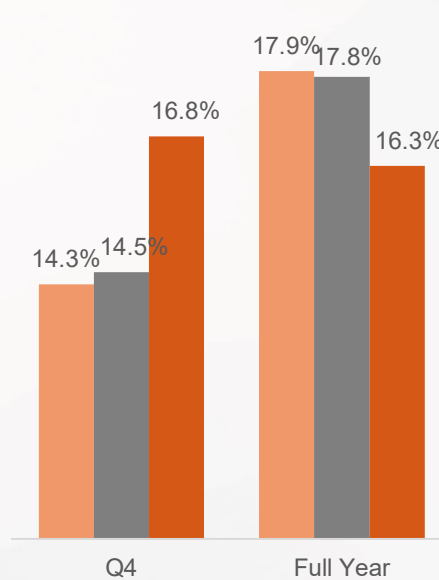
System sales growth



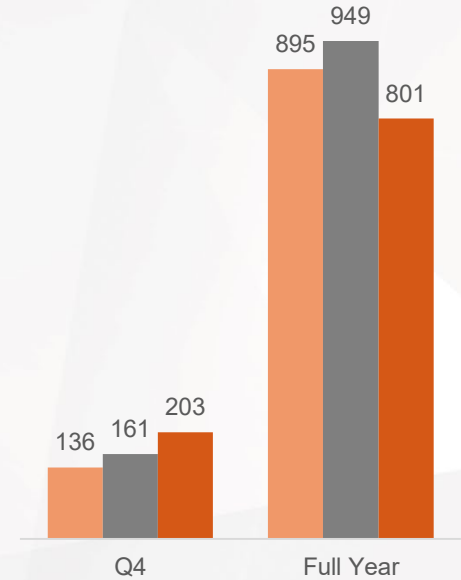
Same-store sales growth



Restaurant Margin (%)



Operating Profit¹ (US\$ mn)



¹ Segment Operating Profit before unallocated shared service costs and re-measurement gain from Wuxi and Suzhou KFC acquisition

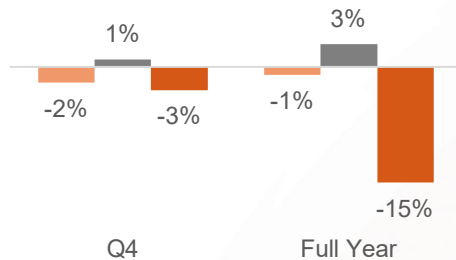
² Stated in constant currency basis.



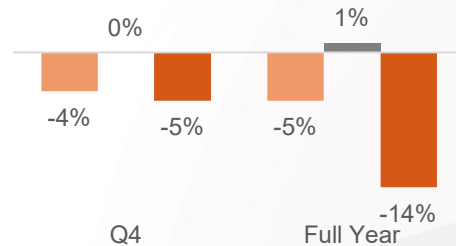
Pizza Hut Achieved Solid Margin and Profit

Sales Growth¹ (%)

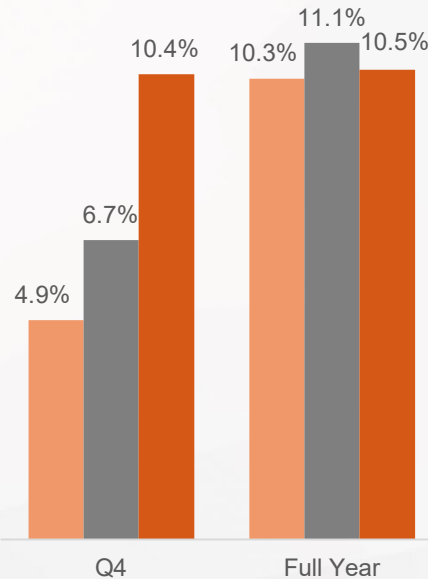
System sales growth



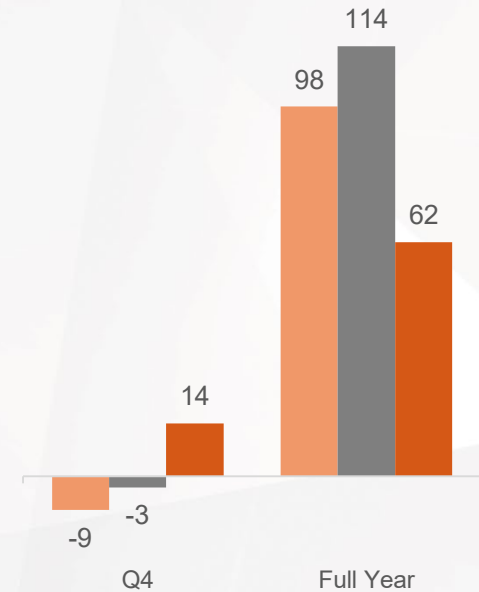
Same-store sales growth



Restaurant Margin (%)



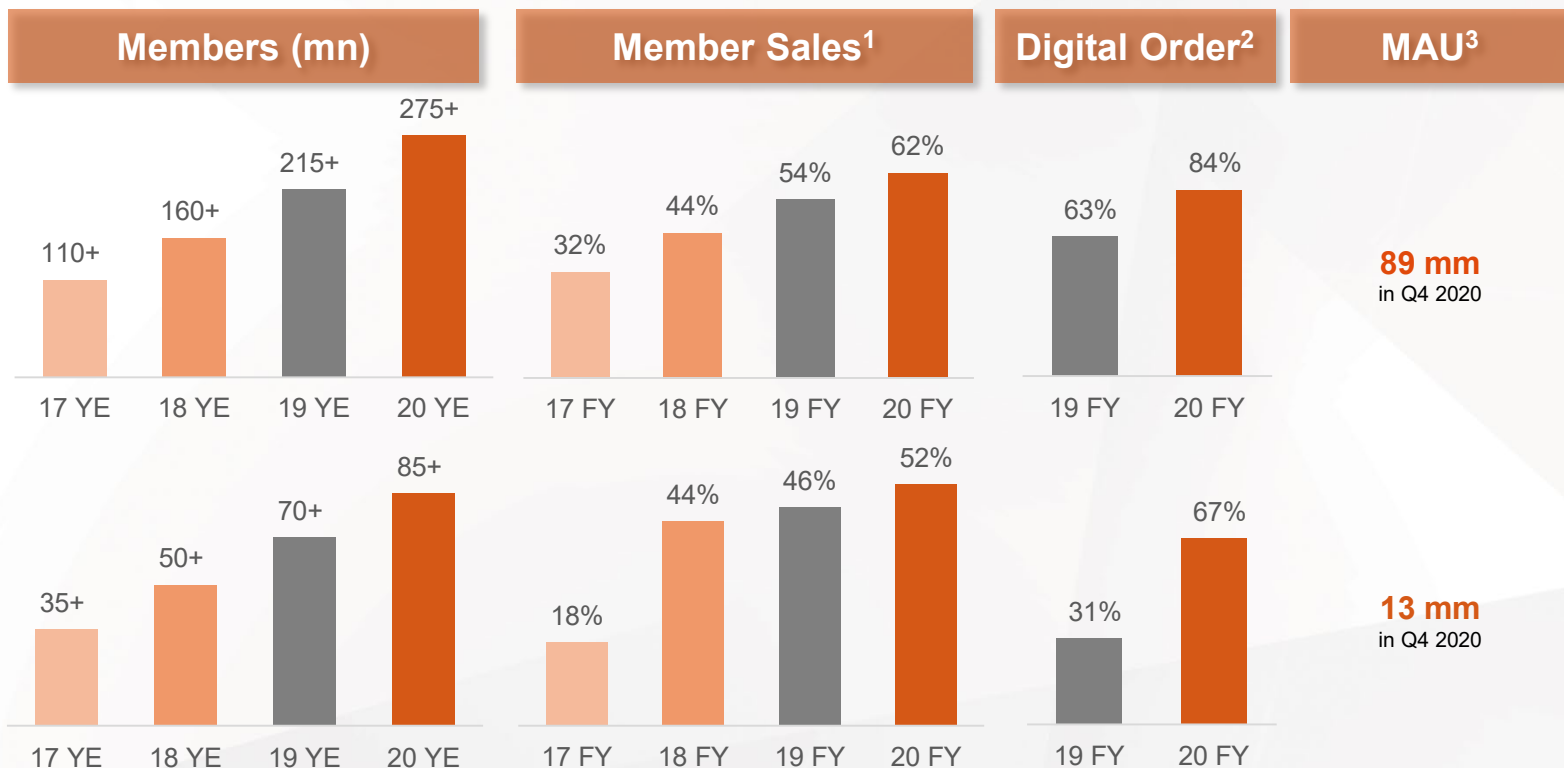
Operating Profit² (US\$ mn)



¹ Stated in constant currency basis.

² Segment Operating Profit before unallocated shared service costs.

Growing Popularity of Membership and Digital



¹ Member sales as % of system sales

² Digital order as % of Company sales

³ MAU refers to the monthly active users of the KFC Super App, Pizza Hut Super App, as well as the mini programs embedded in third party applications.

Reconciliation of Reported Results to Non-GAAP Measures



Non-GAAP Reconciliations

Reconciliation of Operating Profit to Adjusted Operating Profit

	Quarter Ended		Year to Date Ended	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Operating Profit	\$ 180	\$ 94	\$ 961	\$ 901
Special Items, Operating Profit	(2)	(11)	229	(11)
Adjusted Operating Profit	<u>\$ 182</u>	<u>\$ 105</u>	<u>\$ 732</u>	<u>\$ 912</u>

Reconciliation of Net Income to Adjusted Net Income

Net Income – Yum China Holdings, Inc.	\$ 151	\$ 90	\$ 784	\$ 713
Special Items, Net Income – Yum China Holdings, Inc.	(2)	(8)	169	(16)
Adjusted Net Income – Yum China Holdings, Inc.	<u>\$ 153</u>	<u>\$ 98</u>	<u>\$ 615</u>	<u>\$ 729</u>

Reconciliation of EPS to Adjusted EPS

Basic Earnings Per Common Share	\$ 0.36	\$ 0.24	\$ 2.01	\$ 1.89
Special Items, Basic Earnings Per Common Share	(0.01)	(0.02)	0.43	(0.04)
Adjusted Basic Earnings Per Common Share	<u>\$ 0.37</u>	<u>\$ 0.26</u>	<u>\$ 1.58</u>	<u>\$ 1.93</u>
Diluted Earnings Per Common Share	\$ 0.35	\$ 0.23	\$ 1.95	\$ 1.84
Special Items, Diluted Earnings Per Common Share	—	(0.02)	0.42	(0.04)
Adjusted Diluted Earnings Per Common Share	<u>\$ 0.35</u>	<u>\$ 0.25</u>	<u>\$ 1.53</u>	<u>\$ 1.88</u>

Reconciliation of Effective Tax Rate to Adjusted Effective Tax Rate

Effective tax rate	28.0%	26.8%	26.6%	25.9%
Impact on effective tax rate as a result of Special Items	0.3%	1.7%	(0.2)%	1.0%
Adjusted effective tax rate	<u>27.7%</u>	<u>25.1%</u>	<u>26.8%</u>	<u>24.9%</u>

Details of Special Items

	Quarter Ended		Year to Date Ended	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Gain from re-measurement of equity interest upon acquisition ⁽¹⁾	\$ —	\$ —	\$ 239	\$ —
Share-based compensation expense for Partner PSU awards ⁽²⁾	(2)	—	(7)	—
Derecognition of indemnification assets related to Daojia ⁽³⁾	—	—	(3)	—
Daojia impairment ⁽⁴⁾	—	(11)	—	(11)
Special Items, Operating Profit	(2)	(11)	229	(11)
Tax effect on Special Items ⁽⁵⁾	—	1	(60)	1
Impact from the Tax Act ⁽⁶⁾	—	—	—	(8)
Special Items, net income – including noncontrolling interests	(2)	(10)	169	(18)
Special Items, net income – noncontrolling interests	—	(2)	—	(2)
Special Items, Net Income – Yum China Holdings, Inc.	<u>\$ (2)</u>	<u>\$ (8)</u>	<u>\$ 169</u>	<u>\$ (16)</u>
Weighted-average Diluted Shares Outstanding (in millions)	<u>433</u>	<u>387</u>	<u>402</u>	<u>388</u>
Special Items, Diluted Earnings Per Common Share	<u>\$ —</u>	<u>\$ (0.02)</u>	<u>\$ 0.42</u>	<u>\$ (0.04)</u>

1) As a result of the acquisition of Suzhou KFC in the third quarter of 2020, the Company recognized a gain of \$239 million from the re-measurement of our previously held 47% 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 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 cost of \$2 million and \$7 million associated with the Partner PSU Awards for the quarter and year ended December 31, 2020, respectively.

3) In the quarter ended June 30, 2020, the Company derecognized a \$3 million indemnification asset previously recorded for the Daojia acquisition as the indemnification right expired pursuant to the purchase agreement. The amount was included in Other income, net, but was not allocated to any segment for performance reporting purposes.

4) During the year ended December 31, 2019, we recorded an impairment charge of \$11 million on intangible assets and goodwill attributable to the Daojia business. It was included in Closures and impairment expenses in our Condensed Consolidated Statement of Income, but was not allocated to any segment for performance reporting purposes. We recorded a tax benefit of \$1 million associated with the impairment, and allocated \$2 million of the after-tax impairment charge to noncontrolling interests.

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

6) We completed the evaluation of the impact on our transition tax computation based on the final regulations that were released by the U.S. Treasury Department and the U.S. Internal Revenue Service and became effective in the first quarter of 2019, and recorded an additional tax expense of \$8 million for the transition tax accordingly.